



NDR AUTO COMPONENTS LIMITED

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28th May, 2024

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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 Q4 and financial year ended 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 Q4 and FY '24 Earnings Conference Call May 22, 2024

Rishab Barar:

Good day everyone and a warm welcome to all of you participating in the Q4 and 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. Mohit Kumar Jain, Chief Financial Officer; 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 Q4 and 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 Q4 and FY '24 Conference Call. Let me start by quickly going through our financial performance for the quarter and full year under review. Q4 FY '24 total income stood at INR176.98 crore, a growth of 33%. EBITDA at INR17.37 crore, growth of 27.3%. EBITDA margins at 9.82%, and PAT for Q4 FY '24 at INR11.61 crore.

FY '24 total income stood at INR605.15 crore, a growth of 51.6%. EBITDA at INR59.81 crore, growth of 57.2%; EBITDA margins at 9.88%; and PAT for FY '24 at INR38.71 crore.

The last year has been an eventful and exciting year for NDR Auto Components. Aside from continued strong financial and operating performance to business development in line with our long-term strategic focus has helped us towards enhancing our competitive position and growth outlook.

In February 2024, NDR Auto Components was empanelled as T2 supplier to Hyundai TRANSYS to supply of seat-trim to Kia, supply of which will commence from Jan 2025. The seating trims will be manufactured at the company's manufacturing facility in Bangalore, which is in close proximity to Kia's manufacturing operations. This is in line with our strategic endeavor to widen our OEM



relationships. Kia is now a third OEM partner, adding to our esteemed and long-term automobile of OEM relationships with Maruti and Toyota.

Also, in February 2024, we entered into a technical assistance agreement with Hayashi Telemu for the supply of sun shade to Maruti and Toyota automobiles. Hayashi Telemu is over 100-year-old, 1.9 billion revenue company based in Japan with capabilities in producing automotive interior, exterior and after-market parts. This initiative of NDR Auto will give the Company, the opportunity to widen its product portfolio and introduce other new and disruptive offerings.

Utilizations at our facilities across Haryana, Bangalore and Gujarat stood at 80% offering us an ample runway from having sales with rising capacities. The auto component sector is in a very exciting stage. We will look into leverage our experience and understanding of the Indian market to continue to expand and introduce new options. Our strong balance sheet upholds us the opportunity to explore both organic and inorganic growth opportunity. I look forward to continued progressive performance. We will now be happy to discuss any further questions you may have.

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

Jatin Chawla: Congratulations on going forward on your long-term vision of transforming this from a single product, single client to a multiproduct, multiclient company. Very happy to see that.

My first question is on the gross margin side. If I look at this quarter, your gross margins have come down significantly compared to what we have seen in the last few quarters. So from a run rate of about 76% - 77%, your RMC sales have gone up to like 78.6%. Even on a full year basis, if I look at it, your gross margins are down by almost 200 basis points. So just wanted to understand what is the reason? What is driving that?

Pranav Relan: The gross margins on the artificial leather business are slightly lower, and that is the reason for it to come down by 1%.

Jatin Chawla: So this is basically the trim is an artificial leather trim, then the margins are slightly lower?

Pranav Relan: The margins are slightly lower, the returns are slightly higher, so that's where it comes from.

Jatin Chawla: Okay. And this share of artificial leather would have increased significantly this year?

Pranav Relan: Yes. So the Grand Vitara has a higher percentage of artificial leather, so that has increased.

Jatin Chawla: Okay. Got it. Second question is, when I look at your debtors, that number has jumped up significantly. I know we have seen a 50% increase in revenues, so that much increase one would have expected, but the increase in debtors is even higher. Your debtor days seem to have gone from like 30 days to more than 50 days. Any particular reason for that?



Pranav Relan: Our debtor days are at about 36-37 days. So the Gujarat and the NCR plant, our payment terms are within 30 days. The Bangalore plant is slightly higher. In addition to that, even our creditors have increased by similar days. So our working capital has almost no impact.

Jatin Chawla: Got it. And you mentioned that your utilization rate currently is around 80%. The rate at which you're growing, in a couple of years, may be by FY '26, you may run out of capacity. So any plans of getting a land, setting up a plant, that takes time. So what are your thoughts on expanding capacity?

Pranav Relan: So we've already bought land in Kharkhoda where the new Maruti plant is announced, and we are looking for land potentially in Anantapur. So once we run out of capacity, then we will look to expand.

Jatin Chawla: The Anantapur basically will be near Kia.

Pranav Relan: Yes.

Jatin Chawla: Got it. And this Kharkhoda plant, when do we expect for production to start here?

Pranav Relan: No. So we bought land in Kharkhoda. We haven't bought any land in Anantapur. Anantapur Kia currently, we're going to be selling from our Bangalore plant. If we get new business, then we will set up something closer. The Kharkhoda plant will be set up. We will use the existing capacities as of now. Once we have enough business, then we will set up something close by.

Jatin Chawla: Got it. And once you decide to set up a plant, how long will it take for production to come on?

Pranav Relan: 1.5 years.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Sir, firstly, if you could give us an understanding of what would be the volume growth for the current year and our margin profile? And also where would we be expecting our volume to come from since we have a capacity at 80 percentage you were alluding to earlier? If you could just give us some understanding how FY '24, '25 is likely to be?

Pranav Relan: So in terms of volume growth, what we've seen is an upward revision in terms of the volumes for the current fiscal for the SUVs. In addition, the Kia business is starting 2025 January, and the shade business is starting 2025 February. The Maruti EV is still postponed to March 2025. So I think we should be at a low double-digit number this year. Margins should be at a similar profile, maybe a slight upward revision.

Saket Kapoor: Low single digits, I didn't get that point?

Pranav Relan: So I would assume anything between maybe 10% to 15%, maybe 15% to 20%, depending on the model mix and how the market behaves.



Saket Kapoor: Okay. And how would the margin profile be likely?

Pranav Relan: Margin will be similar, maybe slightly better.

Saket Kapoor: So we declared dividends on a payout ratio of higher than 12% sales on the EPS we posted for the current financial year. Have we formulated any dividend distribution policy that gives an understanding of how are you going to share your cash with your investors?

Pranav Relan: Between 10% and 15%.

Saket Kapoor: Is this as per our past practice?

Pranav Relan: Yes.

Saket Kapoor: Okay. And, then coming to the cash flow line item wherein we have paid higher income tax to the tune of INR10 crore. So if you could explain the reason for the same, whether these INR10 crore accounts for current year profitability or earlier areas have also been...

Pranav Relan: Tax rate income somewhere 25%, since the PAT higher side, the tax is coming accordingly.

Saket Kapoor: Okay. But last year operating numbers were lower that is the reason.

Pranav Relan: 25% is the standard corporate tax.

Saket Kapoor: Okay. So how are the employee cost and the raw material mix is likely to be. The raw material prices is trending currently as we have seen that there is a further inflation in the key raw materials. If you could give us some understanding of the raw material mix and how are we aligned to protect our market?

Pranav Relan: We don't see too much difference in the employee cost or the RMC. We think they'll be at a similar percentage.

Saket Kapoor: Okay. Can you give the mix, sir, out of the total?

Pranav Relan: RMC is 77% and employee cost is 2.83%

Saket Kapoor: Yes. Percentage is clear. I want the mix, the basket for the RMC.

Pranav Relan: The RMC mix contains frames, trims, mechanisms and other brought-out products.

Saket Kapoor: And lastly, sir, on the depreciation part. This year, I think so with the commissioning of the new contracts, the new facility, our depreciation rate, the net absolute number has gone up. So for the current year, what would our capex be? And what kind of capitalization can we look, commercialization for FY '24, '25?



Pranav Relan: So next year, our capex is approximately INR30 crore for the new projects, and depreciation should also be a similar number.

Saket Kapoor: Sir, I will wait for that answer for the mix and I will join the queue.

Pranav Relan: Give us some time. We will calculate and give.

Moderator: The next question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: Sir, with the existing capacity, what is the max revenue potential?

Pranav Relan: We were at 80%. You can add another 20% - 25% to existing revenue.

Nitin Gandhi: So we did INR605 crore. So max, it would be INR720 crore to INR750 crore band.

Pranav Relan: Yes.

Nitin Gandhi: Okay. And any operating leverage benefit flows because of this higher utilization.

Pranav Relan: Definitely.

Nitin Gandhi: Okay. And the plants which you are likely to add, how much revenue that should bring in additional?

Pranav Relan: The current Bangalore plant expanding, that should be another INR120 crore or INR150 crore. The Gujarat plant should also be something similar, maybe INR100 crore. And the rest will probably operate - this expanded volumes.

Nitin Gandhi: Okay. And Gujarat and Bangalore you just wanted to spend another INR30-odd crore for each of them for the capex, right?

Pranav Relan: Yes.

Moderator: The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh: Sir, can you explain on the capex side that you have guided for INR30 crore. So it will be included maintenance capex? And what's that?

Pranav Relan: Your capex maintenance should not be something major.

Jyoti Singh: And sir, on the PAT growth side, if I compare year-on-year, so this year, we did at approx 37%. So we will be maintaining the similar range or we are targeting higher growth from here onwards?

Pranav Relan: So next year stable. There'll probably be low-double digits. I think I just said that on the call. The year after, we should come back to this growth rate.



Jyoti Singh: Okay. And sir, like we are already supplying to Maruti, Kia and rest of the OEMs. So any other OEM that we are looking or into advanced stock? And what update on the export side, if you can explain?

Pranav Relan: We are definitely looking at the Indian OEMs, but there's nothing that's happened right now, and no update on the export side at the moment.

Jyoti Singh: Okay. And sir, another on the capacity side, we are currently at a 70%, right?

Pranav Relan: About 80%.

Jyoti Singh: And we have chances to increase more? Or we are focusing to expand the Bangalore plant and will expand Bangalore and Gujarat?

Pranav Relan: It looks like that next year, the volume growth should cover some of the capacity utilization. It should improve the capacity utilization.

Jyoti Singh: Okay. And sir, what are the target on the margin side, as you already mentioned similar in this range. We will be maintaining approx 10%? Or we can expect more than this?

Pranav Relan: I think for the moment, let's stick to the 10% target. And obviously, we're taking a lot of measures to improve that.

Moderator: The next question is from the line of Jatin Chawla from RTL Investments.

Jatin Chawla: For the full year, could you share the number of 4-wheeler sets that you would have sold this year?

Pranav Relan: About 600,000 - 625,000.

Jatin Chawla: This number last year was around, what, 600,000?

Pranav Relan: No. So there was no Grand Vitara. There was no Fronx. There was no Jimny. The Alto also hasn't started. So that would have been closer to maybe 450,000 or maybe 400,000.

Jatin Chawla: Got it. And this year, I think there is some capacity scale up that is likely on the Grand Vitara and the Fronx. That should help, right, once that's kind of increases.

Pranav Relan: Yes. So there's capacity scale up on all of the SUVs and we're expecting the Jimny also to do better.

Jatin Chawla: Got it. And we are not present on the new Swift, right? I think we have the Dzire.

Pranav Relan: We have the Dzire.

Jatin Chawla: Got it. Sir, any existing model that we have, which is likely for a big refresh or upgrade this year?

Pranav Relan: No, nothing this year. I think the Dzire is next year and the EV is next year.



Moderator: The next question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited.

Nitin Gandhi: Sir, can you share something on our order book?

Pranav Relan: Approximately INR250 crore to INR300 crore.

Nitin Gandhi: Approximate duration, average duration to execute this?

Pranav Relan: Maybe even 1.5 to 2 years.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments. 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 to us or our Investor Relationship partner, CDR India. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of NDR Auto Components Limited, that concludes this conference call. We thank you for joining us.

Please note: We have incorporated the answers to the questions that have not been responded to during the call.

