



RC Capital Management is an Investment Advisory Firm specializing in identifying and investing in high quality companies that trade at a substantial discount to our conservative estimates of Intrinsic Value.

This report is a compilation of our analysis of Financial / Business performance “**Talbros Automotive Components Limited**” from an investment perspective

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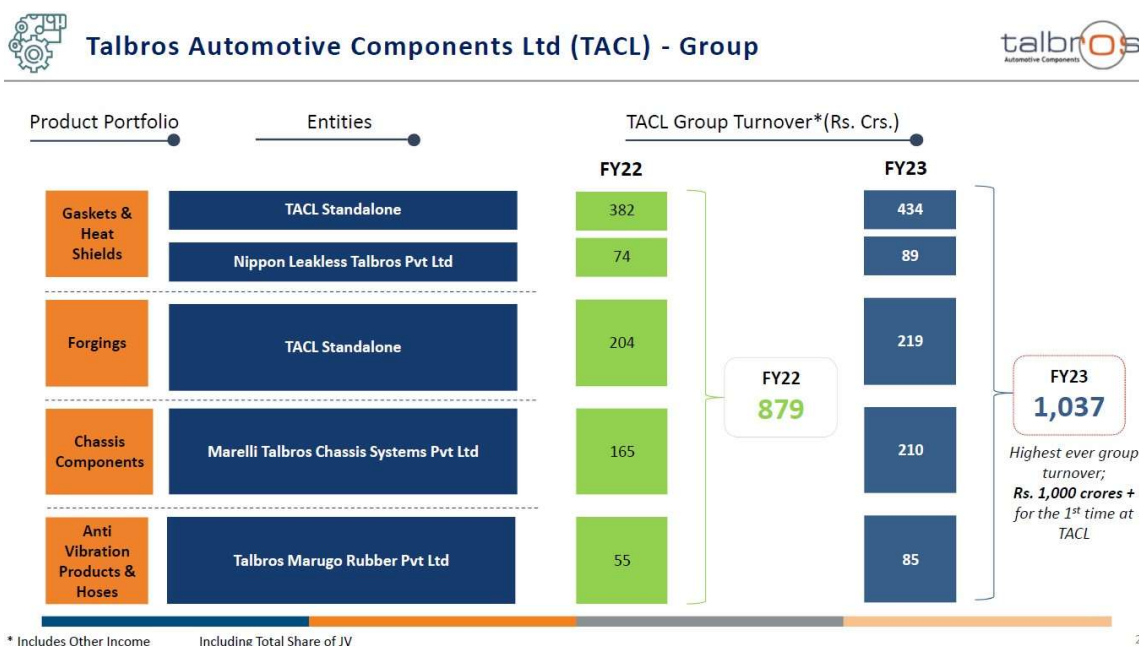
Company Analysis: Talbro Automotive Components Limited

Posted on 19th May 2021

About

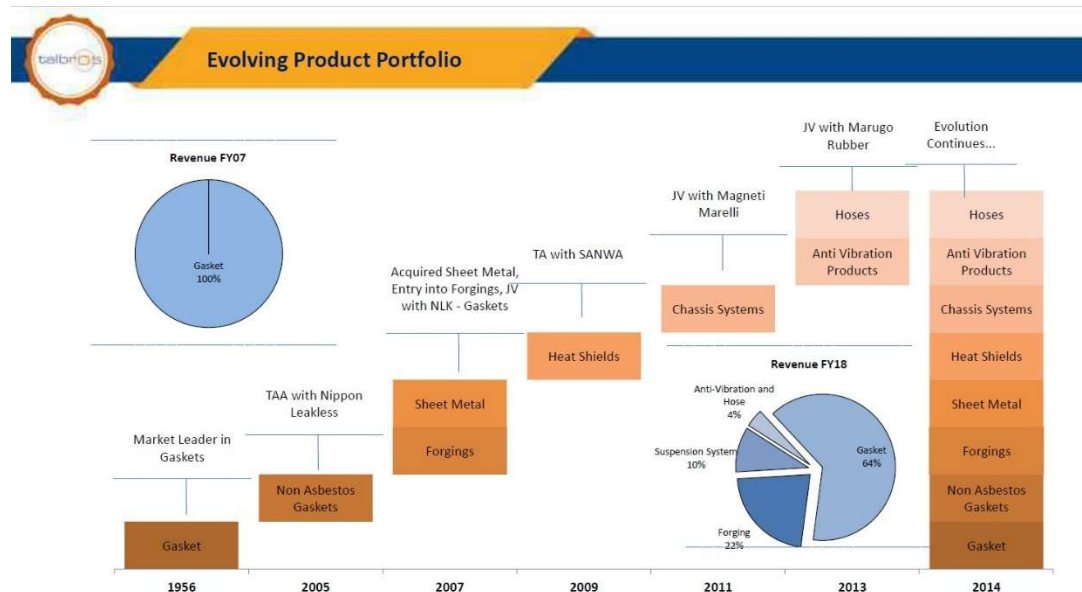
Talbro Automotive is an auto components company with multiple products sold through the standalone entity and Joint ventures.

The slide below gives a good overview of the various segments and the revenue split



The company started operations almost 50 years back in gaskets. The company signed a technical agreement with Nippon leakless for non-asbestos gaskets in 1997. A JV with the same company was formed in 2005 and a diversification into forgings was launched at the same time. The JV for suspension components with Magneti Marelli was formed in 2011 and with Marugo rubber for anti-vibration products and hoses in 2012.

Management shared this product roadmap in 2018, which they have been executing consistently till date



Industry review and competitive analysis

The global automotive part industry has been witnessing steady growth, driven by technological advancements, an increase in vehicle production and demand, and a surge in electric vehicle (EV) adoption. The Indian market plays a significant role in this growth, as India is the fourth largest auto market globally. It's a significant consumer market and hub for manufacturing and exports.

Indian auto part manufacturers have been upgrading their capabilities by meeting stringent international quality standards and achieving significant growth in exports. The industry is also characterized by substantial investments in R&D and innovation, particularly in areas such as EV components, lightweight materials, and autonomous vehicle technologies.

Most companies in this sector tend to specialize in specific components and mitigate their risk by diversifying across OEMs and geographies

Competitive Analysis

The Indian automotive part industry is highly competitive, with large number of domestic and international players. Major domestic companies include Bharat Forge, Motherson Sumi Systems, and Sundaram Clayton, each with a unique product portfolio and market strategy. Bharat Forge, for instance, specializes in lightweight components and EV technologies. On the other hand, Motherson Sumi Systems, India's largest auto part manufacturer by revenue, has a strong presence in wiring harness and mirrors for passenger cars.

International players like Bosch and Denso also have a significant presence in India. We also have intense competition coming from Chinese players with focus on EV components.

The Indian government's push for EVs through its National Electric Mobility Mission Plan and the Faster Adoption and Manufacturing of Electric Vehicles (FAME) schemes are expected to spur demand for EV-specific components. Also, the government's 'Make in India' initiative is encouraging domestic manufacturing, providing a boost to the sector.

Financials

The company has grown its topline from 371 Crs to 647 Crs in the last 10 years at a CAGR of 7%. Growth has been on the lower side, due to the impact of Covid in the intervening years.

Operating margin has been in the range of 10-13% which is reasonable for an automotive components company. It has been stable during periods of slow and recession which shows the resilience of the company and execution of the management.

ROC has been 13%+ on average during this period and improving in the recent years as various segments such as Forgings and JV achieve scale

Compounded Sales Growth 10 Years: 7% 5 Years: 10% 3 Years: 19% TTM: 12%	Compounded Profit Growth 10 Years: 15% 5 Years: 22% 3 Years: 60% TTM: 26%	Stock Price CAGR 10 Years: 32% 5 Years: 17% 3 Years: 88% 1 Year: 49%	Return on Equity 10 Years: 13% 5 Years: 14% 3 Years: 15% Last Year: 18%
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Positives

Some of the positives of the company can be found on this slide from the recent investor meet



Talbro 2.0

- Over 6 Decades of experience in Auto Component manufacturing
- Diversified Auto Component Player**
 Across Two Wheelers, PVs, CVs Off-Highway and Farm Equipments
- Electric Vehicles – Supply to EV’s (Major OEM’s globally)
- Diversified Product Portfolio** – Gasket & Heat Shields, Forgings, Suspension Systems, Anti-vibration Products & Hoses
- Wide Client Base; Orders from over 30 OEMs across products and geographies
- International Technology Tie-ups** including 3 JVs for Best-in-Class Products
- Consistent Dividend Pay-out over 50 years

The company is diversified across the various vehicle segments which reduces volatility in the revenue. It is also diversified in its product basket and is now expanding into global OEMs

The company has had three JV for 10+ years where it is developing new products and expanding into new markets

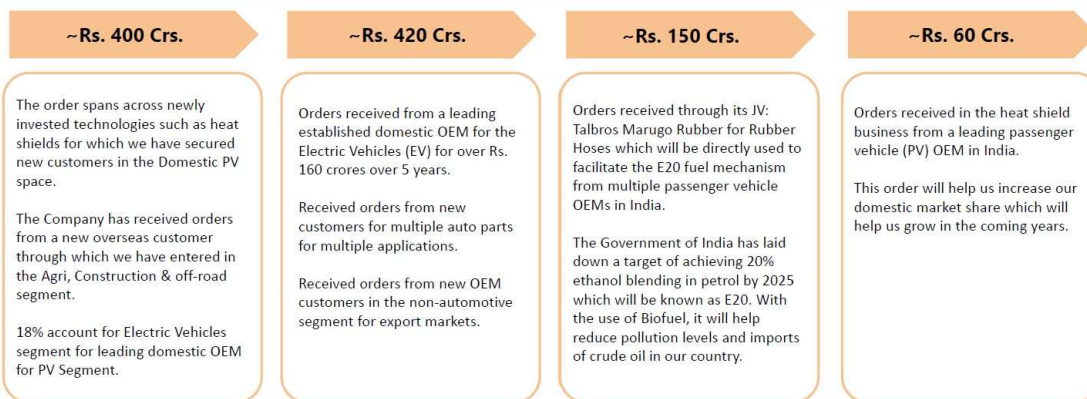
The company has been winning new orders from domestic and global OEM in its standalone business and through the three JV. This can be seen in the slide below. The 1000 Crs order book will result in around 200 Cr additional revenue per year.



New Multi year orders worth over Rs. 1000 crores received



TACL has received new multi years orders over Rs. 1,000 crores from both, domestic and overseas customers across its business divisions, product segments and JVs. These orders are to be executed over a period of next 5 years covering the company's product lines – gaskets, heat shields, forgings and chassis. These orders will help us increase our share with existing customers and new customers across geographies thereby gaining market share in coming years.



Management has been consistent in its strategy and execution for last 10 years. As shared in the roadmap, the company started in the gaskets business and through a JV expanded this segment. In the recent past, the company has developed heat shields which is now growing



In 2007 the company entered the forgings segment, which has achieved scale and expected to grow at a higher rate in the future

Revenue from Forgings Business

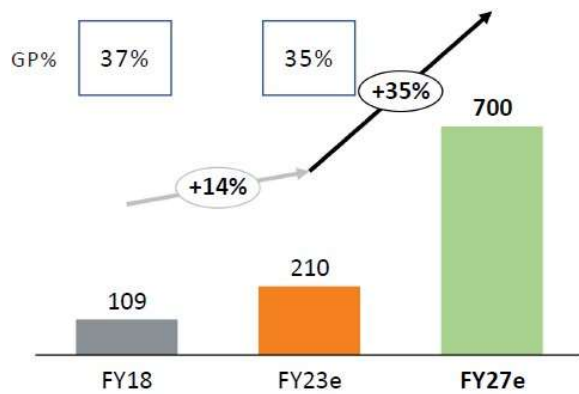


23% CAGR

over the next 4 years

The three JV are at an inflection point, as per the management, with the Magneti Marelli expected to grow at a 35% CAGR for the next 4 years

Revenue from MTCS Business



35% CAGR

over the next 4 years

Growth Strategy

The company’s growth strategy can be broken into three focus areas. New products, Expansion into new geographies and finally growth in the EV business

In the recent investor meet, the company shared the follow plans for the two standalone segments and the three JV.

- In the gasket segment, the company is growing the heat shields business, expanding into Russia & Japan and developing battery casing, convertor and controller units for the EV business
- In the forgings business, the company is adding heavier weight components upto 30 Kgs and expanding into north America & Mexico.
- In the JV with Magneti Marelli (MTCS), the company is entering into large suspension products, increasing exports to Marelli, and expanding capacity to tap exports
- In the JV with Marugo rubber (TMR), the company is expanding into engine mounting and silicon hose and targeting new OEM such as Tata motors, Mahindra and JLR

The 2027 goals in terms of financials are as follows

	Revenue (FY23e)			Growth (CAGR)	Revenue (FY27e)		
	% of Sales				% of Sales		
Gasket & Heat Shield	51%	423	} Rs. 818 crores	13%	41%	700	} Rs. 1,688 crores
Forgings	26%	215		23%	30%	500	
Marelli Talbro Chassis Systems* (MTCS)	13%	105		35%	21%	350	
Talbro Marugo Rubber** (TMR)	6%	41		22%	5%	90	
Nippon Leakless Talbro^ (NLT)	3%	34		9%	3%	48	



Talbro 2.0 – The Way Forward



Risks

- The company is exposed to the auto segment which is cyclical in nature. This is mitigated by the fact that the company has diversified itself across multiple segments such as PV, 2W/3W, commercial and offroad vehicles. That said, in a downturn the company will face an impact. However, this impact has been low in the past and margins have been maintained during downturns (no losses in any year over the last 10 years)
- The second risk is customer concentration which has been reducing as the company expands into new OEMs in India and globally.
- The final risk is product concentration risk. The concentration of the gasket business which accounted for 100% of the topline in 2007 has been reduced to around 44% and will reduce further in the future.

Management

- The company was started by the Talwar family almost 50 years back and is now being managed by the third generation – Mr. Anuj Talwar. He has been associated with the company for 10+ years. At the same time, the promoters have professionalized the senior leadership with each segment headed by its own business head. Each of these business heads have experience in the auto components industry.
- Capital allocation has been good over the last 10+ years. Management has invested in capacity and working capital to grow the business, without increasing debt, which remains below 100 Crs. The company has been able to improve its ROC in the last few years in spite of the slowdown in the auto segment in India due to covid and other issues
- Management compensation is reasonable. Finally, the disclosure levels of the company are of high quality considering its size. Management has been sharing details of its performance for the last 8-10 years and a detailed roadmap since 2018
- The company had an investor meet recently where they shared updates on the same roadmap and provided adequate details on the various segments and their progress

Scenario analysis

We have the following range of scenarios for the company and corresponding range of valuations for the company for 2026

- Hypothesis 1: Topline grows by 20% as indicated by management. Margins improves 100 bps. This is as per the goals shared by the management
- Hypothesis 2: Topline grows by 22%, better than management commitment. Margins improves 150 bps. This seems to be the high end of the execution for now
- Hypothesis 3: Topline grows by 10% as in the last 5 years. Margins show no further improvement. This is similar to what has happened in last 10 yrs where the topline did not grow

Current + Yr 3	H1	H2	H3
Sales	1130	1250	900
OPM	16%	16%	15%
NPM	10%	10%	9%
Net profit	110	127	84
PE	18	20	9
Mcap	1983	2531	759

The above scenarios are a range of values for the company based on which hypothesis plays out. At the high end (H2), there is a 3X on the upside and on the low end it's a 20% loss on the downside. We are looking at 3:1 odds for the company

These range and odds will change as the macro environment and the company's execution/response changes. These numbers are not set in stone and will change based on how the company performs. We will make buy/hold or sell decision accordingly.

Conclusion

Talbro Auto is a smaller auto part company with a diversified product and customer base. This reduces the risk and volatility to its topline and earnings from business cycle in the auto business. This is visible from the consistent growth (~ 10% CAGR) and steady margins of 9-13% in the last years in spite of recessions, Covid and other slowdown in the economy

The company has been executing a focused strategy of diversifying its products and customer base. The results of the strategy were delayed due to Covid but have started improving now. If the company can achieve its stated plans, we should have a reasonable return from the stock.

Q1- 2024 Results Analysis

Posted on 11th September 2023

The company reported a 20% growth in topline, 34% growth in EBDITA and 46% growth in profits for the quarter

In addition to the 1000 Crs order received in FY23, the company received another set of orders for around 400 Crs in July. This adds to another 100 Crs of sales per year going forward

New Multi year orders worth over Rs. 400 crores received in July-23



TACL has received new multi year orders worth ~400 crores from Domestic and Overseas Customers across its business divisions, product segments and JVs. These orders are to be executed over a period of next 5-7 years. These orders will help the Company increase its share with existing customers and new customers across geographies which will help the Company grow and gain market share in the coming years.

The order covers the following product lines



Gaskets

Heat Shields

Forgings

Chassis

Orders received from a leading established export OEM for the Electric Vehicles (EV) for Body in White - Stamped Metal Part for over Rs. 165 crores over 5 years (Expected SOP for these products is FY25). This order is through the JV- Marelli Talbro Chassis Systems.

Received orders for Forgings products like Ring Gear, Gear Planet, Spacer, Brake Pistone, Cover King Pin, Planetary Gear and many more from export customers for over ~50 crores over 5 years.

Received orders worth ~Rs. 65 crores for over 5 years for the heat shield products from multiple domestic OEMs. These order span across new technologies in the heat shield space.

Received orders worth ~Rs. 120 crores for over 5 years for the gasket products from both domestic and export OEM customers. This includes an order worth ~Rs. 40 crores for EVs from a leading overseas OEM.

Management is quite confident of reaching a topline of 2200 Crs by FY27 with a margin of 15%+ and ROC of 25%+. The company is focused on growing the topline via exports (which account for 25% of sales), expansion into EV and addition of new customers

The various divisions of the company are growing well. The legacy gasket & heat shields business grew by 15%. The newer high growth forging business grew by 33% and is expected to grow rapidly in the future. The various JV are also doing well. The Magneti Marelli JV grew 27% and is working on new RFQ for the EV space

I am changing the fair value of the company from 750 to 900

Q2- 2024 Results Analysis

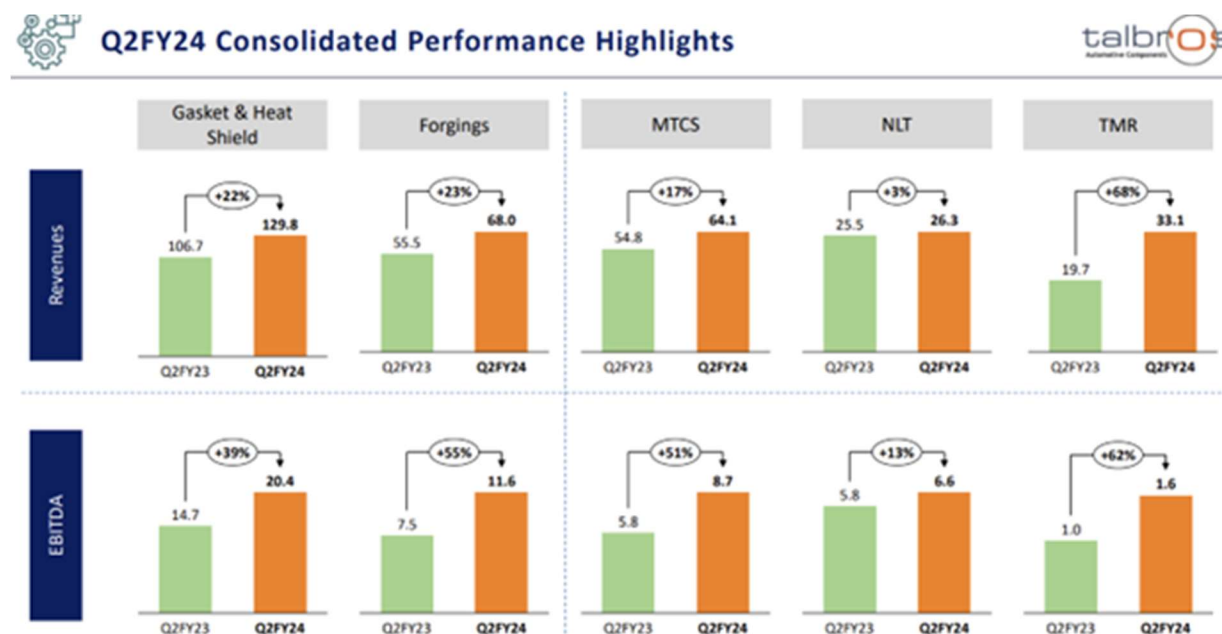
Posted on 15th November 2023

The company reported a 21% growth in topline, 39% growth in EBDITA and 53% growth in profits for the quarter

In addition to the 1000 Crs order received in FY23, the company received another set of orders for around 400 Crs in July. This adds to another 100 Crs of sales per year going forward. Additional orders have been received and management will be sharing an updated order book soon

Management is quite confident of reaching a topline of 2200 Crs by FY27 with a margin of 15%+ and ROC of 25%+. The company is focused on growing the topline via exports (which account for 25% of sales), expansion into EV and addition of new customers

The segment wise performance is shown below



The various divisions of the company are growing well. The legacy gasket & heat shields business grew by 22%. The newer high growth forging business grew by 23% and is expected to grow rapidly in the future. The various JV are also doing well. The Magneti Marelli JV grew 17% and is working on new RFQ for the EV space.

I am raising the fair value to 200

Q1- 2025 Results Analysis

Posted on 8th October 2024

The company reported a 13% growth in topline, 24% growth in EBDITA and 18% growth in profits for the quarter. EBDITA margin improved to 16.5% and management expects to maintain it at the current level for the medium term.

The company sold its 40% stake in NLT for 81 Crs and will get around 65 Crs post tax. Management indicated that they plan to use this cash for JV/Technical alliance and other growth initiatives

In addition to the 1000 Crs order received in FY23, the company received another set of orders for around 1000 Crs in April 2024. This adds to another 150 Crs of sales per year going forward. Additional orders have been received, and management will be sharing an updated order book soon

Management is confident of reaching a topline of 2000+ Crs by FY27 with a margin of 15%+ and ROC of 25%+. The margin goal has already been achieved. The company is focused on growing the topline via exports (which account for 27% of sales), expansion into EV and addition of new customers

The segment wise performance is shown below



Q1FY25 Consolidated Performance Highlights



The various divisions of the company are growing well. The legacy gasket & heat shields business grew by 9% and management expects 12-14% growth over time.

The newer forging business grew by 21% and is expected to grow rapidly in the future. The various JV are also doing well. The Magneti Marelli JV grew 21% and is targeting more orders in the future. The TMR JV which supplies mainly to Maruti should see better margin as it has received a price increase recently. Management expects this JV to perform better in the second half of the year

I am raising the fair value to 270

Q1- 2026 Results Analysis

Posted on 8th October 2024

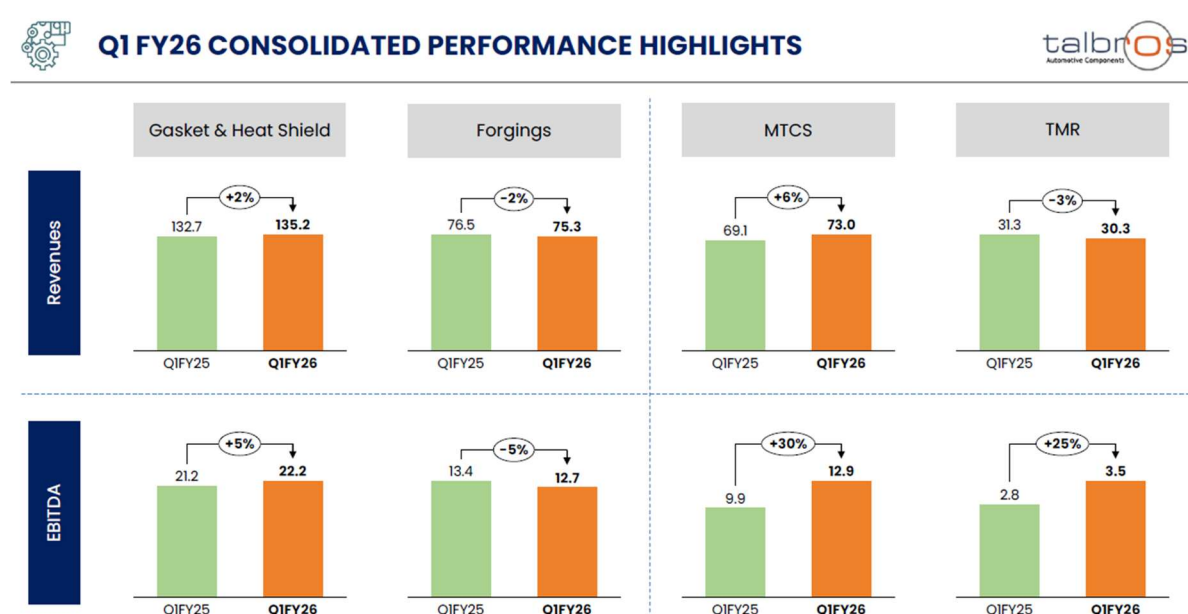
The company reported a 1% growth in topline, 1% growth in EBDITA and 8% growth in profits for the quarter.

The company has received another set of orders for around 580 Crs upto June 2025. Additional orders have also been received, and management will be sharing an updated order book soon

Management has strong expectations that growth will improve from Q2 and will revive fully in H2 of the year. They expect to deliver ~15% topline growth with around 1% EBDITA improvement. This confidence is based on the order schedules shared by the OEM

Management is confident of reaching a topline of 2000+ Crs but could face a 6-12 month delay due to uncertainty in all the markets. The company is focused on growing the topline via exports (from 28% to 35% of sales), expansion into EV and addition of new customers

The segment wise performance is shown below



The forgings business had a small degrowth due to delay in orders from BMW (which are expected from Q2) and break down of a few presses. Management is adding a 1600 Tonne press and has ordered a 4000 Tonne press in view of the demand for larger forged components

There has been a distinct slowdown in the topline and this is reflected in the stock price which is stagnant. We will monitor the performance of the company before making a decision

You can find the financials of the company at [Talbro Automotive Components Ltd Financial Results – Quarterly & Annual, Quarterly Trends, Annual Trends | BSE \(bseindia.com\)](#)

Q2- 2026 Results Analysis

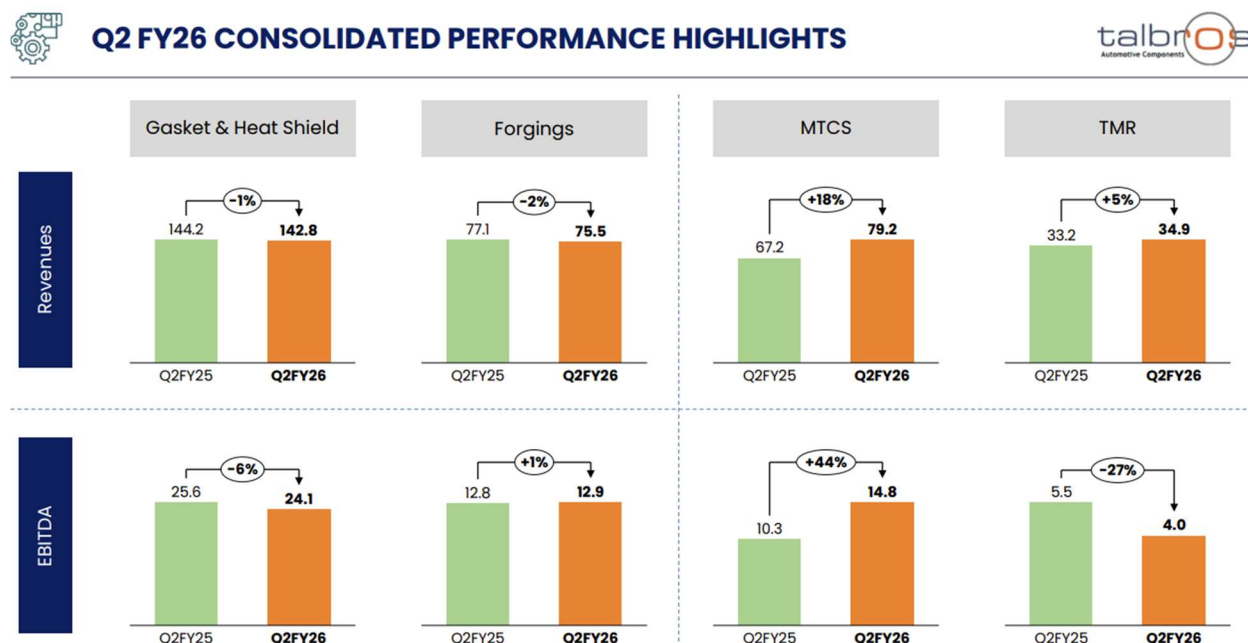
Posted on 19th November 2025

The company reported a 1% de-growth in topline, 5% de-growth in EBDITA and -1% growth in profits for the quarter. As per the management this was due to several reasons – Cyber-attack at a customer which caused delivery stoppage, slowdown in Europe and weakness in the CV market

Management has strong expectations that growth will revive fully in H2 of the year. They expect to deliver ~10% topline growth with around 1% EBDITA improvement. This confidence is based on the order schedules shared by the OEM

Management is confident of reaching a topline of 2000+ crores but could face a 6-12 month delay due to uncertainty in all the markets. The company is focused on growing the topline via exports (from 28% to 35% of sales), expansion into EV and addition of new customers

The segment wise performance is shown below



There has been a distinct slowdown in the topline and this is reflected in the stock price which is stagnant. The performance is not satisfactory, and we are dropping the Fair value growth to 14% and the buy price to 250

There is no action if you hold the stock (like us). If you have not bought the stock, the new buy price is shared above.

Q3 - 2026 Results Analysis

Posted on 24th February 2026

The company reported a 6% growth in topline, 12% growth in EBDITA and 15% growth in profits for the quarter. The performance is lower than other auto component companies due to the following reason.

The operation of JLR was halted due to a cyber-attack and has resumed in the last 45 days. As a result, the forging segment had no growth in the quarter. The gasket/heat shield segment supplies mainly to CV customer such as Tata motors, Mahindra etc and the segment performance was in line with that of the customers. The two joint ventures – Marelli and Marugo had a growth of 25% each.

Management expects 15-18% growth in Q4 and are targeting a consolidated revenue of around 1700 Cr (20%+ growth) for FY 27

The company has received orders worth 1000 Crs which will be executed in the next 5 years. The forging segment accounts for 500 Cr of this order book and management is investing 85 cr in capex for this segment in 2026.

Overall, the performance is fine, but below expectations considering the tailwinds in the sector. There is no change in our position for now.

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