February 13, 2025

To

The Manager

The Department of Corporate Services

BSE Limited

Floor 25, P. J. Towers,

Dalai Street, Mumbai — 400 001

Scrip Code: 531147

To

The Manager

The Listing Department

National Stock Exchange of India Limited

Exchange Plaza, Bandra Kurla Complex,

Bandra (East), Mumbai — 400 051

Scrip Symbol: ALICON

Dear Sir/ Madam,

Sub: Transcript of Analysts Conference Call

We are enclosing herewith the transcript of conference call with analysts, which took place on 13th February 2025, after announcement of the unaudited Financial Results for quarter and nine months ended December 31, 2024. The said transcript is also uploaded on website of the Company.

We request you to kindly take the above information on your record.

Thanking you,

Yours faithfully,

For **Alicon Castalloy Ltd**

VIMAL KUMAR GUPTA

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Alicon Castalloy Limited

Q3 & 9M FY25 Earnings Conference Call Transcript

February 13, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Alicon Castalloy Limited's Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mit Shah from CDR India. Thank you and over to you, sir.

Mit Shah: Thank you, Dorwin. Good afternoon, everyone, and thank you for joining us on Alicon Castalloy Limited's Q3 & 9M FY25 Earnings Conference Call.

We have with us on the call today, Mr. Vimal Gupta – Group CFO and Mr. Shyam Agarwal – Chief Marketing Officer.

Mr. Vimal Gupta will provide an overview of the operating and financial performance for the period under review, following which Mr. Agarwal will take us through the developments in the global markets and insights on domestic business. Thereafter, we shall open the forum for a Q&A session.

Before we begin, I would like to point out that certain statements made in today's call could be forward looking in nature, and a disclaimer to this effect has been included in the earnings documents that have been shared with you earlier. I would like to invite Mr. Vimal Gupta for his opening remarks. Thank you, and over to you, sir.

Vimal Gupta: Good afternoon, everyone and welcome to Alicon Castalloy's Quarter 3 financial year 25 Earnings Conference Call. Thank you for joining us today. We appreciate your time and interest in our company. I hope you have had a chance to review our earnings documents shared earlier.

Performance in the 3rd Quarter was influenced by a volatile macroeconomic environment which impacted demand across key segments and geographies.

While we navigated the challenges with resilience, our overall performance was slightly weaker than anticipated, reflecting the tough industry conditions. Revenues for Quarter 3 FY25 stood at Rs. 393 crore compared to Rs. 406 crore in Quarter 3 FY24. Top-line was impacted by subdued demand in key export markets with severe weakness in Europe. We also had some customer specific incidents with a production shutdown at India plant of a leading Japanese OEM and challenges with one of our European two-wheeler OEM customer, impacting the ability to absorb volumes of our products. While demand for two-wheelers in the domestic market continued to be robust, it was not sufficient to offset the broader revenue impact.

The macro environment remains challenging with slowing of growth and persistent inflationary trends. As a result, the GDP in real terms is set to slow across most major geographies resulting in normalizing of growth happening post the COVID super cycle. In that context, USA is seen to be holding up well, but there is sluggishness particularly in Europe, where demand weakness persists. These trends are also coinciding with a slowdown in the steel production which is anticipated to have bottomed out in Quarter 3.

Turning to the financial performance:

The gross margin for the quarter came at 45.81% marking a decline of 543 basis points from 51.24% in Quarter 3 of FY24. This was largely driven by shifts in the sales mix as lower sales in the Commercial Vehicle segment and Carbon Neutral products were not entirely compensated by the growth in two-wheeler volumes.

We also made upfront investments in new technologically advanced plants, imbibing robotics, automation, and new age manufacturing processes. As these units are yet to scale, the recovery of fixed cost has been suboptimal, impacting the gross margins for the quarter. Some of you may recall our discussions on the earnings call last quarter where we had indicated that gross margins were softening due to the change in mix. We have seen a further impact of that trend this quarter, along with the effect of some set of costs for the new projects.

The EBITDA was Rs. 35 crore compared to Rs. 53 crore in Quarter 3 of FY24, with a margin of 9% versus 13% in Quarter 3 last year. The impact on gross margin from higher fixed cost and adverse product mix had flowed into EBITDA. Depreciation rose to Rs. 23.5 crore from Rs. 20 crore, reflecting investments in machinery and tooling as well as automation and advanced manufacturing technologies.

Pre-tax profits stood at Rs. 1.05 crore compared to Rs. 23 crore in Quarter 3 of FY24. While net profit for the quarter was Rs. 0.78 crore versus Rs. 17 crore last year. This is reflecting the impact of the adverse sales mix and the upfront cost of establishing new lines for which the impact is evident on gross profit and EBITDA level too.

For the 9-month period, total revenue stood at Rs. 1,298 crore up 14% from the Rs. 1,142 crore in 9 months FY24. The gross margin was 47.91% compared to 50.6% last year, while EBITDA for 9 months of FY25 was Rs. 150 crore, a 7% increase year-on-year basis. The profit after tax for the period was Rs. 37 crore compared to Rs. 41 crore in nine months of FY24.

Our capital expenditure for Quarter 3 stood at Rs. 42 crore while for nine months of FY25, it was around Rs. 140 crore with investments directed towards machinery and new product development. For Quarter 4, we expect further CAPEX of around Rs. 20 crore to Rs. 25 crore aligned with our growth initiatives.

As we started FY25 with as guided for Rs. 1,800 crore in revenue targeting 15% growth for the full year, after a strong performance in the first half, in the earning call last quarter, we had indicated that we witnessed softening of demand in export markets of Europe and the US, as well as in the domestic market. Like we are seeing across the industry with other players who are supplying to the markets of Europe and USA, there has been a sustained weakness in the demand in Europe, as well as uncertainty around the evolving dynamics of tariffs and regulations that the new regime may introduce in the US, which has made buyers and OEMs adopt a cautious stance.

Further, for Alicon, there were some customer-specific disruptions this quarter. All of this has meant that volume offtake by customers as anticipated by us at the start of the year did not materialize as we believe that the full year's performance will be a bit lower compared to expectations.

While the near-term environment remains challenging, we believe this is a temporary phase and the long-term growth potential of our industry remains intact. Forecast for the industrial production indicate a bottoming out in Calendar Year 2024 with a revival anticipated in Calendar Year 2025 and thereafter.

Our strategic initiatives focused on product diversification, expanding market research, and strengthening our leadership in hybrid technologies, positions us well to capitalize on emerging opportunities. Our ongoing engagements with the key clients, including domestic leaders like Japanese auto manufacturers, reinforce our confidence in the road ahead. Our business visibility is strong with a healthy order book position, we are confident that there will be a recovery in the fourth quarter performance and believe that Quarter 3 marked the bottom for both revenue and margin. And we will continue to see steady improvement in performance going ahead. We remain committed to navigating the current headwinds while driving sustained growth and value creation for all stakeholders.

With that, I will now turn the call over to Mr. Shyam Agarwal for the operating highlights of the quarter.

Shyam Agarwal: Thank you, Mr. Vimal. Good afternoon, everyone.

In Q3 FY25, Global Auto Industry witnessed 4.6% YOY degrowth in volumes. Within this, Europe volume declined by 5% and North America by 4.5% respectively.

In contrast, the Indian auto industry reported a healthy performance of 6.6% volume growth, driven by the two-wheeler segment, analysis of growth by segment indicates 8% growth in two-wheeler segment, 2.8% growth in PV segment, and 1.8% degrowth in commercial vehicle segment on a YoY basis.

As we progressed through the quarter, a few headwinds begin to emerge. The sustained decline in the CV segment took a bearing on the volume offtake by our customers. This was accompanied by challenges in our export markets too. Supplies towards CV products and to customer in Europe are among the categories with the highest value-add in our business. Thus, even as we have added volumes in our two-wheeler business, the impact of top-line was only partially offset. The European market witnessed a sharp drop in Commercial Vehicle segment in Quarter 3 compared to the same quarter last year. As recently in Quarter 2, trends were projecting sustained demand and the fall in volume has been fairly sharp, taking the entire industry by surprise. We have seen slightly elevated pressure in supplies to Commercial Vehicle customers in Europe due to persistent weakness in demand.

In Europe, one of our two-wheeler OEM customers faced some challenges during the quarter. Following this, we have completely stopped production. As a result, they paused volume offtake of parts being supplied to them from our facilities in India as well as from Europe.

Coming to the India business:

Supplies continued to a leading Japanese OEM, this quarter with consistent demand for four-wheeler cylinder heads. In addition to that, Alicon has received one more cylinder head business, which will give us additional sales starting from Financial Year '25-26.

Volumes to India plant of a European OEM continued to ramp up and as we have steadily scaled up volumes to this customer over the last couple of quarters, we are now in talks to enhance the volume further. This customer is making its Indian facility into an engine manufacturing hub which will serve the domestic market and from which engine will also be assembled and exported to Europe.

We are now in discussion to scale up the capacities to align with the 2nd Phase investment by this OEM, which will see them double the monthly volume offtake. Interestingly, all of the incremental volume will be for onward supply to global markets, and with this expansion, we will be catering the demand from the new region within Europe, thereby, indirectly servicing markets that we have not been present so far.

A leading Japanese OEM continued to witness strong demand for their four-wheeler hybrid models in India. After the plant shutdown in Quarter 3, we anticipate the volume to pick up in Quarter 4. In fact, over the next two years, the expectation is that the monthly supplies of cylinder heads will increase by roughly 80%.

Thus, the strong outlook for production from two Japanese OEMs who have good focus on hybrids coupled with scale up capacity in the European OEMs, India plant augers well for the PV sectors.

For another leading European OEMs, after supplying initial volumes for their requirements from our European plant, we are scheduled to ship production into our India operation. For this we have established a plant in India and have already successfully submitted samples with small lot supplies set to commence shortly ahead of their upcoming launch in Quarter 3 of Calendar Year 2026.

Our state-of-the-art automation plant for this OEM integrates Artificial Intelligence, robotics and IoT to set new benchmarks in precision, efficiency and smart manufacturing. Featuring cutting-edge technologies such as robotic arms for enhanced accuracy and safety, advanced digital process control for real-time optimization, and machine intelligence for data-driven decision-making, the facility aligns with global-best practices to meet the evolving demands for our customers and their product requirement.

By embedding AI and IoT into our operations, we have significantly enhanced productivity while reducing rejection rates, ensuring a more efficient and responsive manufacturing ecosystem. While upfront investments in automation have led to higher depreciation and fixed costs in the short term, which are not being fully recovered at present due to the low volume in the initial phase. These advancements position us for long-term scalability and operational excellence with an elevated margin profile as production volume increases.

Now coming to the business wins:

In Quarter 3, we have added 7 new parts from 7 existing customers. This includes four parts from the ICE segment, one part from structural, and two parts from the non-auto business. Of these seven parts added, five parts pertain to domestic business and two parts pertain to international business.

In India, we have won business from the leading Japanese OEM for a product set to be launched shortly. Traction with two-wheeler customers is strong for product category to ICE technology. We have also won an order for the structural part for a leading two-wheeler supplies in India. The two parts for the international business cater to requirements of marquee global customers in the non-auto segment. Looking ahead, our total new order bookings stand strong, providing good visibility for future growth.

On this note, we can open the floor for the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Yash Bharat Dalal from Sushil Financial Services Private Limited. Please go ahead.

Yash Bharat Dalal: Good afternoon to the management. So, just a few questions from my end. Firstly, in terms of the margins, of course, they've been compressed this quarter. So, I want to understand from the expenses, are there any one-offs in this quarter that we won't be seeing in the coming quarters?

Vimal Gupta: So, yes, if you review the results, so major impact has come from the gross margins, where this is due to the change in the sales mix, where we have seen the reduction in the volumes of high value addition parts and some increase in the volumes from the two-wheeler parts, where margins are low. That is the major impact. But when we are talking about the expenses, so definitely as a company we are taking a lot of actions for further cost reductions but one time yes there is some cost we have absorbed due to some issues we have seen with one global customer. So, there we have to absorb one time cost there.

Yash Bharat Dalal: Okay and what is the impact of these development costs for advanced technology and your new lines in Q3?

Vimal Gupta: Yes, when we are talking about this, so earlier we were discussing the new EV parts, the eAxle that we are developing. So, that development is in now full swing. And it is a very critical part and due to that a lot of challenges we faced in this development. So, due to criticality, so failures, rejections, all this, and then we have to do a lot of experiments on that to further development. So, those costs are there.

Yash Bharat Dalal: Okay, and you had mentioned about your CAPEX, what kind of capacity will it be adding?

Vimal Gupta: So, that I think this major CAPEX is going on for the EV parts that developments are going on and hopefully because this will give additional approximately Rs. 250 crore to Rs. 300 crore in that range of additional capacity in the next coming two years.

Yash Bharat Dalal: Okay, and coming to your order book, what is your total order booking for FY25 and your overall till date if you could quantify this?

Shyam Agarwal: So, Yash, our order book is around Rs. 9,000 crore as on today. So, we have added in this quarter also the 7 parts which is almost Rs. 500 crore turnover from the new order. So, if you see this with the Rs. 9,000 crore, so we have almost run the rate we have covered for next 5 years as far as our current turnover is doing.

Yash Bharat Dalal: Okay, thank you. And can we still, you had mentioned earlier in your previous calls that of a Rs. 2,200 crore top-line by FY26, does that still stand and what is the outlook beyond FY27?

Vimal Gupta: So, Yash, we feel that because now we have to just keep our fingers crossed and how the geographical challenges we are seeing. So, let's see how things are moving. But definitely, it looks difficult because now the numbers are softening in this year. And when what we were talking about, those were the original. I think 3-4 years back, we have put the target. And due to some delays, what we are seeing from the EV OEMs. So, maybe that we need to post by at least one year.

Yash Bharat Dalal: Okay, so by FY27?

Vimal Gupta: Yes.

Yash Bharat Dalal: Okay, and just one last question. Could you please provide an outlook on your EV and export business?

Shyam Agarwal: Yes, first I will complete the previous one. So, we have our budget-making exercise which is going on, and it will be completed by second week of the next month. So, maybe in our next investor call, we will give you more idea on the next year turnover. So, that will be more logical from our side, yes, just to cover that. What was your next question, Yash?

Yash Bharat Dalal: Just an outlook on your EV and export business?

Shyam Agarwal: Yes, so as you know, the EV is not doing good globally. You know that we have taken lots of new order from the EV and currently we are seeing the demand is not very good in India and also on the export market. But we are very hopeful that in 1 or 2 years, the demand should pick up. And there we will see the good numbers from the EV for which we have put lots of effort from our side and also lots of CAPEX investment which we have done. So, right now if you see we are getting just a minute I tell you, EV currently covers 18% of our total turnover right now and if we see the exports, export is around 30% of our total turnover.

Moderator: Thank you. The next question is from the line of Raghunandan NL from Nuvama Research. Please go ahead.

Raghunandan NL: Thank you, sir, for the opportunity. Can you help us in understanding the mix on a YTD basis, for nine months FY25, what would be the share of two-wheeler, four-wheeler commercial vehicle and how was the same mix last year?

Shyam Agarwal: So, two-wheeler currently contribute 40% of our turnover if we see and Passenger Vehicle around 38% and Commercial Vehicle around 15% of our total turnover. This is, I am saying cumulative till Quarter 3.

Raghunandan NL: Thank you. And can you give a comparison versus last year?

Shyam Agarwal: Yes, last year to this year, if we see the two-wheelers, so last year the contribution was 42%, which has reduced to 40%. Passenger Vehicle, which was 32% last year, now it's 38%. And Commercial Vehicle, as you know, globally, it is coming down. So, last year it was 20%, and this year it is 15%.

Raghunandan NL: Understood. And specific for this quarter, how much would be the two-wheeler?

Shyam Agarwal: This quarter, Quarter 3, it is 43%, the two-wheeler contribution.

Raghunandan NL: Got it sir. Thank you. So, in terms of exports, the share of exports has gone down to 24% versus 28% last year. Within exports, what would be the rough share of Europe and North America and how much has the decline been in both these regions, YTD?

Shyam Agarwal: If you see Europe and the UK, they contribute almost 65% to 70% of our exports and 30%-35% is USA, but if you see in the decline side, so we have seen more decline in Europe as compared to the USA.

Raghunandan NL: And as you indicated that it's better to be cautious as of now. But what is the sense you're getting, based on your interactions with customers, how long do you think the weakness can continue and when do you expect a recovery? And anything to that, you are obviously working on strengthening your presence in overseas market, negotiating order wins, hiring more people in marketing, and also diversifying into new segments. So, if you can give some thoughts as to how you see this segment pan out over the next 1 to 2 years?

Shyam Agarwal: Yes, Raghu, if you see the macro environment right now, so we are seeing the worst Quarter 3, if you see the global indicators. So, we are seeing there should be a recovery in the global market as well as in the domestic market. Here we see the faster recovery or the holding will be more in the North America. While Europe will still take some more time. The sentiments in Europe is still weak as compared to the North America. And if you see in the segment, so if we see like a Commercial Vehicle will still be affected in Europe, while the recovery will be more much better in the North America in both commercial vehicle as well as in the Passenger Vehicle. If we see in the technology front, so we are seeing the hybrid will still do good in India. As well as we are seeing in North America, the demand for hybrid is much better as compared to pure EV vehicles. However, everybody is anticipating there is a natural transition from ICE to hybrid and then hybrid to EV. But I hope this should be more prominent in after 3 to 4 quarter later.

Raghunandan NL: Understood, sir. Vimal sir, if you can indicate, you referred to that some upfront cost incurred relating to new lines. How much should the quantum be and is that likely to repeat in the coming quarter?

Vimal Gupta: It is a decent amount because approximately we can say that it is in the range of Rs. 4 crore to Rs. 5 crore that we have lost for the development of the new projects. And definitely in coming quarter also, maybe there will be improvement because once we start then there is a huge impact of the cost. And then slowly we start recovering that and the improvement in our operations. And we hope there will definitely be decline in Quarter 4, but further impact we will see on continuous quarter-on-quarter basis.

Raghunandan NL: Understood, sir. So, these are certain overheads, fixed costs, which you have upfront started taking. And as the ramp up happens for the new orders that fixed cost absorption will happen?

Vimal Gupta: Generally, you see that because now this is, you must have seen that Alicon is having the biggest CAPEX this year in the history of last 20 years. And we are now developing the most critical part for EV also. So, these are the challenges we are having initially.

Raghunandan NL: Understood sir. And in terms of business ramp up in FY26, you referred to two Japanese OEMs, one European OEM, there is also one UK OEM. So, what is the kind of SOP that can get added for FY26 based on your current understanding?

Shyam Agarwal: Yes, Raghu, so I just highlighted that. So, when we mentioned the new volume addition from the Japanese OEMs, so there we see a good traction on that. And with both the Japanese OEMs, as I have mentioned in our con-call also, we see the volume will be picked up almost 80%-100% in next 1-2 years' time. So, that kind of a volume we are seeing. And same way for the European customer, whatever volume we are supplying, we are adding the capacity, and the volume will be doubled by the end of this year. So, that kind of a volume we are working on. And as Mr. Vimal mentioned, because of this addition in our capacity, we have done lots of CAPEX, which is the highest in the history of Alicon, if you see. So, we are seeing that from this quarter onwards, we will see a good performance from Alicon. Sequentially, it should improve on quarter-on-quarter basis.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Yes, sir, if you can give us idea on the order book that we have for the Tata Motors. So, what update on that front?

Shyam Agarwal: So, Jyoti, generally we avoid with the specific customer details on con-call. So, maybe we can take your call offline. So, specifically to the customer, we would like not to answer in this con-call.

Jyoti Singh: Yes, sure. So, the idea on the new business side, how the margin we are seeing from the new business?

Vimal Gupta: Jyoti, generally when we were explaining that when we are finalizing the new businesses, we always look for the better margins and the ROCE, so on that basis we are finalizing.

Shyam Agarwal: Jyoti, I would like to elaborate a little bit on this. So, if you see, whenever we take the order, it depends in which category we are taking, whether it is a two-wheeler, four-wheeler, it is a domestic export and what is the criticality of the parts. So, based on that, the prices, the margins are decided and it is also affected by the competition. So, generally, if it is a more critical part which we are expert to develop, we charge higher margin, but if it is a very simple part for the two-wheeler, of course, the margins will be less. So, it is as per the market demand and the criticality of the part the margins are decided.

Jyoti Singh: Thank you, sir. And also, sir, as we have a major revenue mix from India, but a lot of issue that is going on the Europe and US, so how is the demand we are seeing from the India business comparatively Europe and US?

Shyam Agarwal: Yes, Jyoti, if you see like in India, we have grown by 6.6% while Europe and USA, we have seen degrowth. So, of course, we are seeing the higher demand from India, not only in this quarter and also in the next quarter onwards that the demand from India will be higher, but as you will also appreciate that we also have to do the risk mitigation and that was the purpose that we have developed more part for the Europe and for the USA and also for the various technologies like EV. We were the early movers in the EV. We developed lots of parts, but somehow EV currently is not doing good, but in future, of course, it will do and there we will see the fruits, what efforts we are putting right now, and the CAPEX we are putting. So, we are very hopeful that in future, we will see a higher performance, much better performance in terms of the top-line as well as for the bottom-line. Secondly, we are also working on the skill level of our people and also, as Mr. Vimal told, we are putting in lots of efforts on the smart factory which we have put in for Robotics, IoT and AI, the use of AI, so that will also give us much better performance in the coming quarters.

Jyoti Singh: Thank you, sir. And sir, last question only like geography side is not doing very well for us and for other OEMs, so are we planning to shift any plan to India?

Shyam Agarwal: Jyoti, generally, if you see, we are in the business of B2B. So, when we are supplying the part is going to the OEMs and there if they change the source or change the location, it needs lots of Production Part Approval Process (PPAP) activity, the vehicle validation, lots of cost are there. So, some of the customers do, but these practices are very less in the B2B businesses considering the long lead time for the development and the validation cost. Of course, as you know, India is a leading cost country and because of lots of geopolitical issues, lots of OEM wants to source out of India. So, we see the sourcing of course will increase out of India, but the resourcing is always a challenge considering the cost, which is needed for the validation and the development of the part.

Jyoti Singh: And just how much like currently capacity utilization across the plant, if you can give us the average?

Shyam Agarwal: Yes, Jyoti, currently we are running if we specifically see Quarter 3, so we are running at the capacity of around 70%-75%. Because we have dedicated facility for different parts, so, some parts which we have developed, but it is still in the ramp up phase. So, there the capacity utilization will be less. Some of the parts which are running in the full swing, the capacity utilization is more. So, if you see on the average term it will be around 70%-75%.

Moderator: Thank you. The next question is from the line of Devang Shah from Asit C Mehta Investment Intermediates Private Limited. Please go ahead.

Devang Shah: Hi, good afternoon, sir. Sir, as far as the EBITDA margin is concerned as you were saying because of one-time expense we have seen some kind of decline in margin and it was somewhere close to 9%. So, moving forward, would you be come to your original territory of EBITDA margin with your new product mix somewhere close to 12%-13% kind of range from coming quarter onwards and for coming years?

Vimal Gupta: Definitely. This is a short-term jerk that we can say that we got in Quarter 3 due to the change in the sales mix and maybe some one-time costs. So, then you will see quarter-on-quarter improvement and very soon that will catch up the numbers.

Devang Shah: And sir, as you did a heavy CAPEX this year, what is the CAPEX plan for next year?

Vimal Gupta: I think that it will be good that we discuss in the next call because at this moment, we are in process of the finalizing our budgets for the next year and mid of March, we will be able to finalize it. So, that will be the right time to give some idea about that.

Devang Shah: And sir, initially you have mentioned that you are finalizing your budget. So, as far as revenue growth and trajectory also, so you are going to highlight from next con-call or after the next quarter results after you finalize your budget?

Vimal Gupta: Yes.

Devang Shah: And last question, sir, any kind of, generally we are seeing that, I read somewhere because we are exporting some kind of auto ancillary to US as well. So, because of such kind of tariff war emerging so far started, do you feel there is some kind of opportunity also emerged from the global market, especially from US and if I am wrong, then also correct me if something is being misunderstood by me?

Shyam Agarwal: Devang, very right question. We are also keeping our fingers crossed. We are seeing with lots of things right now that tariff war is going on, new tariffs on some countries that is going on. Hopefully, India has a good relationship with the US, so hopefully we should be benefited. But let us see how it moves on. Maybe in one- or two-months' time, once we would see more clarity, then we will be able to answer you in a better shape.

Moderator: Thank you. The next question is from the line of Moksh Ranka from Aurum Capital. Please go ahead.

Moksh Ranka: Hello. Sir, I used to follow your company from 2018. We used to be exclusive suppliers to Ather, we were the ones who like the first design their product. So, do we have any plans for supplying aluminum castings for their new model? Also, they are setting up a capacity which is close to our line, so will that be a possibility in future?

Shyam Agarwal: Moksh, you are talking about Toyota, because your voice was not very clear.

Moksh Ranka: I am talking about Ather Energy.

Shyam Agarwal: Moksha, we actually if you see we are not pushing more sales for the two-wheeler considering the margin pressure and especially on the EV. So, we are focusing more on the PV side, the commercial vehicle. That is why if you see the contribution for the different segments, we are putting more focus on the PV and the CV. So, currently, the two-wheeler EV is not our focus area.

Moderator: Thank you. The next question is from the line of Faizal Hawa from HG Hawa. Please go ahead.

Faizal Hawa: Sir, we are talking of this order book of around Rs. 9,000 crore now, is there some deadline for the order books being completed and will it be right expectation that in 3 years from today at least our revenue will be doubled from what it is today?

Shyam Agarwal: Faisal, thanks for the question. But for the revenue guidance, as Mr. Vimal said, we are in the middle of budget preparation. So, maybe in the next call, we will be in better shape to give you an idea on our revenue for the next year in the onboard. However, as we have mentioned in the con-call, we have a strong order book, and we will see good growth in the topline as well as in the bottom-line. But right now, it is very difficult to give you the numbers on that.

Faizal Hawa: But there must be a deadline to these orders, like some perpetual orders?

Shyam Agarwal: Yes, it is for 5 years, till 2028-29.

Faizal Hawa: So, we have to complete them by then?

Shyam Agarwal: Yes, absolutely.

Faizal Hawa: But it will not be very regular and uniform progression of the order being completed. In some years, we may have some very good execution, also in some ways the call-ups may not be so good?

Shyam Agarwal: No. Faisal, if you see like this is mainly for the OEMs in the automotive market. So, generally, a project for any OEMs is the life of 5 years, 7 years like this. So, when we get any order, it is for the lifetime of the project. So, it will be consistent supplies from our side and there will also be the end of production for some of the products. So, we will get new business, we will supply for the new models and some old models that will discontinue. It is like it will go. So, it is based on the product life cycles that we will have to put.

Faizal Hawa: Is there one customer who is contributing to almost more than 20% of the order book today?

Shyam Agarwal: No, Faisal. We have a very balanced customer portfolio and right now none of our customers contributes more than 20% of our turnover.

Faizal Hawa: And sir, there was this project within the company to increase the ROCE and ROE of the organization. Have you made any kind of progress on it and if not how soon can we expect some progress on this?

Vimal Gupta: Progress is going on, maybe if you see year-on-year, last 4-5 years. So, there is a continuous improvement in the ROCE and definitely this is on and quarter-on-quarter basis, maybe this is the worst quarter we have seen in this Quarter 3, but after that you can easily see that there is continuous improvement in the ROCE.

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

Jyoti Singh: Thank you for the opportunity. Sir, just clarification on the guidance side, we are keeping Rs. 1,800 and Rs. 2,200 crore for FY25-26 or any changes on that side?

Vimal Gupta: Jyoti, for Rs. 1,800 crore that in my speech, I have already explained that maybe, we will not be able to win the exact number. Maybe some decline in this because this sort of decline in the CV demand from Quarter 3. And for next year, the guidance, so we are just finalizing our budgets, so that to we have explained that in the next con-call that we will be able to give more clarity on this.

Jyoti Singh: And also sir, we are doing any changes in our strategy because earlier like till now, we are focusing more on the PV side, but still Q-on-Q mix has been changing and more favorable towards two-wheeler. I know demand is good from the two-wheeler side, but still, we are shifting again on the two-wheeler side. So, what is your view on that side?

Shyam Agarwal: Jyoti, our strategy is for the long term. It is not for one quarter or two quarters. It may happen in one quarter or two quarter, but one particular segment can do good, but we define our strategy on the long term and in the long term, our firm believe is that if we focus more on the passenger vehicle or the new technologies like hybrid or the EV, there we will get more fruits in the future and with that we are working. So, right now also, we don't have change in any strategy to put more focus on the two-wheeler, of course, two-wheeler is important to cover the fixed cost. So, that we are doing, but our ultimate plan is to put more focus on the passenger vehicle, commercial vehicle, EV, hybrid and the export market. So, those are our focus areas.

Jyoti Singh: Thank you, sir. And sir, can we talk a little bit on the Maruti side with the new plant Gujarat, how the progress is going and also how the order execution that is going on, if you can explain on that side, it would be helpful?

Shyam Agarwal: Jyoti, I would say like Maruti Suzuki, as you know they are the leading four-wheeler company in India and we have a very good amicable relationship, very strong relationship with all Japanese OEMs including Maruti Suzuki. So, I would say in this con-call not specifically for one customer, but we have a strong relationship, and we are seeing that very good volume growth we will see in the coming quarters with all OEMs and also with the Maruti Suzuki.

Moderator: Thank you. We have the next question from the line of Manas Jain from JUS Enterprises. Please go ahead.

Manas Jain: Hello, this is Manas here. Sir, just looking across the prior quarters for the last quarters from FY21 to FY24 and we had given similar product mix in FY21-22 and still our gross margin and EBITDA margin was at least around 10%-11%. So, what is explaining this? I was trying to dice the data from all the angles, but I still can't understand how you have gone to 8%. Even in the worst of times we were there on 10%-11%. So, there is something I want to management at least help us understand what led to this is such a bad fall?

Vimal Gupta: Mainly, the raw material cost is going up when you see comparison for the last 3-4 years. So, when you are talking about from FY2021, the prices of aluminum have gone up, but not the value additions have not grown in the same proportion. So, automatically the ratio goes up of the raw material and as a percentage the margin goes down and when we have built up in the last year, the last 2-3 years, we have started building up the margins bringing the new businesses from Commercial Vehicles and Passenger Vehicles. So, that is the main reason that we have built up and reached up the gross margin of more than 50%. And when we go to the two-wheeler, maybe in that mix also when we are talking about it is not like that, only two-wheeler and four-wheeler. In the four-wheeler also, there is a mix, so in some parts, especially the commercial vehicles, we are having a very good value addition, the gross margins. So, that has given us a big hit when we saw that approximately 30% decline in this quarter, so that has given a major impact.

Manas Jain: So, when you are saying the 5% fall in the CV volume, so when we compare as a percentage to sales, so that 5% had the severe margin impact, is my understanding, right? It has such a severe impact even quarter-on-quarter?

Vimal Gupta: It is not 5%, it is 30% I am talking about, Commercial Vehicles and then the KTM where the export two-wheelers, you are having the good margins, so that is a slowdown.

Manas Jain: And also, the second question, where you said the Toyota there was some shutdown due to which we had impact on that too. So, what will be the impact, and will it flow in the next quarter if the activity starts again?

Shyam Agarwal: Manas, for this particular customer, of course, a yearend shutdown is there. And in between they stop production to increase their capacity. So, now that the shutdown is over and from this quarter, from January, we are seeing the regular offtake from their side and their plan, we are seeing that demand should further increase in the next 2 years' time. We will see an 80% increase on the volume front on this particular customer.

Manas Jain: But what was the impact this quarter just for bookkeeping purpose?

Shyam Agarwal: We generally, Manas in this con-call, we don't give the specific number for particular customer. We can discuss it offline.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Vimal Gupta: Thank you. As we have shared, we remain confident of an improved performance going forward. Our deep engagement with customers and the growth plans they are indicating provide us comfort that we will see increased volume from Quarter 4 onwards with our process expertise, backward integration in design and engineering combined with a focus to enhance manufacturing capabilities with addition of newer technologies, our focus is on strong execution of the orders on hand.

We also believe the Quarter 3 marked the bottom of the cyclicity in the industry and that there will be an improvement in export markets of Europe and US as well as an enhanced demand environment in India. This will ensure that our revenue and margins performance will improve going forward, starting with sequential improvement in Quarter 4 and further building up into FY26.

Our association with Enkei positions us well to optimize the opportunities ahead. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification or would like to know more about the company, please feel free to contact our team or CDR India. Thank you once again for taking the time to join us on this call and we look forward to interacting next quarter. Thank you very much.

Moderator: Thank you. On behalf of Alicon Castalloy Limited, that concludes this conference. Thank you all for joining us, you may now disconnect your lines.
