alicon

Casting the Future

Ref No.: Alicon/Stock Exch/Letter/2024-49 August 14, 2024

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 10th August 2024, after announcement of the unaudited Financial Results for quarter ended June 30, 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,

For Alicon Castalloy Ltd

AMRUTA JEEVAN JOSHI Digitally signed by AMRUTA JEEVAN JOSHI Date: 2024.08.14 09:21:07 +05'30'

Amruta Joshi
Company Secretary

Alicon Castalloy Limited

Q1 FY'25 Earnings Conference Call Transcript

August 10, 2024

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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mayank Vaswani from CDR, India. Thank you, and over to you, Mr. Vaswani.

Mayank Vaswani: Thank you, Yashashri. Good morning everyone, and thank you for joining us on Alicon Castalloy Limited's Q1 FY25 Earnings Conference Call.

We have with us on the call today Mr. Vimal Gupta, Group CFO; Mr. Shyam Agarwal – General Manager (Marketing) and Mr. Rajiv Gupta: Head of Domestic Business of Alicon Castalloy Limited.

Mr. Vimal Gupta: will cover the operating highlights and financial performance for the quarter, following which Mr. Agarwal will walk us through the operating highlights. Mr. Rajiv Gupta will provide insights on domestic business and developments in global markets. Thereafter, we shall open the call for the Q&A session.

Before we begin, I would like to point out that some of the statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings documents that have been shared with all of you earlier.

I would now like to hand over the call to Mr. Vimal Gupta for his opening remarks. Over to you, sir.

Vimal Gupta: Good morning, and welcome to our earnings call. Thank you for taking the time to join us on a Saturday. I trust you've had the opportunity to review our earnings documents, which were shared earlier.

We are delighted to share that Alicon has achieved its highest-ever quarterly revenue in Q1 of ₹440 crore. This marks the third consecutive quarter where we have surpassed the ₹400 crore milestone. This is driven by momentum in all of our key segments of 2-wheeler, Passenger Vehicle and Commercial Vehicle. Both domestic business and international business have done well. Further, this has been helped by efforts to build capabilities for new technology platforms in the automotive industry, expand into new geographies, and focus on value engineering and capability enhancement, all supported by positive trends in our established business lines.

The business is witnessing strong momentum and has outperformed the growth of the global and domestic automotive industry. We are in negotiations with more high-profile customers including several leading global OEMs and many Tier 1 Suppliers representing the best in the world in the auto industry. These customers are noticing the solutions that we offer which include a supply of world class products at highly competitive prices.

We have differentiated ourselves through expertise in low pressure die casting and gravity die casting, and these processes are now gaining greater acceptance from customers. We are also in the initial stages of moving from 'as cast' products to provide fully machined products. As we start to increase the proportion of fully machined products there will be further improvement in value addition.

As we have shared earlier, this transformation can be monitored across three key metrics:

- We continue to increase the share of Passenger Vehicles (PV) and Commercial Vehicles (CV) in our product portfolio. This segment now represents 57% of our sales in Q1FY25, up from 50% in Q1FY24.

- Our customer profile is evolving, with the addition of prestigious global names, including leading OEMs and Tier 1 companies. This reflects Alicon's growing stature in the industry, and we continue to add to our client roster in each quarter.

- The focus on design, R&D, and value engineering has ensured that Alicon is now increasingly recognized not just as a source of build to print components but as a solution provider known for innovation, technology and design.

If we compare Alicon of 2018 with the Alicon of 2024, you will notice the following progress:

- In 2018, there was an overdependence on 2-wheeler customers while today we have a more balanced mix of 2-wheeler, PV and CV segments in our portfolio
- In 2018, our customer list comprised largely domestic customers while today we have some of the largest, most prominent names in the world including Indian OEMs who have scaled themselves too
- In 2018, we were reliant on Cylinder Heads while today we offer a diverse mix of critical products
- As a result, the margin profile in 2018 was in high single digits of 8-9% while today we have a margin profile around 13% and are working on further improvement in margin profile

Now, let's turn to our financial performance for Q1 FY25. We reported revenues of ₹440 crore, representing a 24% increase from ₹354 crore in Q1 FY24. Revenue growth has been driven by the scaling up of production for new parts, many of which are critical components being supplied for PV and CV customers.

Our gross margin for Q1FY25 is 50.42%, an increase of approximately 25 basis points compared to 50.17% in Q1 FY24. This is due to the improved product mix on a year-on-year basis.

Employee costs have risen by 19% year-on-year, driven by increments, a rise in minimum wages and costs of new hires aligned with our operational growth. While the impact of ESOP costs has reduced, as anticipated, there were some temporary additions in the European operations which have driven up employee costs.

In terms of profitability, EBITDA for Q1 FY25 was ₹58 crore, a 46% increase from ₹40 crore in Q1 FY24. The EBITDA margin improved to 13.2% from 11.3% in the previous year, despite the rise in employee costs and other expenses, reflecting a year-on-year improvement of 194 basis points.

On a q-o-q basis, EBITDA of Rs. 59 crore in Q4FY24 has been largely maintained. While the EBITDA margin has moderated from 14% in Q4 to 13.2% this quarter, absolute EBITDA of Rs. 58 crore in Q1 represents a strong start to the fiscal year. Further, it would be important to note that wage hikes have been implemented this quarter and certain expenses have been provided for or estimated this quarter, on which we will get greater clarity as we progress through the year. Going by the trend in earlier years, the Q1 margin tends to represent a base, and we expect to see some improvement through the rest of the year

Finance costs increased by 9% year-on-year to ₹10 crore, in line with increased borrowing. Finance costs are, however, lower by 5% on a q-o-q basis when compared to Q4. Depreciation rose by 22% year-on-year to ₹22.44 crore, driven by new asset additions comprising machines and tools added or replenished in our production lines.

After absorbing the higher finance cost and depreciation, PBT has more than doubled on a year-on-year basis as it was higher by 109% from ₹12 crore in Q1

FY24 to ₹25 crore in Q1 FY25. PAT for Q1 FY25 stood at ₹19 crore higher by 2x from ₹9 crore in Q1 FY24.

Regarding capital expenditure, we have spent approximately ₹49 crore in Q1, primarily on machinery for production and investments in new product development. For the full year, we have a target of roughly ₹151 crore for FY25, reflecting the heightened level of activity.

In terms of our growth outlook, we continue to anticipate revenues of ₹1,800 crore this fiscal representing around 15% growth for the fiscal year. While our strong Q1 revenue performance of ₹440 crore represents nearly 25% of the annual target, we are carefully watching the global macro-economic backdrop and the volatility that could emerge from the intensifying conflict in the Middle East and will update on this target in Q2.

We are highly excited and energised by our business prospects and the discussions that are ongoing with several potential customers. While sentiment towards electric 4-wheeler vehicles is currently muted, we have strongly positioned ourselves on hybrid technology and two key customers in the domestic market – Toyota and Maruti are indicating exciting potential for their hybrid vehicles. Further, volumes of 2 wheelers have picked up well given the improving rural backdrop.

With that, I'll now hand over to Mr. Shyam Agarwal to share the operating highlights for the quarter.

Shyam Agarwal: Thank you, Mr. Vimal. Greetings to all of you.

We are delighted to report our highest ever quarterly revenue in Q1 as well as reporting revenue of over ₹400 crore for the third successive quarter. In addition to revenue growth of 46% on a year-on-year basis, we have reported growth of over 100% in PBT and PAT respectively. With this performance, we have started FY24-25 on a strong note.

Coming to some of the key business programs this quarter. We have witnessed further ramp up from Maruti this quarter. We had indicated that the supply of Cylinder Head to a second model combined with start of supply to the Gujarat plant of Suzuki would lead to increased volumes. We are pleased to share that with this ramp up, the volumes being supplied to Maruti have tripled on a year-on-year basis

For Toyota, where we supply Cylinder Head to their hybrid models, we have witnessed further rise in volumes this quarter. We have augmented the production lines to meet the demand and are in discussion with them to assess further ramp up of requirements in the near team.

Over the long term we see further demand requirements given that Toyota will be adding to their manufacturing capacity. Our position as an approved supplier, provides us opportunity to increase volume with this enhanced capacity.

We had recently commenced supply of Cylinder Heads to Stellantis India. Volumes to their Hosur plant have been ramped up in Q1. I am sure some of you are aware that the Stellantis is seeking to make the Hosur facility into an engine manufacturing hub which will serve the domestic market and from which engines will also be assembled and exported to Europe.

Alicon has developed a model plant imbibing cutting edge technology and automation for the Stellantis product. This plant serves as a reference point for other potential customers. As a single source supplier of Cylinder Heads for Stellantis, we are closely monitoring the requirements to ensure that we scale up our capacities in alignment.

In our European operations, we continue to witness strong momentum. The production of e-axles for JLR continues on schedule. Production will continue into the third quarter following which supplies will shift to the Indian plants in order to produce scaled up volumes.

Further, we see strong momentum in the battery housing product for hybrid vehicles that we are supplying to Samsung, a Tier 1 supplier. This product is supplied to 3 different vehicle models and there has been a steady ramp up in volumes in Q1 with indications for further ramp up in FY25-26.

I would also like to touch upon two exciting projects that our European team is working on.

First - We are currently developing a product for Volkswagen's autonomous driving, positioning us at the cutting edge of emerging technologies in the auto mobility sector. A well-defined schedule guides our product development, and we have already commenced manufacturing the tooling needed for production. This initiative opens up a new market segment for us, with the application of ADAS poised for widespread adoption across the automotive industry

Secondly - We are actively contributing to the eHighway project, a groundbreaking initiative jointly developed by Siemens and Continental. This project aims to electrify highways, allowing electric trucks to recharge while in motion. Our role in this venture includes the supply of eight distinct components, which will be integrated into the top of the trucks to facilitate electrification. We have already delivered initial samples, and further evaluations are currently in progress.

As Europe enters the summer season, we have also begun manufacturing swing arms for our European two-wheeler clients. As many of you know, we proudly supply to each of the top four premium motorcycle manufacturers in Europe: KTM, BMW, Husqvarna, and Ducati. Initial shipments started in Q1, and we are gearing up to significantly increase volumes in Q2.

Overall, our European operations remain stable, with no significant risks on the horizon. Gas prices, power availability and overall costs are largely steady, and we have not observed any upward pressure on commodity prices thus far.

We expect the balance in our product mix to improve further as most of the new business that we have won this quarter is for supplying parts for 4-wheeler or global customers, which is aligned to our strategy of focusing on higher value parts.

In terms of industry trends, we see that Hybrid vehicles are currently outpacing electric cars in market growth, driven by their appeal as a practical transition between traditional and fully electric vehicles. In 2023, hybrids saw higher sales growth than electric vehicles in major markets like Europe and Japan, reflecting consumer preferences for their flexibility and the existing fuel infrastructure. Many buyers favour hybrids over electric vehicles due to concerns about charging availability and range limitations. In response, automakers like Toyota have strategically increased hybrid production, recognizing the strong demand in this segment. As a result, hybrids are emerging as a key growth area within the automotive industry, offering a compelling investment opportunity. We are well positioned to capitalise on this both in terms of offerings as well as associations with some of the largest global and domestic customers spearheading this trend.

Another interesting update to share with you is the addition of a cold core box manufacturing facility this quarter at our Shikrapur Plant in Pune. This is a new technology for critical parts. With the installation of this advanced equipment, we have enriched competencies further. This technology will open up several new opportunities enabling us to further enhance customer wallet share.

We're also taking decisive steps to enhance our manufacturing capabilities by integrating advanced digital process controls across our operations. By leveraging machine intelligence, we're adding a sophisticated layer of oversight that boosts both precision and efficiency on the production floor. These controls are designed to provide us with real-time data, enabling us to actively manage our operations with greater accuracy. More importantly, this technology will equip us with the insights needed to make smarter, more informed decisions and ensure that we make our manufacturing processes more efficient and benchmark them with global best practices to reflect our evolving customer and product profile.

The other area in which we have made considerable progress is in diversifying of our energy mix. As we have shared earlier, we've installed solar panels on the rooftops of our plants in both India and Europe. We have generated about 30% of energy consumption in Europe from solar energy which has made our operations more resilient and cost competitive.

Additionally, in India we have invested in a solar installation and entered into a 5.2-megawatt solar power agreement, which will allow us to gain equivalent credits for the energy we contribute to the national grid. Part of this has gone live with the remaining infrastructure set to go live in January 2025. The energy fed into the grid will offset the power we consume at our manufacturing facilities. With these steps, solar energy already contributes 40% of power and will soon account for over 50% of our total energy mix once the next phase is commissioned.

With that, I will now hand over to Rajiv Gupta for his comments. Thank you.

Rajiv Gupta: Thank you, Shyam. Greetings to all of you.

In Q1 FY25, Auto sales showed a healthy performance, especially the 2W segment, which continued to outperform. In Q1 we noted –

- 20% growth in 2W segment on a yoy basis
- 6% growth in PV segment on a yoy basis
- 1% de-growth in CV segment on a yoy basis

In the domestic market, we experienced a strong resurgence in the two-wheeler segment, reflecting a significant rebound in demand. Last quarter, we had projected an increase in two-wheeler volumes in anticipation of the upcoming elections, and this forecast has been realized with substantial growth. Additionally, we observed an encouraging improvement in rural demand, which has further contributed to the robust year-on-year increase in volumes. This positive momentum suggests that the demand for two-wheelers is likely to remain strong throughout FY25, supporting our outlook for sustained growth in this segment. Overall, the market conditions appear favourable, and we remain optimistic about the continued performance of the two-wheeler business.

In the Passenger Vehicle (PV) segment, Utility Vehicles (UVs) continue to witness favourable momentum. Further, the sentiment around EVs is somewhat subdued and customers who were unable to decide are now more firmly in favour of

Hybrid or Internal Combustion Engine (ICE) vehicles. Having built up offerings for Hybrid vehicles, we are well positioned to take advantage of this trend.

In Q1 FY25, the retail volume of CVs saw a marginal decline. The global markets have been sluggish due to uncertain economic outlook, persistent inflation and the increase in conflicts and unrest in various parts of the world. With the heightened uncertainty, we anticipate that there will be apprehension and cautiousness from customers and are closely monitoring the situation.

In quarter 1 we added 8 new parts from 5 customers. This includes 1 part from the Carbon Neutral segment, 1 part from non-auto and 6 parts from ICE. Of these 8 parts added, 4 parts pertain to the domestic business and 4 parts pertain to international business.

In an exciting development, a Global automotive customer has awarded us an order for two critical parts. This will be produced in India for supply to USA. We estimate that the potential size of this order over its life can be over Rs. 500 crore. Interestingly, this will involve supply of machined and assembled part enabling us to capture higher amount of value addition. This will add to the USP which we can demonstrate to existing and prospective customers.

We have also received orders for 1 part each from Daimler and Danfoss this quarter. These pertain to application in CVs and will entail export from the India plants. The part from Danfoss pertains to the Carbon Neutral segment while the part from Daimler will find application for ICE towards a new generation engine with enhanced vehicle performance.

In the domestic business, we have received 3 parts from Maruti Suzuki which will increase our wallet share. This adds to our business from the Passenger Vehicle segment. All 3 parts pertain to ICE business.

In the Non-Auto business, we have added a product with BEML for the defence segment. The increasing spend towards Infrastructure and Defence should lead to further opportunities in this space.

The global business contributed to 26% of the total revenue during the quarter which is higher than 23% in Q1 last year. Further, 94% of our business is from Auto and 6% is from Non-Auto customers.

During Q1FY25, Alicon has booked new orders aggregating Rs. 650 crore. The new business added is aligned to our strategy of higher value add as it is largely PV or CV or global business. With this, our total new order booking has surpassed ₹.9,500 crore which is executable over a period of 6 years from 2023-24 upto 2028-29.

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

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

Yash Dalal: So, I had a few questions. The first one was, what is the new business contribution for the quarter? You mentioned last quarter that the majority of the new business added pertain to four-wheelers and was for international markets as well. So, will this trend continue in FY '25? And what is the order pipeline for this as well as for the overall business?

Rajiv Gupta: On the new business, yes. Rightly said, you have noted a good performance last fiscal where order bookings were around 95% to the four-wheeler market and 85% to the international markets and this quarter also we noted a good momentum. So, in this quarter, we booked a business of around ₹650 crore. Out of that, the major addition was from a global market for a two-wheeler premium high-end segment, and this is also a good foray to add and demonstrate our existing and global customers about further value add what Alicon can add. So, good momentum.

Shyam Agarwal: And I would like to add here, we are focusing more on the four-wheeler customers considering the value addition which we are getting is higher than the two-wheeler. But in this business, we have got the good value addition as compared to our two-wheeler customers and even more than the four-wheeler customer. So, it is a good business acquisition for us.

Yash Dalal: Then the next question is what has been your volume growth for the quarter, and you had mentioned that in FY '26 revenue target is at ₹2,200 crore with around 14%-15% with the margins. So, beyond this, what does the future hold for Alicon beyond FY '26?

Vimal Gupta: Beyond FY '26, yes, that's what we were talking about earlier also that we are expecting a CAGR of approximately 15% to 16% in the top line.

Yash Dalal: And what about your volume growth this quarter?

Rajiv Gupta: So, this quarter we put in an increase of 24% growth over the last year same quarter. And this was mostly with the accounts of the cylinder heads which is going into SOP, customers like Toyota and Maruti ramp ups we noted. And also, we noted this time a good increase from the two-wheeler markets that added to additional jump over the last fiscal.

Shyam Agarwal: And yes, I would like to add here. And if you see the global automotive market, that has grown only by 0.5%, while Indian automotive market, that has grown by 16%. And with the growth of Alicon of 24%, so we have surpassed the growth of both global market as well as the domestic.

Yash Dalal: And just a last question. In the presentation, you have mentioned your one-time item quarter-on-quarter for your quarter-on-quarter EBITDA drop. So, what is this exactly this one-time item? And will they be seen in the coming quarters as well?

Vimal Gupta: So, yes, mainly that actually what has happened in the Europe, when you are going through the numbers, so the drop you have seen in the Europe side. So, we have seen some issues of the availability of the people because we are having the plant in Europe and a lot of big OEMs, they have put up their plants. So, suddenly a shortfall of the operating people. So, those are working on the shop floor due to the huge demand.

So, that has a little bit pressure on the cost in the quarter 1 so that we had to hire at high cost from the competitors or from other countries. We have taken the people, but now the things are getting streamlined and that we have now put some people from India and some operating people are also in coming months, they are also going more people from India. So, that's how we now things are coming under control so that due to that there was a pressure on the operational cost as well as on the manpower cost.

Moderator: Thank you. We will take our next question from the line of Raghunandhan from Nuvama Wealth Management. Please go ahead.

Raghunandhan: Sir, firstly, what would be the SOP share in revenue for FY '25? And in opening remarks you referred to Maruti, Toyota, Stellantis, where you are seeing very good traction. Can you also talk about the JLR order, how you see the execution timeline? I am referring to the e-Axle housing order.

Rajiv Gupta: Coming to first on the SOP business sales for this year, so we see approximately ₹1,200 crore sale from the new parts what we added. And I mean, whatever we plan, we are going to meet that. There are some areas where we see a dip, but we are going to cover up with other accounts. Like PSA, they are not able to cope up with those volumes, but we are trying to generate how we can cover up. But we are going to hit what we have committed.

Coming to the JLR project now, the JLR project is going very good. I mean, we already mentioned in the scripted remarks that the proto-sales are on track with the plan. And in fact, we are able to build good confidence in JLR. Frequently our team are visiting at that location. And I mean, two or three visits of JLR management is being done at our locations also. So, we are working well in this synergy. And also, now we are aiming to support samples in next month to trigger the supplies from India. So, we are expecting volumes ramp up from India, small batches to start within the next quarter and aligned with the numbers to cope up in the next financial.

Raghunandhan: Two-wheeler segment has witnessed growth in Q1. How would be the revenue mix in Q1? Two-wheeler, four-wheeler, commercial vehicle. Four-wheeler plus commercial vehicle, you said has gone up to 57%. How would the two-wheeler share be?

Rajiv Gupta: So, in quarter 1, we noted yes, there was a good increase in two-wheeler segment around 20%, but still our contribution was just 37%. So, we have ideally reduced our contribution from last year's 40% to 37%. And if you talk about four-wheelers, yes, this has increased. Passenger increased to 39% and commercial increased to 18%. So, this is a good momentum what we have following compared to the previous years. So, overall, if you talk about four-wheelers, four-wheeler is at 57% versus last year quarter 1 at 50%.

Raghunandhan: And in EV and hybrids, what would be the share in Q1? If I remember correctly, FY '24 was 12%. And what would be your expectations for FY '25?

Rajiv Gupta: On EV and hybrids, what we have done this time, we have understood that sentiments of consumers are hurt, especially on the new technologies where a couple of articles we have followed which talks about the traction in U.S. market where more than 50% of the EV users would like to switch to hybrid or ICE and similar traction we are noticing in India market, more on infrastructure and other issues.

So, that's the reason what we have done. We have now added one more strategic segment internally to bring our focus and we have added a hybrid segment to monitor its momentum because we have noted, especially the Japanese OEMs are focusing on hybrids and we know in India also, the hybrid models are picking up.

On the hybrid models, what we noted, this quarter, hybrid contribution was around 9% and EV was around 10% and going forward also, this will remain, hybrid will remain to around 8% to 10% at this moment with the current booking and our plan is further to increase going forward.

For us, the Toyota volumes are picking up. That's a good sign. Even the part which we developed in Europe, the battery housing, which we developed in '18-'19, the volume of that part also is increasing which we have noted in last quarter and that is again because all that model, that part is going to all the hybrid models of Jaguar Land Rover. So, we are concentrating on that area.

Shyam Agarwal: So, Raghu, total contribution for hybrid and EV is now 19%.

Raghunandhan: Thanks for the detailed explanation. And when you referred that through Samsung, three models are being catered, would it all be relating to JLR, sir?

Shyam Agarwal: Yes, correct. All three are for Jaguar Land Rover, correct.

Raghunandhan: To Vimal sir, two, three questions. One on the aluminum prices. Recently we have seen an increase in aluminum that gets passed on to customers but with some lag. Would that be the reason why RM cost to revenue on a Q-o-Q basis has gone up?

Vimal Gupta: No, that is not the cost absorption. That is the sales mix impact because when the contribution of two-wheeler goes up, because these two-wheeler components are un-machined, these are only 'as-cast' parts. So, that is the reason and because you know that it is a pass through, but when we compare the prices, so that also giving the impact in the consumption because when aluminum prices go up, so automatically the consumption ratio goes up.

Raghunandhan: And ESOP cost has come down in Q1. What would be the number, sir, for Q1?

Vimal Gupta: Q1 approximately now cost is down by ₹2.5 crore because the quarter 1 last year, we had around ₹3.5 crore. Now this quarter, ₹1 crore.

Raghunandhan: And for the full year FY '25, what would be the number?

Vimal Gupta: The total cost will be ₹4 crore full year.

Raghunandhan: ₹4 crore. And margin 13.5% would be a fair number to assume for FY '25?

Vimal Gupta: That you have to take a call, boss. We cannot give such types of statements. You know that.

Raghunandhan: Just the last question. So, in addition to this cold core box manufacturing facility, if you can elaborate on that, what could be the benefits for the company going forward?

Rajiv Gupta: So, this technology. Majorly, a lot of foundries across Europe are using such technologies and this is used especially for the structural parts. So, we were having this technology way back in a European facility because we are supplying swing arms to customers like KTM, BMW, Ducati and many more.

So, recently in India we added a structural part for the EV variant for Jaguar Land Rover a bigger part of around 18 kg with a length of 750 mm. So, for that, when we took business, we understood that part called for better results in terms of strength, in terms of shrinkage, porosity and other aspects and that's the reason we understood it is better to use the cold core box technology to give a unique solution to our customer. With that approach, we added this technology and now with this technology, we are seeing a good opportunity to add further from India business swing arms.

At this moment, you know motorbikes, high-end CC is a trend even in India and a lot of OEMs have started discussion for development of aluminum swing arms. So, on such an approach we see adding up of this technology and then pitching to customer helps us as a USP and differentiates with other competitors to grab that business. We see such technology will help us further to grab other customers in such structural parts.

Moderator: Thank you. Next question is from the line of Divy Agrawal from FICOM family office. Please go ahead.

Divy Agrawal: So, my first question is regarding the sales in the U.S. So, I just wanted to know what would be the share of U.S. in our total revenue and what would be that number 3 years down the line?

Rajiv Gupta: At this moment, exports is 30% of our revenues roughly and out of that, 10% is to U.S. and 20% is to Europe. Going forward, we see this U.S. will increase to from current 10% to around 14% to 15% in the next 3 years.

Divy Agrawal: And as the market situation there is tough, so how do you see the market situation improving there or how do you see the impact on the demand there?

Rajiv Gupta: We are working on the addition of new components to the new market. So, if we talk about ICE, we just mentioned we added a big order for a premium two-wheeler segment and there also we see good volume. So, this is an addition to the market which we play, and this also will help us to demonstrate our USP in such products. Apart from ICE, we are also working on the EV portfolio, which Mr. Shyam will explain.

Shyam Agarwal: Divy, I understand what you mean. Currently, we are seeing some sentiments down in the USA. So, for that we are keeping an eye. We follow some lead indicators and also, we follow the EDIs from all the OEMs. So, we are seeing some dip over there, over the existing customers, but with the addition of the new products and also, we are able to gain some share of business from our competitors. So, that way we are seeing we can nullify that impact, and we will deliver the numbers which we have committed.

Divy Agrawal: And the second question on the Indian business. So, I mean, there are news that there are increases in sold car inventory. So, what gives you the confidence about growing the business, achieving the ₹1,600-crore target there and also the competition is linked up in the die casting business. So, recently, one of the competitors announced an acquisition of a domestic player. So, how do you see the competition lying there?

Shyam Agarwal: Thanks for this question. If you see like the products where we are supplying the parts, like we mentioned in our speech, like we are giving the components for Toyota. So, if you see the development of these parts it takes one to two years of time and needs lots of know-how technology and we are the single source for these parts. So, if the customer is growing, we will grow with them and we don't see the competitor can come in because those are the entry barriers. First is the lead time, investment, and technical competency.

Second thing, if you have noticed from our introduction speech, we are also supplying to Maruti Suzuki and there our competition is only their foundry. We do not have any other competition with the Maruti Cylinder Heads and we are seeing the demand from Maruti is really, really good and we have tripled our volume on Y-o-Y basis.

Same way, if I touch the third customer, which we have mentioned, Stellantis, so there they have installed the capacity of 300,000-cylinder head and again, we are the single source for them. So, if we are a single source, we do not have the impact from the competition and even if any competition will come, it will take minimum two years' time to develop and complete the validation period. So, I hope I am able to answer your question.

Moderator: Thank you. We will take our next question from the line of Aditya Sen from RoboCapital. Please go ahead.

Aditya Sen: Sir, I just know you talked about the order pipeline, but I couldn't follow exactly. So, can you please throw some light on the order pipeline that we have and the order inflows that we see in this year?

Rajiv Gupta: On the order pipeline, yes, if you talk about total businesses, what we added since 2023-24, so we have added a yearly average sale of around ₹1,500 crore. With this, our total project sale with the new projects will be ₹9,500 over the year of six years.

Of this, if I give you a bifurcation, around 23% is for the Carbon Neutral, around 10% for the hybrid, around 5% to the technology agnostic and even 3% to the non-auto. And of this, 54% are for the global markets and 24% contribution is with the new logos and around 82% of this newly added business is the four-wheelers. So, this shows that we are booking business as per the strategy what we have defined.

Coming to this quarter, yes, we have added eight parts from five customers with a yearly average sale of around ₹150 crore and around ₹600 plus crore over the 5 years. This also we noted on 68% of the orders are from the global market. So, same momentum, we are going to follow the inquiries from customers. existing as well as the upcoming customers. I mean, prospective customers are increasing because today, be your ICE, if you talk about expansion, be your hybrids or new technology or be your EV, almost all OEMs or major Taiwan companies are actively working on such developments.

And also if you talk about new technologies, they look for a supplier who has got hands-on experience of developing such parts. And why Alicon gets that edge? Because such products we have already developed in a European facility 4-5 years ago. So, for them also, they know very well, if they want to grab a business or enter the market, they have to go with a supplier having such experience and can deliver in a quick period of time.

That's the reason they look for suppliers as Alicon. We are there with two-wheeler, three-wheeler, passenger, commercial, all segments. So, for them also, they are comfortable to discuss new opportunities with us, which we are looking forward to materializing in this Financial Year also.

Aditya Sen: And you also mentioned that we are single source suppliers for Toyota. So, is it only for Toyota or for all the OEMs that we supply to?

Shyam Agarwal: No, Aditya, for Toyota, cylinder head, we are single source. It depends on the customer to customer and model to model, okay. So, not for all the parts which we are supplying will be the single source, but you can say more than 70% of the parts which we supply, we are single source.

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

Jyoti Singh: Sir, my question is largely on the revenue side, so if you can guide us in Q1 revenue, it is largely driven by Maruti or I mean, other client is also there, but it is largely driven by Maruti. And the second question on the market share side on the parts. Like cylinder head, how much currently we have market share? And on the new product side, which are the major products like cylinder head we used to do?

Rajiv Gupta: First on the incremental increase in quarter one, the major drivers for us, yes, one was the market growth, like the two-wheelers we noted a good momentum, like HMSI more than 20%, Hero even 15% and so on. So, that helped us to grab additional. Few were the new parts, which we will be able to ramp up and deliver extra, like the major accounts like Jaguar, there we were able to generate additional. Few accounts we noted for the global market, especially U.S., for the current part, there was a little increase in the numbers which have added. So, mostly was the market driven, you can say, around 50%, and around 50% is the ramp up volumes of the recent part we added. Like Toyota and Maruti Suzuki.

Coming now to the share of business. On the share of business, to the Indian two-wheeler industry, yes, it's around 35%, and we see a good momentum as the major accounts, the volumetric accounts like HMSI, Hero, the volumes are picking up.

When we talk about four-wheelers, in four-wheelers, the share of business trend is mostly being compared with the OEMs, yes? So, we are into a phase where we are adding cylinder heads from Maruti Suzuki. So, if you have noticed, for the last three to four quarters, every quarter we are adding one-cylinder head. So, we are further in discussion with Maruti to add, I mean, to transfer cylinder head from their foundry to our location, again in Delhi, same local region. So, with that way we are going to add share of business with OEMs like Maruti.

Even Toyota, we just explained. Toyota also, the volumes are increasing with the high demand of hybrids. You might read the article last week where they have announced a new plant again in Maharashtra. So, there also we are aligned to increase the numbers, and also, we explained on PSA where they are actively working on ramp up and we are aligned with them. So, going forward, yes, we see a good share of business opportunities also to add from four-wheeler accounts.

Jyoti Singh: And sir, another question on the two-wheeler side. Like in 2018, we were more diversified toward two-wheeler compared to other segments, but now as two-wheeler pick up started in the rural, and also, we are getting good business on that side. So, going forward, it will alter the revenue mix to favor two-wheeler more or it will remain at the same level as we now diversified four-wheeler and two-wheeler?

Shyam Agarwal: Yes, Jyoti, as Mr. Vimal explained, our focus is more on the VA side, like value addition. What happens with the two-wheelers? Most of the parts are 'as-cast', like the cylinder head which we are supplying, but with the other customers, like four-wheeler customer EV supply, EV supply is the other part. So, those are parts of the machined component. So, we are focusing more on fully machined parts where our value addition is more. So, that is our focus area. However, whatever opportunities are coming for the two-wheeler, that also we are grabbing, but more focus on the high value addition.

Jyoti Singh: So, sir, going forward, we will see more expansion on the margin side, or will it remain our target to achieve 14%, 15%?

Vimal Gupta: Jyoti, first target that what we fixed, I think, two or three years back is 14% to 15%. So, first, let's hit that number because everybody is looking for every year improvement. So, it doesn't stop our goals, our focus. So, I think, first, let's hit that number 14%, 15%. And then further opportunities, because it is a continuous process, the improvements on both sides on how to improve my value addition from the customer, how to reduce my cost, and at the end, how to improve my bottom line.

Jyoti Singh: And sir, just last question on the aluminum side. As Alicon is the leader in the aluminum product, but now as EV penetration is increasing, more of the OEM targeting to be in the EV. So, a lot of peers are also targeting new products in aluminum. So, are we facing competition, or we are fine at this level?

Shyam Agarwal: Jyoti, first of all, competition is always good for the health of any company. So, we also don't want weak competition. We also want a very strong competition. But just to add that, as you know, we were very strong in ICE. And also in the EV, we have developed more than 90 components. And in the EV also, we are concentrating on very, very critical parts with thermal management where no other competitors are there. And this is also recognized by not only the domestic customers, but also the global customers.

So, that's why if you see, we are supplying the parts which is going into the Tata vehicles, switch mobility, all the vehicles on the Indian road, and also the global customers like Jaguar and Land Rover. They have given us the business for the EV part, considering the capabilities which we have developed for the EV component, and especially with thermal management. So, we are equally excited if hybrid or the EV vehicle comes more on the ground and our aluminum content will further increase.

Jyoti Singh: Sir, just one last on the order side, like our order execution is on track? Just wanted your view on that.

Rajiv Gupta: Yes, order execution is on track. So, this year also, we see we are going to be very close to our targets. We also mentioned in the previous questions, we see a depth in a few accounts like PSA, they are not able to cope up with the volumes. Especially the hit was with other suppliers not able to catch up with some quality issues, but we are keeping a close eye to cover up such opportunities with other accounts, but we see we are going to hit what we promised or what we aimed in the new business.

Moderator: Thank you. We will take our next question from the line of Raghunandhan from Nuvama Wealth Management. Please go ahead.

Raghunandhan: Two follow-ups. Firstly, in order book, what would be the share of cylinder head? And secondly, CAPEX of ₹150 crore, how would you divide it between capacity expansion, product development, R&D, and maintenance CAPEX?

Vimal Gupta: Raghu, on the CAPEX side approximately now for this year we are having around ₹150 crore. So, on the maintenance, we can take around ₹30 crore and then this year, we are also focusing on the automation side, putting up lot of robots, just to improve the quality and now we have to control the manpower cost. So, there also an allocation of around ₹25 crore for the automation and the balance amount is for the new projects.

Rajiv Gupta: Four-wheeler cylinders would be approximately 20% to 25% at this moment.

Raghunandhan: This is as a share of order book and in revenue, it will be over 50%?

Rajiv Gupta: In revenue four-wheelers, it is mostly into passenger vehicles because in commercial those cylinders are into cast iron, but in passenger vehicles, yes, we have mentioned the contribution we are aiming to around 36% to 37% and major will be your cylinders. So, you can say around 30% will be to the cylinder head business.

Moderator: Thank you. We will take our next question from the line of Manas Jain from Just Enterprises. Please go ahead.

Manas Jain: Sir, I was just wondering if you mentioned in the presentation that there are some one-time items. Sir, I just wanted to understand, can you quantify what is the one-time item and how much is expected to carry on for the rest of the years?

Vimal Gupta: So, one time approximately we have got a hit of around ₹4 crore in Europe. That I have explained the reason, the supply of the people. So, that has impacted people cost as well as the impact on the operational cost also. So, on a quarter-on-quarter basis, maybe there will be little impact on Quarter 2, but in quarter 3, there will be no impact.

Manas Jain: And also, second question, I just wanted to know that, I mean, we are talking about hybrids and other stuff. I also noticed that CNG is also picking up. So, is there any place where we are also supplying parts in this particular segment as well?

Rajiv Gupta: Few accounts we are there, like Mahindra and Tata Motors where we see opportunity. But it is more with a small commercial and even the Bajaj recently they have launched, and we got the opportunity to develop a cylinder for them. So, that market also we are touch basing. Good for us if it picks up going forward.

Manas Jain: Because Maruti off-late also has lot of CNG vehicles they are offering. So, that is why I had a question.

Shyam Agarwal: And if you see the cylinder head which we are supplying, that is common for the ICE and the CNG vehicles. Whatever vehicle they sell, our product will go, Manas.

Moderator: Thank you. We will take our next question from the line of Abhishek Kabra from AM Securities. Please go ahead.

Abhishek Kabra: I was saying that 6% of the segment that is from the defense and all, I was asking the defense that there is an export given by the government. So, is there any benefit you are going to receive from that or not?

Shyam Agarwal: No, Abhishek. The part which we are supplying for defense is for domestic application. And mainly we are giving to HVF and also to the BEF. That is for the domestic application.

Abhishek Khabra: Another question is that you have given more focus on the hybrid cars and all. And seeing that the EV ratio is from here and I am seeing that there is more of an EV in the market, will that be bad for the good of the company because seeing that you are more focusing on hybrid items and development.

Shyam Agarwal: Yes, Abhishek, I just want to clarify what happens with the aluminum content. If you see ICE vehicles, the aluminum content is in the range of 100 Kg. If you see the hybrid or the EV, the aluminum content increases up to 300 to 350 Kg. So, if more hybrid and EV cars and the commercial vehicles come in the market, it will be beneficial for all aluminum casting companies. So, it's good for us also.

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

Vimal Gupta: Thank you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications 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, members of the Management team. On behalf of Alicon Castalloy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
