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May 25, 2024

To  
The Manager  
The Department of Corporate Services  
BSE Limited  
Floor 25, P. J. Towers,  
Dalai Street, Mumbai — 400 001

To  
The Manager  
The Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai — 400 051

**Scrip Code: 531147****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 18<sup>th</sup> May 2024, after announcement of the Audited Financial Results for quarter and financial year ended March 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,****For Alicon Castalloy Ltd****Amruta Joshi  
Company Secretary**



**Alicon Castalloy Limited**  
**Q4 FY24 Earnings Conference Call Transcript**  
**May 18, 2024**

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**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. Good morning, everyone, and thank you for joining us on Alicon Castalloy Limited's Q4 FY24 Earnings Conference Call. We have with us on the call today, Mr. Vimal Gupta, Group CFO; 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. 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 to all our investors. Thank you for taking the time out to join our earnings call on a Saturday. I trust that all of you have had a chance to review our earnings documents, which were shared earlier.

We are delighted to report the highest ever quarterly Revenue for Aicon in Q4. Further, with revenues of Rs. 421 crore in Q4, we have surpassed the milestone of Rs. 400 crore in quarterly revenues for the second successive quarter. This has been driven by the effort to develop capabilities for and serve new technology platforms in the auto industry, expansion into new geographies, renewed focus on value engineering and capability augmentation and has been supported by positive trends in our established business lines.

In prior earnings calls, we have conveyed to investors to closely track the following three themes that underscore Aicon's business transformation for insights into our progress and evolving business model.

We continue to increase the share of Passenger Vehicles (PV) and Commercial Vehicles (CV) in our product mix. This has reached 52% of sales in FY24 compared to 49% in FY23.

Secondly, our customer profile is evolving with the addition of prestigious global names, including leading Global OEMs and Tier 1 companies, highlighting Aicon's growing stature in the industry.

Thirdly, our business composition is shifting towards expertise in design, research & development and value engineering. Aicon now distinguishes itself by winning business based on innovation, technology, and design, positioning us as a solution provider rather than just a source of low-cost components.

As we continue to adapt and innovate, these themes serve as key indicators for investors to assess our ongoing transformation and strategic direction.

Now, turning to the financial performance for Q4FY24, total income reached Rs. 421 crore, a 31% increase compared to Rs. 321 crore in Q4FY23. When compared

with total income of Rs. 406 crore in Q3FY24, this indicates sequential quarter growth of 4%. Revenue growth has been driven by scaling up of production for new parts and new logos added recently including many critical parts being supplied to marquee customers.

The gross margin for the quarter was 54.1% in Q4FY24 compared to 51.6% in Q4FY23, higher by ~250 basis points on a year-on-year basis. This is primarily due to the improving product mix accompanied by positive impact from the stabilising of alloy prices at lower levels.

There has been a sharp rise in employee costs which are higher in Q4 by 33% on a year-on-year basis. About one third of the increase is due to increments, increase in minimum wage and new hires in line with operational growth and incremental production. The larger part of the increase is due to the impact of the ESOP cost of around Rs. 3.6 crore for the quarter and Rs. 14.4 crore for the full year period, which is a non-cash charge.

Shifting our focus to profitability, EBITDA for quarter 4 was Rs. 59 crore, an increase of 78% from Rs. 33 crore in the same quarter last year. The EBITDA margin for Q4FY24 has improved to 14% in comparison to 10.3% in Q4FY23 after absorbing the sharp rise in employee costs and increase in other expenses. I am pleased to share that we have reported an improvement in the EBITDA margin by 370 basis points on a year-on-year basis and by nearly 100 basis points on a quarter-on-quarter basis.

Finance Cost was higher by 27% on a year-on-year basis from Rs. 8.6 crore to Rs. 10.8 crore in line with increased borrowing and higher interest rates. We also witnessed an increase in depreciation which was higher by 25% on a year-on-year basis from Rs. 16.7 crore in Q4 last year to Rs. 20.9 crore in Q4FY24. The increase in depreciation has been driven by addition of new assets, as well as leasing some machines which have to be adjusted over a maximum useful life of 5 years as per prevailing accounting standards. Thirdly, we re-evaluated and shortened the useful life of some other assets which has also contributed to the increase in depreciation.

Despite higher finance cost and depreciation, PBT has increased by 2.5 times from Rs. 8 crore in Q4 last year to Rs. 27.4 crore in Q4 FY24.

Profit After Tax for Q4FY24 was Rs. 20.5 crore as compared to Rs. 9.7 crore in Q4FY23, higher by 112% on a year-on-year basis. On a sequential quarter, PAT was higher by 23% from Rs. 16.7 crore to Rs. 20.5 crore.

For the financial year 2023-24, Total income was Rs. 1,563 crore as against Rs. 1,405 crore in the corresponding period last year, growing by 11% YoY. The gross margin for the full year was 51.5% as compared to 49.2% in FY23. EBITDA for FY2024 stood at Rs. 199 crore against Rs. 157 crore in FY2023, higher by 27% year-on-year basis.

Some of you would recall our prior earnings calls where we had indicated that we will increase the EBITDA margin by 100 basis points in FY24. I am pleased to share that we have improved the full year EBITDA margin by over 150 basis points to 12.7% in FY24 from 11.2% in FY23 based on our reported numbers. We continue to remain confident about the upward direction in margin given the improving product mix.

There was a sharp increase in PBT which increased by 31% YoY from Rs. 62 crore in FY23 to Rs. 81 crore in FY24. Due to the tax adjustment in the prior year, caused by the shift from the old tax regime to the new tax regime, the increase in Profit after tax for FY24 was 19% YoY as it increased to Rs. 61 crore against Rs. 51 crore last year.

In terms of capex, we have spent around Rs. 30 crore during Q4 and an aggregate of Rs. 114 crore during the financial year. This is largely due to machinery for production as well as investments into new product development. Given the heightened level of activity at present, this is slightly ahead of our target capex deployment of around Rs. 90 crores indicated at the start of FY24.

Coming to the outlook:

Looking ahead, we envisage revenue growth of around 15% in FY24-25 which will result in total income moving from Rs. 1,560 crore in FY24 to around Rs.1,800 crore in FY25. This is predicated on the healthy pipeline of SOP from new products and new customers. Further, the deferment of volumes during FY24 will now contribute to revenues in FY25.

Thereafter, we are poised to take the business to newer heights as we aim to deliver a revenue of over Rs. 2,200 crores by FY 2025-26. This equates to a CAGR of over 16% for a period of three years. Our confidence stems from the new orders which we have received and discussions with customers on new technologies and solutions.

We believe we have a strong runway for growth as passenger vehicle penetration in India is still very low at 32 units per 1,000 people whereas China has reached a level of 223 units per 1,000 people or 7x of India. Countries like Germany, Japan and the US are at penetration levels that are 20x that of India. Thus, India will remain a strong growth market for a while and other countries will offer opportunities that are a combination of growth and replacement.

In addition to the absolute growth of the vehicle market in India, it is estimated that by FY2030-31 the split for Passenger Vehicles will be 60% ICE, 25% Hybrid and 15% Battery Electric. This indicates that ICE remains relevant and will continue to grow. Hybrid also provides a compelling opportunity as does the EV or Carbon Neutral opportunity. Aicon is in a sweet spot as it is well positioned with high content per vehicle in all three technology verticals.

Even as indications remain that 4W growth will be substantial, we are also excited by the opportunity ahead for Commercial Vehicles given the projected spend on infrastructure and the trends in urbanisation.

To give you a glimpse of how we are already capitalising on these opportunities, I would like to share that we are witnessing significant traction in EV volumes and are engaged in crucial projects to boost our production capabilities. For example, the e-Axle prototype we developed for JLR, will enter mass production this

quarter from our plants in India. This product has enhanced our technological capabilities and enriched our know-how in offering thermal solutions.

The market is also shifting towards hybrid technology, and I'm pleased to report that we are leading this transition. Our cylinder heads for Toyota are designed specifically for their hybrid models, reflecting our advanced position in this technology.

As hybrid technology gains broader acceptance, we anticipate further volume increases. OEMs like Maruti are also embracing this trend. Our strategic focus on future-ready technology and innovation has positioned us ahead of the curve in EV space, and we are now applying the same approach to hybrids.

Additionally, our concentration on critical components, particularly in the EV sector, has allowed us to secure significant contracts, setting us apart from competitors in this segment.

We also anticipate further traction from global customers such as DANA, Mahle and Danfoss even as domestic two-wheeler customers are showing initial signs of a revival in demand.

In addition to the growth from increased volumes and therefore revenue, we also expect to deliver an improved margin profile. We have already mentioned our aspiration to take the EBITDA Margin to around 14% which we have already delivered upon in Q4FY24 itself. Lastly, we are looking to drive efficiencies across the balance sheet and in working capital which will contribute towards enhanced return ratios too.

On that note, I would now like to hand it over to Mr. Rajiv Gupta, who will talk about developments in the domestic business and share highlights for the global business.

**Rajiv Gupta:**

Thank you, Vimaji. Greetings to all of you.

In Q4 FY24, Auto dispatches for the domestic industry showed an improved performance, especially the 2W segment, which witnessed healthy double-digit YoY growth. This includes:

- 10% growth in PV segment in Q4 on a yoy basis
- 26% growth in 2W segment on a yoy basis
- 1% de-growth in CV segment on a yoy basis

Within the PV segment, there is clearly dominance of UVs with both, customer interest and market share steadily rising. Importantly, we are witnessing a trend where customers who were on the fence with regard to purchasing EV now conclusively shifting to Hybrid or ICE vehicles. This is starting to positively impact demand for traditional products.

In Q4 FY2024, the retail volume of CVs saw a marginal decline. We believe this is largely due to a shift towards higher tonnage trucks, resulting in increased payload capacity but impacting volumes of LCVs and MCVs.

Further, 2 Wheelers tend to witness a pickup in volumes ahead of the elections given the onground activities required to be undertaken across the country. The outlook for 2 wheelers is expected to be positive in FY25 too as traction is shifting from EVs to ICE products.

Coming to some of the key business programs this quarter. For Maruti, as indicated in the prior quarter, we witnessed ramp up in volumes during the quarter as one of the cylinder heads we supply moved into SOP. Further, cylinder head for another model completed the validation stage and is set to go into SOP in Q1. The volume of both cylinder heads combined will provide significant volume increase in FY25 from Maruti Suzuki. Further, we will also be supplying to their Gujarat plant next year.

With respect to the supply of cylinder heads to Stellantis, which commenced in Q3, it has now moved into mass production in Q4. As we had indicated, these will be for the domestic market and will also be assembled and exported to Europe. Stellantis is seeking to create an engine manufacturing hub in Hosur in India and Alicon is the single source supplier of Cylinder Heads for those engines. As



anticipated, volumes have shown an initial pick up in Q4 and we are set for a complete ramp up in FY25.

The outlook for 2W volumes is also increasing and with election expenditure combined with outlook for a normal monsoon indicates that rural demand may sustain. In that light, we anticipate that our key 2W customers will increase their requirements. While we have indicated a focus on 4W business and higher value-added products, we remain steadfast in enhancing volumes in 2W in order to sweat our assets and operate our installed capacities at optimum levels.

We also see some revival in momentum in the Non-Auto segment with the increasing spend of the Government Infrastructure and Defence and the renewed vigour for 'Make in India' campaign. As you may be aware, for the last several years we have been supplying aluminum wheels to enable light weighting of battle tanks. With a healthy level of demand witnessed for our products catering to the defence sector, we have added 2 types of wheels to be supplied over next 3 years. These pertain to regular size tanks as well as for larger sized tanks, as we had indicated last quarter.

In the global business, we had shared that the prototype of the e-axle for JLR was approved and supplies were ramped-up in the fourth quarter which has contributed to the upward momentum during the quarter. The production for battery housing for JLR is also progressing well and production at the Illichman facility was at peak volumes during the quarter.

From Daimler, we have a significant long-term package under development which was added in Q3, for which we expect approvals in Q1 and Q2 this year. Supplies are set to commence from 2026, continuing until 2035. Thereafter, we have added further orders in Q4FY24 comprising 6 parts from Daimler.

With these developments, the global business contributed to 28% of the total revenue during quarter 4 which is a significant improvement compared to 21% in Q4 last year. For the full year, global business was 25% during FY24 compared to 22% in the prior financial year.

The share of international business is set to improve further as during quarter 4 we added 12 new parts from 4 existing customers this quarter. This includes 2 parts from EV or Carbon Neutral, 2 parts from non-auto and 8 parts from ICE. Of these 12 parts added, 2 parts pertain to the domestic business and 10 parts pertain to international business.

The new business added is aligned to our strategy of higher value add as 94% of business added in Q4 pertains to 4 wheelers. On a geographic basis, 94% of the new business added during the quarter is for global markets.

For the full year we have added 50 new parts from 17 customers. Here too, in keeping with our strategy, 95% of business added in FY24 pertains to 4 wheelers. On a geographic basis, 85% of the new business added during FY24 is for global markets.

Globally, prominent customers such as DANA, Danfoss, TACO and Mahle are set to scale up volumes. Further, we have noticed an increase in number of enquiries from global customers and we see buyers from US and Europe indicating interest to source larger quantities of products from Aicon. There is a clear shift in the minds of global customers and we see increasing recognition for Aicon as a partner and supplier of choice for critical parts in their upcoming projects.

Our recent success with one of the global OEMs where we were able to produce a key part for them with a unique solution, in a reliable and cost-effective manner, enabling them to avoid large investments required under the traditional approach. This solution will aid them in enhancing the performance of the vehicle. These successes enable the creation of a partnership, beyond that of simple supplier relationship, which creates opportunities to participate in future projects.

In terms of operating landscape, we see normalcy returning in Europe. Electricity and gas prices are stable, and availability has also improved. In terms of raw materials, aluminum prices have been less volatile than in the past.

During Q4FY24, Aicon has booked new orders aggregating Rs. 150 crore. With this, our total new order booking has reached Rs. 9,150 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'll take our first question from the line of Raghunandhan N. L. from Nuvama Institutional Equities. Please go ahead.

**Raghunandhan N. L.:** Congratulations to the team for a wonderful set of numbers, Vimal-ji, Rajiv-ji, congratulations. Sir, firstly, to Rajiv sir. If you can share the segmental mix for FY'24, 2-wheeler, PV, CV?

**Rajiv Gupta:** Yes, for the full year for last year, the total sales, if we talk about contribution. So, 2-wheelers was 40% of the total pie. Passenger vehicles were 33%, commercial were 19% and non-auto by 6%.

**Raghunandhan N. L.:** Got it, sir. And Sir when you look at exports, roughly would CV-PV 50-50 in exports? What could be the broad mix?

**Rajiv Gupta:** Somewhere same figures, but we'll review and get back to you on this.

**Raghunandhan N. L.:** And what would be the EV share, sir, in FY 24?

**Rajiv Gupta:** EV was 12%.

**Raghunandhan N. L.:** Wonderful. And in terms of the revenue outlook. If I heard it correctly, Rs. 1,850 crores for FY'25 and Rs. 2,200 crores for FY'26. Would that be right, sir?

**Vimal Gupta:** For FY'25, it is Rs. 1,800 crores.

**Raghunandhan N. L.:** Okay, and the new orders to be executed as highlighted. So Maruti, JLR, Toyota, TSA, Dana, MAHLE. These would be the main OEMs, sir, driving the new order execution?

**Vimal Gupta:** Danfoss. And then the growth of the 2-wheeler also that is going to support.

**Raghunandhan N. L.:** Got it. In 2-wheeler any major OEM, sir, from whom order inflows have been strong?

**Vimal Gupta:** So mainly that the drivers you'll see that this Honda Motorcycle, so they are doing very well, and you must have seen that they have surpassed the number of Hero. So yes, we are the almost single source approximately we are supplying 88% to 90%. Our share of business is there. So there, it will grow. And Hero is also

growing maybe not in the pie, but the overall numbers are growing. So, they are approaching, and we are seeing the good inflow of the order I mean numbers the order is increasing month-on-month basis, there is increase by volume from Hero also.

**Rajiv Gupta:** And particularly from Honda, the content per vehicle is larger than other OEMs. And that's a good sign where the Honda volumes are increasing. This year also, they are talking about more than a double-digit growth. So that's a positive sign where we are working to materialize in this financial year.

**Raghunandhan N. L.:** Would this also include the new EV of Honda because there again, content will increase for you?

**Rajiv Gupta:** In this financial, there's only marginal numbers at the last quarter. But as mentioned, we don't intend to enter in that segment the opportunity with the 2-wheelers is very less, which I've explained in previous calls. The content per vehicle of aluminium in a 2-wheeler is low, and we have mentioned that we would like to shift to passenger and commercial vehicles.

**Raghunandhan N. L.:** Got it sir. And sir, for ESOPs, it was Rs. 14.4 crores in FY'24. What is the expectation for FY'25?

**Vimal Gupta:** It is around Rs. 4 crores.

**Raghunandhan N. L.:** Got it. And given that for margin outlook, if I take for FY'25 there is some increase in freight cost because of Red Sea issues. There is some aluminium price increase would you expect all this to be passed through, and we should be able to say sustain 14% or increase from here?

**Vimal Gupta:** Yes. These are the big like the freight rate is always a pass-through cost. So maybe like we have seen for FY'23-'24 our overall full year margin is around 12.7%. So that I was explaining because we were targeting to reach across 14% by FY'25-'26. But now we are expecting that maybe in this year, full year, we will hit this 14%.

**Raghunandhan N. L.:** That's wonderful to hear, sir. And capex, what would be the expectation for FY'25? And what would be the areas of spend?

**Vimal Gupta:** Mainly that now this year, we will have a bigger capex. So approximately at this moment, the estimation is around Rs. 150 crore. The main reason is that now we

have to build up the capacities for the new orders especially for the e-Axle the major part will go to the JLR e-Axle capacity building up because only the common machines are very less, so these are the bigger parts, bigger machines then the quality requirements, their processes.

We have to build up the capacity for the PSA Infosys almost robotic lines we have to put and then these are the mainly for the new projects as well as the maintenance capex is there, then we are more focused because if you have seen our P&L and I have also explained the manpower cost. Because major it is coming, especially in the Maharashtra the minimum wage side. So, there is a huge increase that we have seen in the last year also, again, we have seen some increase in this year already started so the focus is coming to the automation. So now some part of the capex we have kept further automation of the processes to bring the cost of under control.

**Raghunandhan N. L.:** Understood, sir. And what would be our capacity in tonnage terms, sir?

**Vimal Gupta:** Capacity utilization you're talking about or the total capacity.

**Raghunandhan N. L.:** Utilization is around 70%, as you mentioned in the presentation. But would it be right to look at capacity in tonnage terms or that would not be meaningful?

**Vimal Gupta:** Around 50,000 plus we can say like that we have .

**Raghunandhan N. L.:** Got it, sir. And last question to Rajiv. Rajiv, sir, would you have the machining mix for FY '24?

**Rajiv Gupta:** 61%.

**Raghunandhan N. L.:** 61% and this should only increase right going ahead?

**Vimal Gupta:** Yes, when it is because the only, we are doing the 2-wheeler cylinder at. All other products may be some parts for the 4-wheeler cylinder, we are doing half machining. But whatever the business we are adding, that is fully machined parts.

**Moderator:** We'll take our next question from the line of Jyoti Singh from Arihant Capital Markets.

**Jyoti Singh:** Vimal sir and Rajiv sir congratulations on the good set of numbers and also executing order in a decent way. So just wanted an update on the order book side,

what are targets going ahead, how we are targeting to execute till FY'29. And also how big is the opportunity in Maruti only we are supplying cylinder head or any other part also, if you can update.

**Vimal Gupta:**

So, till the time, Rajiv, gives the explanation about the order book. So, for the Maruti, first, we have started the cylinder heads, right? And that is a very big opportunity, I'd say, because that at this moment, this is only a start. So, one model we are supplying to them. And second is almost now we have got the validation. So that will be a ramp up, we will see in this year. And the new model, they are coming up. So maybe I think they are developing for the hybrid so that is going to be really what we see that major breakthrough for the Maruti.

So they will announce shortly. So, hopefully, we will have that cylinder head with Aicon so that is a big opportunity on this side. For other parts, making but they are doing the high pressure. Some parts, they have approached us. So we are in assessment that what part we can do like already we are doing from engine mounting brackets and maybe some manifolds or some other parts, structural parts, they have approached us. So, at this moment, we are assessing that how we have to deal with this. Maybe in the next quarter, we will come out with what finally we are going to do with them. And now Rajiv is going to explain about the order book.

**Rajiv Gupta:**

Further to add on Maruti, we see a good opportunity with the hybrid acceptance by customers. Like you are aware that we are supplying, and we are single source for Toyota 2 motors, 1.7, 2 liters. So, this same platform will go to the Maruti Grand Vitara and Invicto. So, where we see a good volume generation. And together, they are working on a lot of hybrid models. So, we see an incremental volume for the existing volumes going forward. So that is, again, a good addition for Aicon.

Now talking about order booking, yes, it is going quite well. And last year also, we have achieved sales of around 97%, 98% of what we have planned. So roughly around Rs. 770 crore in order bookings, what we have planned. And this year, we are aiming to a sale of around Rs. 1,200 crores from the new business. The momentum is going good, as I've stated in the past also, like whatever additions

till date. So around 83% of businesses from the 4 wheelers and around 56% is from the global customers.

And in the total chart, about 22% is also from the non-auto. And even if I split the hybrid, that's more than 8% in hybrid on the order booking, what we have generated. So, this means we are touching all the avenues so that we can take leverage of all the segments going forward. And the order bookings, we have now a clear booking of around Rs. 9,150 crores from FY'23-'24 to next 6 years till FY'28-'29. So, there will also be a strong on execution and utilizing the orders what we have and converting to sale.

**Moderator:** We'll take the next question from the line of Yash Dalal from Sushil Financial Services.

**Yash Dalal:** Firstly, congratulations to the management for reporting your highest ever quarterly revenues for second successive quarter. My first question is, what is the volume growth in Q4? Because revenues have slightly increased this quarter where EBITDA margins have risen to 14% from 13% last quarter if we don't account for ESOPs and onetime expenses. So, what is the fall in realization this quarter due to raw material price fall?

**Vimal Gupta:** So raw material prices actually that the improvement in the margin is due to that I explained that two reasons. One is change in the sales mix, and another is the settlement of the alloy prices because in the quarter 4, those were on the lower side. So that is the reason we can see that the improvement in the margins. So major driver is that the sales mix, what we say. And we have started some new parts like JLR prototype, we have started. So those supplies were there.

**Yash Dalal:** Okay. So also, you mentioned that Rs. 1,200 crores for FY'25 is coming from the new business. So, the old will come down to Rs. 600 crores. Is this mainly because we've dropped the noise parts?

**Rajiv Gupta:** Ideally all the products have a life cycle, depending upon how the model is accepted by the industry by the consumers. But yes, some is end of SOP some is the customers are booking every type with new technologies, upgrading their models so that also is contention second is, yes, with the direction where we shifted our focus and leverage to passenger and commercial.

- Yash Dalal:** Okay. Just a couple of more questions. So also, there is an Rs. 8 crore written-off. What exactly is that? And is it onetime?
- Vimal Gupta:** So, these are some receivables old receivables. So maybe we already provided earlier, but only a written off in this part and because we are running a big business of maybe now, we are talking about Rs. 1,800 crores sales. So, it is not going to happen that only there will be zero write-offs for maybe some small amounts will continue, but it is business. So, I cannot commit it will be zero, but I cannot say that it will be Rs. 8 crores in it can be Rs. 2 crores, Rs. 3 crores it is a part of the business.
- Yash Dalal:** Okay. And just the last question. What about your technology of friction steer welding by when should we start seeing the benefit of this new technology?
- Rajiv Gupta:** This will happen in the quarter 3 of this year. So ideally, yes, we are a little aggressive even our customers are aggressive with this model, but some changes in the model they have executed. So, with that, we are expecting us to defer by a quarter. But yes, we will start supplying some samples in quarter 3 and thereafter ramp-up in the next year.
- Moderator:** We'll take our next question from the line of Aditya Chheda from InCred Asset Management.
- Aditya Chheda:** Congratulations on great numbers. My first question is on the subsidiary business. You've seen a significant improvement if you can talk about how the business has been in subsidiary business? And how do you see that moving forward as we have a healthy growth rate? If you can share some outlook on the subsidiary business? That's my first question.
- Vimal Gupta:** So, for the subsidiary business that maybe in this year, we have seen a good growth. And maybe in the current year also FY'24-'25, definitely, we will have a good number but there are 2 reasons for this growth. One is that okay for their existing business, so that is growing because especially like battery housing for Samsung that goes to JLR some volumes from the 2-wheeler like to KTM and BMW. So, all these volumes have gone up.
- On the other side, that's the development of our JLR product is also happening in Europe so in Illichman. So that sales has also booked in FY'23-'24 and maybe



because some this year also, we have supplies of the prototype casting to JLR customer. So, in this also, we see this the good numbers for our company Illichmann in Europe. But the coming years, so we should not expect a big growth because we just want to use that place for our development center or as an engineering center.

So, because like for this product, we have hired a technical people from the Germany designers, tooling, all these things. So, we are more focused on how to use that technology from the European supplier, those generally available from Germany or some other countries. So that is the base. So, when we talk about the numbers to converting the numbers, so don't think there will be a big jump in the coming years in Europe. So that because this definitely this business will shift to India. And the mass production will happen in Alicon India.

**Rajiv Gupta:**

So basically, the intention is if any new technology is in the market, they hit first Europe, U.S., and China, and we see a lag after two, three years, it comes to India. So, the idea is to be early in that market. So, we use our Illichman model that way. And that also supports to a customer when we are very close when I talk of global regions.

And second is we see there are a lot of development experts, good technologies across Europe. It's easy for us to get those knowhows. So, a lot of learning we have added with this development and yes, we have noticed we have got a benefit of sales in quarter 4 and some will definitely add in quarter 1. But going forward, our intention is any large volume or mass production better keep in India so that even customers gets the benefit of the cost.

**Aditya Chheda:**

My next question is on the machining capability. How much are we outsourcing as of today? And whether incremental volumes would require more outsourcing and whether that impacts the margin overall if you can comment something on the machining capacity outsourcing, etc?

**Vimal Gupta:**

For the machining, approximately 60% is in-house and 40% we have outsourced. And now we are building more in-house, the capacities because some customers those are coming with the new parts. So, they look for the in-house machining. So generally, due to their quality requirements and the control on the product so in-

house capacity building will be more in the coming year, so that's one of the reasons for increasing our capex in this year.

**Aditya Chheda:** Right. So, we are expecting this mix to remain at 60-40 or because we see a very high growth?

**Vimal Gupta:** In-house will increase. Because whatever we are doing in-house, if something we can outsource because we need the consent from the customers also, we need to derisk the capacities. Otherwise, maybe some volumes are down. So, our all-in-house capacity utilization will go down.

**Moderator:** We'll take our next question from the line of Chirag from White Pine. Please go ahead.

**Chirag:** Just one question. Your gross margins even sequentially have seen a significant jump and the single largest reason of EBITDA margin expansion. So, if you can just elaborate a bit more on this it would be helpful because suddenly, what happened in Q4 that the value-added happened. And is it a normalized gross margin or this should be the base for FY'25 or how should we look at it?

**Vimal Gupta:** Generally, gross margins are driven by many variables. First is that the sales mix, how it is moving that which parts? Then the processes on this product, like machine parts or raw casting. Second is, the important factor is the aluminium prices also. Like if what we are seeing that upward trend in the aluminium prices, maybe in the last two, three months, we have seen 8% to 10% increase in the prices. Then definitely we will increase the material cost percentage to sales.

And on the other side, if we see that there is an increase in the volume of the raw castings, especially the two-wheelers because we are seeing a good jump in this year of FY'24-'25 in the two-wheeler also. So that is also going to drive our gross margins. But what you are saying that this year, it is a good where we have seen this improvement in the gross margins, but maybe I think that will establish between 48% to 50% means that margins between 52% to 50% in that range that will move.

**Chirag:** Okay. You are saying on annualized basis it should be in the range of 50% to 52%?

**Vimal Gupta:** Yes.

**Chirag:** But sir, what happened in Q4 specifically because Y-o-Y I understand, even Q-on-Q, there is a sharp jump in gross margin.

**Vimal Gupta:** As I explained that the sales mix, so some big volumes we have supplied where our gross margins are higher that we have supplied to the customers. And another is that I am saying that in this quarter, aluminium prices were at the lowest.

**Chirag:** Okay. Or is this the impact of any year-end negotiation or conclusion with respect to your casting from OEMs because generally we have seen your Q4 margins tend to be significantly better, gross margins. So, like whatever hike you are expecting from your OEMs get settled in Q4 and hence this is a general phenomenon?

**Vimal Gupta:** No, very small impact. Because it is there but not so big. Because generally, for the aluminium what we have seen that 60% aluminium hike is already settled by the customers. So, they finalize the price with the suppliers, they allocate the suppliers, and the settlements are on month-on-month basis. And for other customers also, they do on quarter-on-quarter basis. So, this happens what you are saying that when the settlements are on yearly basis or they delayed the quarterly basis, maybe it is set around quarterly basis, but they are not doing, they are delayed for two or three quarters. So, in that case this happens. But generally, I have not seen such kind of impact.

**Chirag:** Okay. And sir, one last question. You indicated that you are putting a huge Rs. 150 crores capex this time to add new machining capacities for different type of products. In the order book that you have today and future order book that you're anticipating, would you be needing any similar huge capexes given that different type of products would come in or this is now for next two, three years, it will be again normalized capex?

**Vimal Gupta:** This year is the biggest capex we are going to have because we have to build up the infrastructure. When we are going for the high volume for this JLR e-Axle and PSA. So one is that only increasing the machines, the capacities and another is the complete installation of the infrastructure, the technology. So, this year, we are doing this like when E-axle or for PSA, infrastructure installation is there but after that when volume will grow.

So, we have to just add the machine, this casting capacities or maybe just increase because in this, like take example, for a year, they talk about 100,000 pieces. So, I cannot put on the capacity for each process of 100,000, maybe one capacity I have to put maybe 200,000 because it's not possible to do that. So later on when we increase the capacity from 100,000 to 150,000 or 200,000, so I have not to put the complete infrastructure. So I have to balance the capacity for each process.

**Moderator:** We'll take our next question from the line of Anirudh Shetty from Solidarity Investment Managers. Please go ahead.

**Anirudh Shetty:** I had three questions. So, my first question is, we are seeing a lot of traction in the global markets and we're growing at a pace that's much faster than the end industry. So just wanted a sense of which are the large competitors that we have, we were the biggest competitors in the aluminium casting business, which currently is really dominating this industry. And if you can talk about some of the plus 1 tailwinds that we're seeing whether it's from China or from Europe or more outsourcing. Just wanted to understand what is driving this strong traction assessing?

**Rajiv Gupta:** Okay, talking about the global competition, there are competitors, but those are segment-wise, like there are specific firms who are into four-wheeler cylinder manufacturing like Jaya Hind is there, then Nematik is there, then Wantuo. So many more are there in that segment. But what is one of the USP with Alicon is we have a variety of parts and that differentiates us with other competition where today, OEMs are working to multiple technologies, be ICE, be hybrid or be EV or look for a structural part.

So, they are also aiming to reduce the supplier base, yes, because that's the cost, handling a supplier is a cost for them. So that's reason they are looking for long term, they are looking for partners who can give solutions into various verticals. And also, they see the strength of that supplier, how much is the capacity, how much is their experience in this industry, how early they are with technologies and how much is their presence globally? So, these are again the plus factors which support us.

Yes, we also noticed some customers are shifting from China and they are opting to India even recently we're noticing customers are shifting from Ireland to India.

So that also is a new thing which we are noticing. So, we are ready for that and for customers also to approach is very easy because you have seen our customer base with larger customers that we have. We have already delivered few parts and parts for them also to add or to interact is very easy. So, we are ready for that, and we are looking to materialize the opportunities which we are getting recently.

**Vimal Gupta:**

So in this mainly that like Alicon is the largest foundry in India as an independent foundry because all other major foundry those are a number of the OEMs and thus also the observation like Rajiv has shared that we are seeing recently that the forging or casting of aluminium is shifting from China, from Europe, from US to India and their first choice what we are seeing that Alicon come first and we are the not so big company as per the requirement globally.

So that is a big opportunity, but we are seeing opening up for Alicon in the coming future as well as when we are talking about what you have asked about the competition. So, in India as the independent foundry, we are the largest one. So, competition is less because all others are under umbrella of OEMs and they're supplying to their parent companies. And at a global level our share is very less. So, there is no meaning at this moment saying it's a competition.

And when we become a large company and then the big supplier at global level then the question of the competition comes so whatever we are getting the businesses and the OEMs that they are shifting the sourcing. So, these are the big opportunities what we are seeing here.

**Anirudh Shetty:**

Got it. And just a follow-up question on this. Right now, globally, there's cost pressures that were there. Everyone would want to work with good quality, but also a low-cost player. So, when we benchmark ourselves to say a Chinese player from the Europe, U.S., what is the cost difference for us versus them?

**Rajiv Gupta:**

There is a cost difference. One is little we see on the aluminium they are the largest producers of aluminium. Second is yes, they also open into large scale, but with Alicon one is this industry since long and we work with customers since inception of the design. So, during the design we see if we can reduce the rate of the part so that we can pass on some benefit to our customers that is one where we play and also as we are into multiple process like we are into Gravity and low pressure die-casting.

So, we evaluate during design style which process will give better results in terms of productivity or better results in terms of yields. With that, we submit the proposal customer is accepting and third is our partner Enkei Corporation who is also having plants across 19 countries, and they are also in this industry since long with the same process.

So, continuously we get upgraded with the support even our team members frequently go to their location, they come down to our location and continuously the upgrading our operations so that we support to our customer. So, with that even customers are now preferring us over Chinese since the combination and more is about the volume game what we can support to our customers.

**Vimal Gupta:**

This is one part that one is the China may be considered we are very much competitive against China, but there is some political reasons they are shifting to here. On the other side, when we talk about the Europe and the US. So this is not only the cost side the only cost benefits they are having and shifting to India. That is the one of the factors of the cost, but we are also seeing the challenges of the supply from their local suppliers like the quality, the volumes because the existing suppliers they are not ready to increase their capacities, maybe do the financials whatever the challenges they are having.

So, these are the main factors for shifting that Alicon is able to supply the volumes, we are able to supply the quality and we are able maintain with the required stock and maintain just-in-time supplies to all their requirements. So, these are the major benefits they are having when they took for the supplies from India as well as from the Alicon.

**Anirudh Shetty:**

Got it. And just one final question is we want to over time increase our return on capital employed to 20%. You've already explained your EBITDA margin trajectory I just wanted to understand the balance sheet side, the balance sheet metrics a little better. At what asset terms and what net working capital days do we kind of hit this 20% mark?

**Vimal Gupta:**

So mainly that asset term definitely now because one is the existing capacities because immediately for the existing. So, we cannot change may be some improvements in the productivity that can happen, but for the new product like we are explaining where we have the high value with the high weight of the

casting, higher value addition. So that is giving a good asset turnover ratio in the coming business whatever we are adding.

So, this asset turnover give a slow growth and it cannot jump from maybe a 1.8 or 2. So suddenly next year I will see a 3 this is not going to happen, but slowly it will improve year-on-year basis we'll see that growth because when we are talking about the ROCE. So, ROCE major driver is that how we are controlling one is that definitely from this side because controlling the investment.

Second is a more focus on our part of the margin and the working capital maybe or you must have seen that year-on-year we are reducing our number of days working capital. And hopefully in this year also you will see the further improvement because we are more focused how to reduce our inventories and now because we are seeing the growth in the exports, so how to reduce our debtor days, the receivable days. So definitely this year we will see a further improvement in the working capital cycle.

**Anirudh Shetty:** Is there any number that we have in mind in terms of target ratio that we want to target on the working capital?

**Vimal Gupta:** So maybe 8 to 10 days because I think we are near to about 7 to 8 days in the net. I'm not having the data correctly, but just the idea that based on that we are considering this. So maybe I think 7 to 8 days or at least we are targeting further reduction in this year.

**Moderator:** Thank you. We'll take our next question from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Thank you for the opportunity. My question is with respect to this PV clients which is Maruti, Kia, Toyota, Stellantis what kind of incremental business is expected based on the schedule that you have for FY'25 and FY'26? And what was it in FY'24. Just for me to understand and collaborate with the 15% top line growth number that you have shared.

**Rajiv Gupta:** So yes, for this financial that's FY'24-'25 we see an opportunity to grow with the passenger vehicle segment. So, around customers like PSA will give us...

**Pritesh Chheda:** You can give combined, it's okay. I don't want customer right. I want to my number if you have that that's also, okay?

**Rajiv Gupta:** So roughly around Rs. 180 crores to Rs.200 crores we will get a Maruti, PSA, Toyota and also global customers the past what we added recently like MAHLE and TACP.

**Pritesh Chheda:** This is incremental?

**Rajiv Gupta:** Yes, this is incremental.

**Pritesh Chheda:** And in FY '26?

**Rajiv Gupta:** FY '26 further to this Jaguar will be added like this year also Jaguar the e-Axle what we have developed on another battery tray against the Range Rover EV that will go into sample submission and few more validation, but major ramp-up will come in next year and that would be adding around Rs. 150 crores addition with this and further we are expecting another direct from Maruti to have an ongoing ramp-up in next financial followed by some additions with existing customers like Danfoss.

**Pritesh Chheda:** So, you are saying Rs. 180 crores in FY'25 incremental and then another incremental of Rs. 150 crores in FY'26, that how it is?

**Rajiv Gupta:** So FY'25 to FY'26 further to this will be a domestic customer PSA which will go into ramp up at the peak.

**Vimal Gupta:** So actually I will tell you that when you are going to make a comparison with the FY'23-'24 so approximately, the incremental at this movement is from the big numbers we know because of some existing capacity will also grow. So Rs. 200 crore, we are seeing that incremental from there. and approximately Rs. 500 crores to Rs. 550 crores in the FY'25-'26 from base of FY'23-'24.

**Pritesh Chheda:** So what is FY'23-'24 number for PV? Rs. 1,500 crores is top line how much is PV?

**Rajiv Gupta:** PV would be around 44%. Sorry. Yes, it's 44%.

**Pritesh Chheda:** 44%, so to this number there will be incremental Rs. 500 crore added. Now I don't understand what you want to highlight actually. sir you mentioned amount and a lot of programs from different customers, so I wanted to know incrementally or,



let's say, point to point. Now it's 44% of your business from a PV, so in Rs. 1,500 crores, 44%], which is closer to about Rs. 600 crores-Rs. 700 crores business the INR700 crore business will be added by another Rs.500 crores over the next 2 years. By virtue of whatever clients will you have?

**Rajiv Gupta:** Just a second, so I'll tell you this year, our PV was 39% of the contribution and 2-wheeler was 32%. Next year, this year, FY'24-'25 PV will go to 44%. So, a big jump will be seen with the additions of the parts like Maruti, PSA, Toyota and even Jaguar we are talking and thereafter, in FY'25-'26 PV will touch to 46% another 2% will lag with ramp-up of the Jaguar Land Rover and other customers.

**Vimal Gupta:** So what you're talking about is a 5% jump as a contribution from the PV so that translates to approximately under Rs. 150 crore. And in FY'26-'27, that jump is 7% that translates into approximately Rs. 150 crores-Rs. 160 crores.

**Pritesh Chheda:** Okay. And sir, one second question on the margin side. So, when your mix changes, is it neutral to your margins? Is it detrimental? Is it superior? How does it play out, both in gross margin and EBITDA?

**Vimal Gupta:** That's the sales mix change because mainly we are more focused to bring whatever the new businesses we are adding up. Those are mainly from the 4-wheeler side. And so there definitely some margin on the higher side. So that is happening. And that is the reason that is giving quarter on quarter you have seen that improvement in the margins.

**Pritesh Chheda:** Okay, and on your capacity utilization side, you mentioned 65%.

**Vimal Gupta:** Around that yes.

**Pritesh Chheda:** And what is your maximum to use your assets? Is it 85%?

**Vimal Gupta:** If we do the maximum utilization that can go up to 85% to 90% because the 10% to 15% you have to keep for the volume fluctuation. But this if ever happens because this will move in the range which is down 70%, 75% because in 1 quarter, maybe 1 customer goes down, another customer goes up. So, it is not like that is we are running on the same line. So we have different lines of line utilization is more when we are talking about 70%, maybe line is having 90% that maybe another 60% utilization. So, depends on the how they are delivering.

- Pritesh Chheda:** So, when you add your revenue from whatever rent that you have mentioned at about 15%. So basically, you will end up in the next 3 years, adding another Rs. 700 crores, Rs. 800 crores of business so with this Rs. 700 crores of incremental business, what is the capex that you will do?
- Vimal Gupta:** Rs. 700 crores the additional maybe approximately, I think, Rs. 250 crores to Rs. 300 crores in that range we will do.
- Pritesh Chheda:** This will include both maintenance and growth capex?
- Vimal Gupta:** Yes.
- Moderator:** Thank you. We'll take our next question from the line of Rohit Suresh from Samatva Investments. Please go ahead.
- Rohit Suresh:** So, my first question is, so recently, there was an interview by the CEO Jaguar, and they're planning to scale down their EV volumes and focusing more on the hybrid part. So how will that impact our overall Jaguar orders because if I'm not wrong, you're supplying e-axle as well as some battery housing to the EV partner. So, what will be the impact? And are we also supplying any parts to their hybrid vehicles right now?
- Rajiv Gupta:** Yes, even we see this traction coming up in EV vehicle, the pure EV, which they have launched, not just Jaguar from other global and domestic customers were noticing this shift, and this is also a point which we are taking out with them aggressively because these big parts are having huge investment in that the reason. First thing we got to support is to do investments phase-wise.
- Traditionally, investment was to be put 100%, and then we need to show make it ready but for this scenario, they have understood, and they also agree to do investments phase wise. And second thing is at Aicon, we can produce I mean in 1 machine, we can produce a variety of parts. I mean be an ICE, be an EV or be a hybrid. So, our machines are universal. So that derisking also we do, and we map very clearly, the volumes are fluctuating, definitely, we have an ease to shift the capacity to other projects.
- Rohit Suresh:** Sir, but the difference. So, what my understanding is for the EV part, you're doing e-Axle we are doing batteries into critical components, right? So, for the hybrid,

what apart from cylinder head, are you doing anything else? Or is it purely cylinder heads right now?

**Rajiv Gupta:** Purely cylinder heads and other engine parts and more is a structural part where we have an opportunity like for Jaguar it's a subframe, very critical part. Actually, the subframe are very critical part of hybrid to support a big portion in the vehicle. So there also we supply a lot of, for Jaguar all the models we supply to subframe. So there also, we see the opportunity to grow with this customer. But yes, hybrid also we see that we have good traction. And second is even customers know our strength in this area and the also are easy to leverage that opportunity.

**Rohit Suresh:** Got it. Sir on your order book, I had a couple of questions. So, if I am not wrong of the Rs. 9,000 crores or order book around 30% is in the EV segment, right? So how much of that will be if you could give me customers? So how much will be Jaguar and top 2, 3 customers' mix?

**Rajiv:** I need to just see customer wise. I don't have the data handy I'll tell you the major 1 is Jaguar, yes, that would be comprising to around 10% to 15%. Then it's Toyota, then it's PSA, then it's Maruti, the big ones when we see among the lists.

**Vimal Gupta:** So what I suppose that's see okay maybe you can build that is directly because so much granular information details at this moment is not available with us. So, we can talk about that. You can either approach to CDR or directly to us.

**Rohit Suresh:** Got it. Sir, then on the non-EV part, so what is our focus? I guess so there are a lot of parts that we are doing a non-EV part. So, what will be our key focus areas in the non-EV part? So, will it be non-auto? Will it be structural parts, some understanding on that?

**Rajiv Gupta:** Yes. On the non-EV A-class part while we focus. One is the cylinder head, which is a good opportunity and 1 is cylinder head for domestic as well as the global market. Second is similar, which is going to the hybrid variant cylinder heads. Then lot of engine parts also we supply for the global market where we aim, we get good volumes. So that is also an area where the focus then is the structural parts, which we have just mentioned in the last page.

And then is for the commercial we supply good churn. Right now, is also around 20% of our sales from commercial. So major is from the global market where we

see good volumes one is the engine, second is also the radiators of a truck, where the requirement is of a tank which is made in our process. So there also, we have good volumes there are ideally 4 players in this market, making those cap tanks and we are associated with all 4 customers in that segment.

So there also, we see a good volume. And second is, a big customer, Daimler, which you have noted in our previous calls also. So, the new developments, we are participating actively with them. And the recent engine what they have just developed, which is from 26 to 35. So, we got this opportunity to develop all major parts of the engine and aluminium with them. So that also we added recently.

**Moderator:** Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to the management team 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 with you in the next quarter. Thank you very much.

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

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