



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 Q2 and H1 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 Q2 and H1 FY '24 Earnings Conference Call November 07, 2023

Rishab Barar:

Good day everyone and a warm welcome to all of you participating in the Q2 and H1 FY24 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 Q2 and H1 FY24 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 the Q2 and H1 FY24 conference call of NDR Auto Components Limited. Since it is possible that some of you may be looking at our company for the first time, I would like to begin with a small brief about us and what we do. We specialize primarily in the manufacture of seating systems, which is a critical aspect for any automobile.

Our state-of-the-art, fully integrated infrastructure has capabilities to manufacture sheet metal and trims for all OEMs. Our relationships are strong and we cater to more than 30% of Maruti's requirements. We have established skills with more than 35 plus years of experience in providing seating solutions in the form of frames and trims for two-wheelers and four-wheelers and have recently also commenced BIW manufacturing.

We have two manufacturing facilities in Haryana, one in Bangalore and one in Gujarat. We have focused on efficient supply chain as majority of our facilities are positioned in close proximity to OEMs. The importance of seating systems for an automobile is really not emphasized enough.

A high-quality, secure seating system is critical to protect both the driver and the passenger at all times and particularly in collisions and accidents. Quality is a cornerstone of our operations and our laboratories are fully equipped to conduct 34 tests on our final product.



Our client roster is strong and growing. We have built strong relationships with best-in-class automobiles and two-wheeler companies, including Maruti Suzuki, Toyota Boshoku, Suzuki Motorcycles, Bellsonica and Toyota Kirloskar Motors. To give you an overview of our operations, our plants have a combined capacity of 11 lakh seating solutions for almost all models manufactured by the earlier OEMs mentioned. Some of the brands we service include the Grand Vitara, Brezza, Desire, Ciaz, WagonR, Alto, Jimny and Fronx from the stable of Maruti Suzuki, Hyryder and Urban Cruiser made by Toyota, and the two-wheeler Access and Gixxer of Suzuki Motorcycles.

Let me now discuss the financial performance of the company for Q2 H1 FY24. In Q2 FY24, on a consolidated basis, our total revenue year-on-year increased 66.68% reaching to INR 158.19 crore. Our EBITDA increased by 58.69% to INR 15.92 crore, indicating an improvement in operational profitability. Additionally, our EBITDA margins were 10.07%. We also achieved a 22.65% increase in profit after tax amounting to INR 10.32 crore. Our EPS stood at 8.67. In H1 FY24, on a consolidated basis, our total revenues year-on-year increased by 80.57% reaching to INR 287.11 crore. Our EBITDA increased by 83.73% to INR28.71 crore. Additionally, our EBITDA margins grew from 9.83% to 10%. We also achieved a 48.91% increase in profit after tax amounting to INR18.56 crore. Our order book currently stands at INR 150 crore - INR 200 crore. The Board of Directors at their meeting yesterday considered and approved the capex of approximately INR 20 crore towards new programs of Maruti Suzuki India Limited in ordinary course of business.

This offers us the opportunity to expand our portfolio and bring in new offerings. Our focus is on deepening our relationship with Maruti Suzuki and Toyota besides initiating new relationships with other OEMs. Concurrently, we are exploring opportunities to widen our portfolio of offerings.

We commenced work in the last fiscal on Body and Ride, more commonly known as BIW for Jimny and will endeavor to extend this to other models. While we are delighted with our performance in the quarter under review, we believe the runway for growth is large. We have in place all the building blocks to deliver strong profitable growth.

Our proven track record spans close to four decades. It has enabled us to build some strong relationships across the automobile and auto component sector. We have adequate land to scale up and add capacities as required to cater to expanding opportunities.

I look forward to building on this momentum. We will now be happy to discuss any thoughts or questions you may have.

Moderator:

Thank you very much. We have a first question from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla:

Good afternoon and congratulations on a fantastic quarter and thanks a lot for the detailed and insightful presentations that have been put up this quarter. My first question is on, you mentioned the order book of INR 150 crore to INR 200 crore. Now, this is beyond what business you are already doing? How have you defined order book? Because a lot of management teams define it differently. So, if you could just clarify on this?



Pranav Relan: This is a completely new business.

Jatin Chawla: Okay, so this is beyond what you are doing today?

Pranav Relan: Yes.

Jatin Chawla: Newer products that will come in?

Pranav Relan: Yes.

Jatin Chawla: Got it. Second question was, on the Body In White that you are doing for the Jimmy, what are the exact products that you are doing?

Pranav Relan: So, at the moment, we have some small assemblies and some small sampling parts. But now we are looking to expand that often.

Jatin Chawla: And do you have orders for that already?

Pranav Relan: No, not at the moment.

Jatin Chawla: Okay. I was looking at results for your associate company Bharat Seats. And in the first half, their revenues are broadly flattish, whereas NDR revenues are up 80% Y-o-Y. Now, broadly given that, our business is structured in a manner that NDR is supplying frames to Bharat Seats and they are then supplying it forward. I was kind of struggling to understand, why there is such a big difference between your and Bharat Seats revenue growth in this first half?

Pranav Relan: So, last year, first half, our Bangalore plant barely started operations. This year, it's in full swing. So, that has been the real growth driver for this quarter.

Jatin Chawla: So, for the Bangalore plant, the revenues are then not routed through Bharat Seats...

Pranav Relan: It's not routed through Toyota, Boshoku. That is not through Bharat Seats.

Jatin Chawla: Okay. Understood. Just one last question. On slide 23, where you have given us the growth outlook, there are a number of, very interesting growth drivers mentioned. So, for example, when you say deepening relationships with Maruti and Toyota, how do you see your share of business with Maruti move up from the current 30%?

Similarly, when you say widening product portfolio, beyond Seats and BIW also, are we looking at something? And on the new clients, if you could clarify, where are we on adding a new OEM?

Pranav Relan: So, we are working on all three. We're looking to expand our market share. Once we realize that, we will let you know. In addition to that, we are also looking to add new products with Maruti Suzuki, and we're looking to add our existing products to new customers. So, once there's an update, we will definitely let you know.



Jatin Chawla: And with new products, will it be beyond Seats and BIW? Completely new products, right?

Pranav Relan: Yes, beyond Seats and beyond BIW. So, our goal is to be multi-product and multi-customer, and that's what we're focusing on.

Jatin Chawla: Got it. Thank you.

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

Saket Kapoor: Yes. Sir, when you were mentioning about the new capacity from Bangalore being on stream, what is the current utilization level and overall with this expanded capacity for this quarter, what has been our capacity level and how are they heading towards the second half?

Pranav Relan: So, our Bangalore plant is at about 85%-90%. Our NCR location is about 85%-90%, and our Gujarat footprint is about 50%. So, we're looking to expand a little more capacity in order to meet our demands.

Saket Kapoor: And, for Gujarat, why are the levels at 50%, Is there in the product mix?

Pranav Relan: So, we have actually got orders for that. So, there's just been a slower ramp-up than expected. So, once that ramp-up happens, then the capacity utilization becomes better.

Saket Kapoor: So, taking into account the current order pipeline, order booking, what should be for the H2 Gujarat facility utilization level? They have a ballpark number?

Pranav Relan: So, H2 should be at a similar number. I think our Gujarat plant will take full shape sometime next year.

Saket Kapoor: Okay. And, what are the key products there and any differentiation than the existing facilities for Gujarat?

Pranav Relan: So, that's focused on the Fronx and in addition, there's a new vehicle coming sometime next year. So, once that's schedules, then we'll let you know.

Saket Kapoor: Okay. And, sir, what have we invested in the Gujarat facility?

Pranav Relan: Gujarat facility should be approximately INR 30 crore.

Saket Kapoor: And, sir, there is a space to even enhance it going forward. We have to utilize this capacity, but overall, do we have the land there to also enhance that and also for the existing facility at Bangalore and Gurgaon?



Pranav Relan: So, land and building are sufficient at the moment for existing business. If there's some significant growth and significant new businesses that we're doing, then we will potentially consider buying new land or adding new buildings. So, at the moment, that's not required.

Saket Kapoor: Okay. And, if we take the current land situation, the land bank with you, what kind of enhanced capacity can we look forward to two years to three years down the line?

Pranav Relan: So, we can be at about 250,000 to 300,000. That's our capacity. And maybe in a year, that's what we're targeting to hit also.

Saket Kapoor: Right. And, as you mentioned about diversification in product profile, do airbags also qualify under the same product profile? We are working with airbags, I think, to now becoming mandatory or going ahead being an essential component for the safety purpose. So, are we looking into any kind of understanding with other players or which are dominant in the airbag segment?

Pranav Relan: So, we are not looking at airbags at the moment, but we are looking for some new features that can be added in the vehicle.

Saket Kapoor: Okay. Those are related to the safety part only?

Pranav Relan: Once something happens, then we will let you know.

Saket Kapoor: Okay, sir. Thank you, sir. So, thank you for all the detail and a very detailed presentation. Thank you.

Moderator: Thank you. We have a next question from the line of Jyoti Singh from Arihant Capital. Please go ahead.

Jyoti Singh: Yes. Thank you for the opportunity and congrats on the good set of numbers. I just wanted your view for the future forecast, like if you can guide us for the margin and top line front?

Pranav Relan: So, margin, we are expecting it to be the same, about 10%. Top line, we have shared an order book that should come into play in the next two years.

Jyoti Singh: Okay. Thank you, sir. And also, like you were talking about the diversification. Are coming with any new products?

Pranav Relan: That's what we are working on. So, as soon as we have something, we will let you know.

Jyoti Singh: Okay. Thank you so much.

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

Jatin Chawla: Yes. Just a quick clarification. This order book that you mentioned, INR 150 to INR 200 crore, is that a life cycle order or that's a per annum kind of number?



Pranav Relan: Per annum order.

Jatin Chawla: Okay. Got it. And when I looked at Bharat Seed's results this time, there was also some capex being done for expanding capacities for Suzuki motorcycles. Is that something that business should throw to NDR also, apart from the wheel assembly, obviously? I think on seats also, there was some capacity expansion being talked about?

Pranav Relan: The major capex is for the Kharkoda facility. We will try to do it from an existing footprint. Once the volume is rationalized, then we will probably set up something closer to that.

Jatin Chawla: Okay. Got it. Thank you.

Moderator: Thank you. We have a question from the line of Jay Rajen Betai from Dolat Capital. Please go ahead.

Jay Rajen Betai: Good afternoon, sir. I just wanted to have clarity about raw material costs and can you just give us an outlook about the plan of yours?

Pranav Relan: So, raw material costs are commodities that are indexed. So, whatever, if there is an up or down, it doesn't affect our overall profitability.

Jay Rajen Betai: Okay. So, can you throw some more light on operations at your Bangalore plant? As you said that Bangalore plant is profitable, as your growth driver, so could you just let us know what sort of products you are manufacturing there and how you plan to expand your margins utilizing the same?

Pranav Relan: Our Bangalore plant is for Toyota, Boshoku. We make the same trim and frame over there and that's specifically for the Hyryder and the Grand Vitara. They have been newer models in the market and that's been a real growth driver.

Jay Rajen Betai: Okay. So, that's it from me, sir. Thank you.

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

Saket Kapoor: Sir, our trade receivables have moved up significantly. So, is it only pertaining to the improved volume or what are generally our receivable days?

Pranav Relan: So, our payable day is about 30 days. So, that's the average days have been about the same as it was in the previous six months.

Saket Kapoor: Okay. Then what explains this jump from INR 31 crore to INR 63 crore?

Pranav Relan: So, the increase has been due to the increase in sale and we don't have any control on our customer payment day, payment time. So, the payment probably would have just come two or three days later than the 31st.



Saket Kapoor: Okay, sir. And what's the current cash on books?

Pranav Relan: Cash on books should be about INR 30 to INR 35 crore.

Saket Kapoor: And sir, do we have any dividend policies? Have we qualified any dividend policy?

Pranav Relan: Dividend ~~policy~~ practice at the moment is 10% of our profit.

Saket Kapoor: This has been mandated by the board that we will be declaring 10%.

Pranav Relan: Yes, that is our ~~policy~~ practice.

Saket Kapoor: Sir, I missed your point about the raw material basket. If you could give us some color on the key raw material basket and what is the lag time effect to pass on the sale?

Pranav Relan: Our raw material prices are fully indexed. So, if there is an up or down, we get compensated for that. Probably 30 days after 16th. That's normally not a concern.

Saket Kapoor: So, if there is an increase in your raw material prices for the current quarter, how do – the index -- the billing is done later on once the deliverables are done and then it gets revised upwards? How does this match work? Is there a lag effect also to the sale?

Pranav Relan: No, so we get the money backdated if it's done. If the commodity price increase has happened and our discussion happens six months later, we get our money backdated also.

Saket Kapoor: With the reversal trend in the commodity prices, we need to pay back to our customers?

Pranav Relan: It's the same.

Saket Kapoor: Okay. And sir, what are the key components of other expenses?

Pranav Relan: Other Expenses majorly consist of production overheads e.g. power & fuel, repair plant & machinery, contract manpower & job work and outward transportation etc.

Saket Kapoor: Correct, sir. And also, please share the figure for capital work in progress to INR 15 crore, that is towards which part? And what should be our capex for H2?

Pranav Relan: Capital work in progress is our money that is for new product development, new models that are development. So, that is advances that have gone for two months. So, once that the SOP starts, then we claim it from the customer.

Saket Kapoor: Okay. And then taking into account the growth which we have seen over the last one year, we did have this base effects benefit also. So, how confident are we that this growth, we can replicate the same or even better the same going ahead or what factors would enable you to deliver those numbers?



Pranav Relan: So, obviously, it will have to be a combination of expanding our market share, expanding our product portfolio and adding new customers. And that's what we're focusing on.

Saket Kapoor: You can get outline by what percentage these three verticals may contribute going ahead in terms of product development new plant area?

Pranav Relan: So, once we have a new product, we let you know. And once we get a new order, we will add it to our order book.

Saket Kapoor: And how does the current order book shape up? When we say order book, what should be our understanding?

Pranav Relan: Our order book is about INR150 to INR200 crore. That is annual number that should come into effect in the next two years.

Saket Kapoor: So, there are two components. There is a running order book, there is a shorter term deliverables and then there is a long term one?

Pranav Relan: So, this INR 150 to INR 200 crore is completely new order.

Saket Kapoor: It's completely new order. So, these are long term orders that will get executed in your book. So, there has to be orders of shorter durations also over a period of time?

Pranav Relan: Short term we have capacity.

Saket Kapoor: Which get executed in lesser time line?

Pranav Relan: So, we already have capacities in play. However, the market plays, I think we can fulfill that demand.

Saket Kapoor: Thank you, sir. And all the best. And happy Deepawali to the team. Thank you.

Moderator: Thank you. We have our next question from the line of Jyoti Singh from Arihant Capital. Please go ahead.

Jyoti Singh: Thank you for giving me opportunity once again. I missed your comment on the receivable side. So, if you can explain why it is high in H1?

Pranav Relan: So, our average working day, capital working receivable day is about 30 days. That's what it was six months ago. The reason for the increase is one, the increase in sale. Second is the payment probably would have come after the 31st. For the what? For the week.

Jyoti Singh: Okay. Thank you, sir. And sir, in the two-wheeler segment, are we targeting or in discussion with any new client?

Pranav Relan: So, the two-wheeler we are sticking to our existing OEMs for the moment. We are trying to expand our four-wheeler segment.



Jyoti Singh: Okay. So, sir, on the four-wheeler side, if you can explain us like any client that we are into discussion with?

Pranav Relan: So, we are in discussion with many people. So, once we get a formal LOI, then we will let you know.

Jyoti Singh: Okay, great. Thank you.

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

Jatin Chawla: Thanks for the opportunity again. My question is that over the next 12 to 24 months, what are the regulatory changes that are likely to happen on the seat side? And how that can impact us in terms of either content per vehicle or need for technology tie-ups?

Pranav Relan: So, we don't require any technology tie-ups for that. In terms of, there is a three-point seat belt coming in the rear. And in addition, there are six airbags, which is not mandatory anymore. So, that should probably affect the bottom-most segment of the portfolio. So, like Alto, WagonR, they will have an increase in content.

Jatin Chawla: And to what extent?

Pranav Relan: So, I think that should be about maybe 15% to 20%.

Jatin Chawla: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Pranav Relan: Thank you everyone for coming. And thank you for showing faith. We look forward to seeing you in the next conference call.

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

