



NDR AUTO COMPONENTS LIMITED

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Sub: Transcript of the Earning/Quarterly Call of FY 2023-24

Dear Sir/Madam,

Pursuant to the provision of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the transcript of the earnings/quarterly call Q3 and nine months of FY 2023-24.

The same is also available on the website of the Company.

Kindly take the same on your record.

Thanking You

For NDR Auto Components Limited

Rajat Bhandari

Executive Director and Company Secretary

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NDR Auto Components Limited

Q3 and 9 Months FY '24 Earnings Conference Call Transcript

February 08, 2024

Rishab Barar: Good day everyone and a warm welcome to all of you participating in the Q3 and 9 Months FY '24 Earnings Conference Call of NDR Auto Components Limited.

We have with us today on the call Mr. Pranav Relan – Whole-Time Director, Mr. Vinod Kumar – Chief Financial Officer, Mr. Sanjiv Kumar – Financial Advisor and Mr. Rajat Bhandari – Executive Director and Company Secretary, along with other members of the senior Management Team.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and are subject to risks and uncertainties. A statement in this regard is available in the Q3 and 9 months FY '24 “Earnings Presentation” shared with you earlier.

We will start this call with opening remarks from the Management, following which we will have an interactive question-and-answer session.

I now request Mr. Pranav Relan to share some perspectives with you with regard to the operations and outlook for the business. Over to you, sir.

Pranav Relan: Good day everyone and a warm welcome to our Q3 & 9 months FY '24 Conference Call.

Let me start by quickly recapping our financial performance for the Quarter and 9 months under review:

In Q3 FY '24, on a consolidated basis, our total revenue Y-on-Y increased 31.78% to Rs. 141.06 crore. Our EBITDA increased by 56.46% to Rs. 13.73 crore, translating to EBITDA margins of 9.73%. PAT for the quarter under review amounted to Rs. 8.54 crore, translating to a non-annualized EPS of Rs. 7.18. Our YTD revenue amounted to Rs. 428.18 crore, EBITDA at Rs. 42.44 crore with operating margins of 9.91%. 9 months FY '24 PAT amounted to Rs. 27.1 crore.

We are delighted to inform you that NDR Auto Components has been empaneled as a supplier to Hyundai Transys to supply seat trims to Kia and will commence supply from January 2025. The seating trims will be manufactured at the company's



manufacturing facility in Bangalore which is in close proximity to Hyundai Transys manufacturing operations. This is a reflection of our strong operational capabilities and is in line with our strategic endeavor to widen our OEM relationships. Kia is now our third OEM partner adding to our other esteemed and long-term automobile OEM relationships with Maruti Suzuki and TKML.

Also, in line with our business strategy of expanding our product portfolio, we are happy to announce our entry into a technical assistance agreement with Hayashi Telemu, for the supply of sunshade which we will supply to Maruti Suzuki and Toyota Kirloskar Motors. Hayashi Telemu is a USD 1.8 billion revenue company based out of Japan with capabilities in producing automotive interior and exterior parts and operations spread across Asia and North America. Both these initiatives enhance our scale and stature and offer us a wider performance for futures and strategic initiatives.

Utilizations at our facilities across Haryana, Bangalore and Gujarat stood at 70% to 80% offering us an ample runway to enhance sales with present capacities. Installation of new capacities for Maruti Suzuki Limited has commenced and is expected to be completed by December '24. The auto component space is in an exciting phase, and we believe there will be several opportunities for companies like ours.

We are happy with our financial and operating performance in the just concluded quarter and nine months but believe there is a lot more to do.

We will now be happy to discuss any thoughts or questions you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Congratulations on the quarter as well as expanding both your product basket and the clientele. Now, first, a couple of questions on the two new initiatives you have announced. On the sunshade side, just to kind of clarify, what's the exact product? This is at the rear passenger, the sunshade that is put in or what is this exact product?

Pranav Relan: So, it's at the rear passenger.

Jatin Chawla: And with the Rs. 8 crore kind of investment that you are doing, what is the asset turnover in this line of business? What is the revenue potential with the investment that you are doing?

Pranav Relan: So, it's about Rs. 30 crore to Rs. 35 crore.

Jatin Chawla: And is this for particular models that you have ordered or is the product here kind of not product model specific?

Pranav Relan: So, it's for a particular model. Now, once the model comes with the new feature, then we will let you know which model it's for.

Jatin Chawla: And this order for Hyundai Transys, this is only trims right now, right? This is not seat frames.



Pranav Relan: It's only trims right now. That's our first step into Transys.

Jatin Chawla: And in the future, is there an opportunity to get into frames as well? Or that is something that Hyundai Transys does on its own?

Pranav Relan: So, that's something we are evaluating as well. Trims had the shortest lead time.

Jatin Chawla: And on the trims side with the Rs. 8 crore investment, what is the kind of revenue potential?

Pranav Relan: So, that is closer to the Rs. 80 crore to Rs. 85 crore number.

Jatin Chawla: And again, this is for a particular model or for the entire kind of Kia portfolio?

Pranav Relan: This is for a new model, which is expected to start in January 2025.

Moderator: Thank you. We will take our next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, if you could give us an understanding how the revenue mix is likely to be post these two are into operations going ahead in terms of the current mix in the product profile and how are these two going to change?

Pranav Relan: I do not have that offhand. We will share that with you after the call. *{As of now Trim is 40% & Frame is 60%. We expect the 50 :50 in future after Hyundai KIA Business}*

Saket Kapoor: And as you mentioned about the sunshade part, in the entire ecosystem, how will the things work? The entire set will be prepared on a different line, and we will be doing the installation work or how will that work?

Pranav Relan: So, it's a completely new investment that we will do assembly at the moment and eventually we will localize all the products in India.

Saket Kapoor: So, currently the entire thing would be assembled at your location. We will be outsourcing all the components and the same would be just assembled at your lines. Will be doing just job work. We will not be manufacturing any of the components. That is the understanding.

Pranav Relan: We will manufacture most of the components, except one component is imported at the moment that we will localize shortly.

Saket Kapoor: Then the total component of what percentage of value addition will be done at our end and the import? Any split you can provide?

Pranav Relan: So, we will share that with you. *{The Import component is very minimal}*

Saket Kapoor: And if we look at your current order book and also the deliverable schedule from the OEM, what is the outlook you would like to share? And Q-on-Q, what explains this dip in revenue from September quarter to December quarter?



Pranav Relan: September to December quarter, the decline is probably because of the off-stake. December quarter usually have more holidays, the Diwali holidays and block shutdown. That is why there is a minor decline. On a Q-on-Q basis, we were up by about 40% on a Y-on-Y basis.

Saket Kapoor: And for Q4FY24, how likely the profile is going to be? What is the revenue trajectory?

Pranav Relan: It should be better than Q3FY '24. Normally Q2FY '24 and Q4FY '24 tend to be the best two quarters.

Saket Kapoor: Again, we are utilizing our lines at optimum level. Utilization levels are optimum.

Pranav Relan: I think Q4FY' 24 should be the best quarter.

Saket Kapoor: No, in Q4FY' 24 we will be utilizing it at optimum level.

Pranav Relan: Yes.

Saket Kapoor: Sir, going ahead in terms of our main product line, in terms of seat, are you expanding further? And also, are we engaging with other models when preparing ourselves for other models of Maruti going ahead and any thought process on that?

Pranav Relan: So, there is a new model that is coming in end of the year for Maruti and in addition we have got new business from Kia.

Saket Kapoor: And how the revenue mixed will be? What kind of business is anticipated from Kia?

Pranav Relan: Seat trims is from Kia and for Maruti new model its frame and trim.

Saket Kapoor: The Kia business size would be about what, sir?

Pranav Relan: It's about Rs. 80 crore.

Saket Kapoor: Annual business we will be doing from Kia of 80 crore?

Pranav Relan: It's Rs. 80 crore, yes.

Saket Kapoor: And in terms of the RM part, how are the prices and how is the RM basket shaping up?

Pranav Relan: So, in the Kia business or overall?

Saket Kapoor: Overall, how are the RM baskets shaping up?

Pranav Relan: RMC does not affect us since it's a pass on.

Saket Kapoor: But it is after only a lag effect or it is also done retrospectively?

Pranav Relan: It's done as soon as the quarter finishes, whatever we pass on to the supplier, we get that.



Moderator: Thank you. We have our next question from the line of Majid Ahmed from SmartSync Investment. Please go ahead.

Majid Ahmed: So, my first question that I have is, now you are saying your plan to do with Kia and as well as selling for the suntop, what is the revenue potential for that?

Pranav Relan: The Kia business is about Rs. 80 crore. The shade business is about Rs. 35 crore.

Majid Ahmed: Annually or?

Pranav Relan: Annually.

Majid Ahmed: So, what happens like what happens to the PAT Margin? Where the PAT Margin have gone down?

Pranav Relan: PAT Margin Y-on-Y has increased. Q-on-Q because of the lower off-take from our customers.

Majid Ahmed: And going forward this year, what is the EBITDA Margin that you plan to close?

Pranav Relan: So, approximately 10% is what we close in.

Moderator: Thank you. We have our next question from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

Dhruv Shah: I have three questions. First one, first of all, congratulations on tying up with Kia. Are we still pursuing with other clients or are we right now good with two clients and want to build Kia before we pursue any other clients?

Pranav Relan: So, we are pursuing other clients, and we are going to build Kia.

Dhruv Shah: But that brings to me that you are planning to grow Kia in Bangalore and we were already running at optimum capacity in Kia. So, do we have enough land available there to put up more capacity for Kia?

Pranav Relan: Yes, we have enough land.

Dhruv Shah: And will you be able to quantify that?

Pranav Relan: So, the Bangalore facility is on rent. We have just taken additional space next to it.

Dhruv Shah: Fair enough. And can you just also tell us what is the capacity utilization right now in Gujarat and Bangalore?

Pranav Relan: Both are close to 70% to 80%.

Dhruv Shah: So, if that is the thing, then next year, ex of your new tie-ups, can we still expect a double-digit growth because you are running already at optimum capacity?

Pranav Relan: There is a new model coming in Gujarat and there is a model shift from Gujarat to NCR. So, yes, I think next year should be a decently good year.



Dhruv Shah: And next question is on your technical assistance with this global major. Can you just shed some light on that? Because in one of your press release you have mentioned it is 1.8 billion yen. It is quite a big one. So, apart from sunshade, are we looking for any other technical tie-ups and what are the commercials we have tied up with?

Pranav Relan: At the moment, we have done a technical assistance agreement. We are a Toyota supplier for interiors and exteriors. They do all the interior parts except seating. So, we started with the shade because there is a need for shade. We have a first mover's advantage in the country, and we see a large opportunity going ahead.

Dhruv Shah: So, there are plans to take this technical assistance even further from sunshade.

Pranav Relan: Yes.

Dhruv Shah: Will that be your right perspective?

Pranav Relan: Yes.

Dhruv Shah: And in sunshade, it is basically the thing which you get in all the luxurious cars, right? It is not a film, but it is just a shade, right? So, is it expensive? Or is there any technical thing which you need to tie up? I could not get that part.

Pranav Relan: So, luxury cars is electronic. This is a manual mechanical part. So, the technology is in the mechanism of it.

Moderator: Thank you. We have our next question from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: I am new to the company. So, I just wanted to ask a simple question first. You are obviously growing much faster than the automobile market is. So, you are probably gaining market share from your competitors. Just wanted to understand what is it that is allowing you to do so rapidly, gain market share? And what are you doing differently that is enabling such a success?

Pranav Relan: In addition to gaining market share, our product is becoming very premium. For gaining market share, we have high volumes in the country. So, we are using that, the Maruti volumes and Hyundai Kia also.

Parikshit Kabra: Can you help me understand how the high volumes is enabling you to get a competitive edge?

Pranav Relan: We have the Maruti volume base, we are leveraging that for Hyundai Kia.

Parikshit Kabra: Do you mean in terms of economic scale, in terms of procuring raw materials?

Pranav Relan: Yes, and footprint utilization.

Parikshit Kabra: You mean your factories, the footprint of the factories being closer to the OEMs?

Pranav Relan: Exactly.



Parikshit Kabra: So, could you name some of your key competitors that you are gaining market share from?

Pranav Relan: So, we got business from Hyundai Kia. There were some other...

Parikshit Kabra: No, I do not mean your customers. I mean your competitors whose expense you are growing on.

Pranav Relan: So, our competitor in Maruti is Krishna Maruti and in Hyundai Kia, there was Saddle. And then there is a Korean company.

Parikshit Kabra: And so between a mixture of being close to the OEM's existing factories and having such a high volume, you are able to provide the same quality or better quality product at a lower price. That is your key competitive edge, correct?

Pranav Relan: Yes.

Parikshit Kabra: So, again, you might know better, but from what I am hearing in the newspapers today, the automobile sector is supposed to slow down in terms of growth, the growth that it has seen over the last couple of years, some expectations of it going down to 3-4% over the next year or two. How do you think that is going to affect your business? Will the premiumization and the gain in market share more than compensate for the loss in tailwinds in the industry?

Pranav Relan: So, all our customers want to double their capacity in the next 6 or 7 years. That is the end goal. Maybe 6 months, 9 months is a slowdown, but we will come out of that.

Parikshit Kabra: So, you are not expecting any significant slowdown.

Pranav Relan: No significant slowdown.

Parikshit Kabra: And lastly, I am not sure if you already mentioned it, but do you have any CapEx guidance for this year and next year?

Pranav Relan: So, we have got about Rs. 20 crore for next year.

Parikshit Kabra: And in terms of margin, are you expecting it to increase further or now it will be stable at around 9?

Pranav Relan: It is stable around 10, I think we should be hitting.

Moderator: Thank you. We have a next question from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: So, this installation of new capacity that you said by December '24, where is this? And for which model?

Pranav Relan: This is in Gujarat. It's for a new model and from Gujarat, we will ship some capacity to NCR.

Jatin Chawla: So, what is the capacity that you are putting up by December '24? What is the size?



Pranav Relan: So, we will be around 250,000 - 300,000 in Gujarat.

Jatin Chawla: And right now it is how much?

Pranav Relan: It's about 250,000 - 300,000, but then we have to ship for a model in NCR. So, we were at 1.1 million. We will be at 1.3 million, all across.

Jatin Chawla: And this includes the Kia capacity, or this is without that?

Pranav Relan: This is without the Kia.

Jatin Chawla: The Kia thing will be additional.

Pranav Relan: Yes.

Jatin Chawla: And this Kia, because the business, because you are doing trims, I see that the asset turnover is very high. So, does that mean that the margins would be lower than the normal 10% margin that we do right now?

Pranav Relan: So, margins will be slightly lower, but in terms of ROCE, we should be at the same number.

Jatin Chawla: And similarly for the sunshade program, margins...

Pranav Relan: The margin will be higher, and the ROCE will be similar.

Jatin Chawla: And any kind of order book number that you can share with us? Where are you right now?

Pranav Relan: We were at about Rs. 100 to Rs. 150 crore. In addition, we have got another Rs. 120 crore. So, we should be closer to the Rs. 200-250 crore number.

Jatin Chawla: And this is additional to whatever business we are doing today.

Pranav Relan: Yes.

Moderator: Thank you. We have our next question from the line of Darshil Pandya from Finterest capital. Please go ahead.

Darshil Pandya: I just want to understand one thing for the sunshade business. You said that you will start it in around January 2025. So, is it going to take around 10 to 12 months for us to build this capacity or how is it?

Pranav Relan: The order is for January 2025. So, the model changes. The Suzuki model gets launched then. It is for that.

Darshil Pandya: So, for just one specific product we are building, we are spending Rs. 8 crore for this model.

Pranav Relan: What we believe is that this is the premium most car and slowly, slowly will come down to most of their vehicles.



Darshil Pandya: So, post this, it will be around all the Suzuki models that you are serving.

Pranav Relan: Yes. I think slowly-slowly they will start installing this feature in most of the cars.

Darshil Pandya: The sunshade that you are building, so does this have a common size or something? How is it? I just want to understand this one. So, it can easily be used in other models or how is it? Or is there an agreement with Suzuki or how is it?

Pranav Relan: We have tied up for all the OEMs in the country, Suzuki is the first maker that we have got business from.

Darshil Pandya: So, we can expect this business to go with other OEs as well.

Pranav Relan: That's what we are planning.

Moderator: Thank you. We have our next question from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: If you could explain the share of profit of associates and the same from the joint ventures also? I think these are the equity stakes that we have in the other companies.

Pranav Relan: Associate is Bharat Seats. It is 28% or 29% we consolidate and joint venture is Toyo Sharda. I think that's minor.

Saket Kapoor: Sir, the way we have seen the growth in this year what kind of taking these initiatives into account and also the things which are in the annual which you will be definitely letting us know when the time comes, what kind of product profile addition and growth in business are we expecting, for instance, two to three years down the line? And what kind of CapEx are we envisaging going ahead?

Pranav Relan: Once we start getting new orders and new initiatives, then maybe we can give some more targets.

Saket Kapoor: But how likely, so what, the growth numbers which we have for the nine months, are we going to end the year in the same trajectory, most like that?

Pranav Relan: Yes, I think we should be at a similar trajectory.

Saket Kapoor: And sir, on the cash balance and what is the status there? We have finance costs to the tune of Rs. 70 lakh. So, do we have any long-term borrowings or is it all the working capital?

Pranav Relan: So, we have got lease liabilities. As per the Ind AS standards, all our lease come as finance costs. We do not have any long-term liabilities. We have cash on the books.

Saket Kapoor: What is the cash on the books, sir?

Pranav Relan: About Rs. 20 crore or Rs. 30 crore.

Saket Kapoor: Rs. 20 crore.



Pranav Relan: Rs. 20 crore to Rs. 30 crore.

Saket Kapoor: What was the number for September quarter? I will look into it. No issues we have the results. So, to functioning in the type of growth numbers, if you could give us some color, what's the likelihood next year? We are now only 1 to 1.5 months or 2 months left for this year to end. Going into the next year, what will be the growth trigger? What should we investors look forward from the company?

Pranav Relan: So, next year should be a stable year, maybe low double-digit growth. The year after is when our real order book and initiators will kick in again.

Saket Kapoor: You mean to say FY '26-'27?

Pranav Relan: Yes.

Saket Kapoor: Sir, can you give some more color? When you are saying that our initiative will take into place, what will lead to that? Which initiatives are going to crystallize or materialize?

Pranav Relan: By January we should have the Kia model, the Kia launch in place, the shade business in place and some new Maruti models in place. So, that should ramp up by maybe Feb or March and then next year that should come in play, the whole number.

Saket Kapoor: And do we have any dividend distribution policy or what percentage of profits will be shared with investors?

Pranav Relan: So, we are doing around 10% at the moment because we see a lot of growth potential.

Moderator: Thank you. We have our next question from the line of Dharmendra Dave from JM Financial. Please go ahead.

Dharmendra Dave: Thank you so much for the opportunity and very congratulations for a good set of numbers.

Dharmendra Dave: Sir my question is, is it possible to give us the revenue breakup via by the customers, like large customers, like Suzuki, Toyota, Kia?

Pranav Relan: Suzuki should be 60%. Toyota Boshoku should be another 30% and two-wheeler should be about 10%. So, this is just offhand, I will share the exact numbers with you. *{Our Major Customer is Maruti, Suzuki Motor, Toyota and adding KIA next year. The Major Revenue comes from Maruti}*

Dharmendra Dave: And sir, how does it work? Is it like you are a sole supplier for the product where you are or there will be a more supplier to any product?

Pranav Relan: So, there is one more supplier for Suzuki. So, it's between us.

Dharmendra Dave: So, in that case, what would be the penetration level would we have, we will have?

Pranav Relan: In Market share or?



Dharmendra Dave: Yes, market share.

Pranav Relan: We are about 30% to 35% of Suzuki's business and Hyundai Kia we just started.

Dharmendra Dave: And the end user industry has been, particularly on the passenger vehicle industry has been growing at around single digit. What gives you confidence of double-digit growth going into the next year?

Pranav Relan: New products and new customers and we are also working on market share expansion for the existing OEM.

Moderator: Thank you. We have our next question from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: I was hoping that for the last few quarters, if you could break down your growth number between the three drivers that you mentioned, one is premiumization of the product, two is the number of volumes of your existing brands that you might be catering to or existing product that you might be catering to, the expansion of that versus number three, adding new products to your portfolio as well as new customers to your business?

Pranav Relan: Last year has predominantly been premiumization and expanding our market share. Going forward we expect all three to come into play. Exact numbers I will share with you.

In order of significance it would be

- {1. Premiumization of existing products*
- 2. Volume increase as per OEMs direction (Order Book)*
- 3. New Products like Hynduai Transys – Trim - KIA, Shade – TKML}*

Parikshit Kabra: And you mentioned that your comparative edge has been built on the back of your relationship with Maruti and that's a common theme in several interviews also that you have a very strong relationship with Maruti. Can you please elaborate on how that got formed and what makes such a strong relationship?

Pranav Relan: We actually were the first joint venture with Maruti Suzuki back in 1980s. So, when Maruti was coming in, we started work with them.

Parikshit Kabra: So, this is the relationship before NDR also.

Pranav Relan: NDR got demerged out of Sharda Motors and first, Bharat Seats was the joint venture between our family and Maruti Suzuki.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing remarks. Over to you, sir.

Pranav Relan: Thank you for your time and participation. We continue to be optimistic about the opportunities before us and look forward to sharing these with you as we move



forward. Should you need any input or clarification, please write in to us or our Investor Relation partner, CDR India. Thank you.

Moderator:

Thank you, sir. On behalf of NDR Auto Components Limited, that concludes the conference call. Thank you for joining us.

Please note: We have incorporated the answers to the questions that have not been responded to during the call and qualified them accordingly in the transcript.

