alicon

Casting the Future

November 22, 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 16th November 2024, after announcement of the unaudited Financial Results for quarter and half year ended September 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,

Yours faithfully,

For **Alicon Castalloy Ltd**

ALICON CASTALLOY LTD.

Alicon Castalloy Ltd.
D-II Block, Plot No.58/59, MIDC Chinchwad, Pune - 411 019, Maharashtra, INDIA.
T: +91(0) 20 6731 8200
F: +91(0) 20 2745 9126
www.alicongroup.co.in
CIN L99999PN1990PLC059487

Alicon Castalloy Limited

Q2 & H1 FY25 Earnings Conference Call Transcript

November 16, 2024

Moderator: Ladies and gentlemen, good day, and welcome to 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 "*" then "0" 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, Michelle. Good morning, everyone, and thank you for joining us on Alicon Castalloy Limited's Q2 and H1 FY25 Earnings Conference Call.

We have with us on the call today, Mr. Vimal Gupta – Group CFO; CFO; Mr. Shyam Agarwal – Chief Marketing Officer; and Mr. Rajiv Gupta – Head of Business Development of Alicon Castalloy Limited.

Mr. Vimal Gupta will provide an overview of the Operating and Financial Performance for the Quarter and half year, following which Mr. Agarwal will walk us through the Operating highlights. Mr. Rajiv Gupta will then provide insights on Domestic Business and Developments in the 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. We appreciate you taking the time to join us on a Saturday. I hope you have had a chance to review the earnings document shared earlier.

So, we are pleased to announce that Alicon has achieved a record-breaking quarterly revenue of Rs. 465 crore for Quarter 2, making the 4th consecutive quarter in which revenues have surpassed the Rs. 400 crore mark. This growth has been contributed by segments of Passenger Vehicle and Two-wheelers and supported by traction of Non-Auto segment.

Revenues from both domestic and international market have grown, supported by our strategic focus on developing new technology platforms, expanding into new regions, and prioritizing value engineering and capability enhancement, all complemented by positive trends in our established lines of business.

Our business momentum remains strong, outpacing both global and domestic automotive industry growth. We are engaged in advanced discussions with a number of high-profile clients, including leading global OEMs and tier 1 suppliers, who are drawn to high-quality, competitively priced solutions we offer.

Alicon's differentiation is anchored in our expertise in low-pressure die casting and gravity die casting, processes that are gaining wider acceptance among our clients. Additionally, we are steadily transitioning from supplying ‘as cast’ products to providing ‘fully machined’ components, evolving from a casting provider into a solution provider. This shift will increase value addition and enhance our overall margin profile.

Our progress can be tracked through the three key metrics:

- The share of Passenger Vehicle and Commercial Vehicle in our product portfolio continues to rise, now accounting to 51% of sales in Quarter 2 of FY '25 compared to 49% in Quarter 2 of FY '24.
- Our customer base has evolved significantly, adding prestigious global OEMs and Tier 1 companies, reflecting Alicon's growing industry stature. We continue to expand our client roster each quarter.
- Our investments in design, R&D and value engineering have positioned Alicon as not just a supplier of 'build to print component but as an innovative solution provider recognized for technology and design excellence.

Based on strategic initiatives undertaken, Alicon has transformed substantially from 2018 to 2024 in the following manner:

- In 2018, we were heavily reliant on Two-wheeler customers. Today, we have a well-diversified portfolio including Passenger Vehicle and Commercial Vehicle.
- Our customer base, once primarily domestic, now includes major global names and leading Indian OEMs that have themselves scaled significantly.
- Our product portfolio has expanded beyond Cylinder Heads to include a range of critical components.
- This diversification has improved our margin profile from 8% to 9% in 2018 to around 13% at present with ongoing efforts to enhance it further.

Turning to our financial performance for Quarter 2 and First Half of FY'24-'25, we achieved revenues of Rs. 465 crore representing a 22% increase from Rs. 382 crore in Quarter 2 of FY '24. This growth was fueled by the scaling up of production for new parts, notably for Passenger Vehicle customers. There has been a recovery in volumes of two-wheeler too.

The gross margin for Quarter 2 of FY '25 was 47.55%, down by 253 basis points from 50.07% in Quarter 2 of FY '24, reflecting the change in our product mix, which saw a bit of moderation in sales of Commercial Vehicle segments offset by strong pickup in volumes of two-wheeler segments.

Employee costs rose by 5% year-on-year, driven by salary increment, higher minimum wages, and new hires aligned with our growth. If you compare employee cost for Quarter 2 of FY '25 with Quarter 1 of FY '25, you will notice that this has declined 5% quarter-on-quarter basis. The reason is that the high-cost temporary hires in our European operations have completed their tenure and we are back to regular staff levels in Europe.

The EBITDA for Quarter 2 of FY '25 came in at Rs. 57 crore, up by 21% from Rs. 47 crore in Quarter 2 FY '24. With a margin of 12.2% compared to 12.3% last year, higher volumes of Two-wheeler products and reduction in higher value-add products for Commercial Vehicles has impacted the sales mix this quarter. This moderated the gross margin and in turn has impacted the EBITDA margin. We are pleased to share that despite these factors, the impact on EBITDA margin is modest 9 basis points.

On a sequential quarter basis, we have seen that the EBITDA margin moderated from 13.2% in quarter 1 to 12.2% in Quarter 2 of FY '25. This is again due to the shift in product mix resulting in an impact on the gross margin which has flowed through to the EBITDA margin. Compared to quarter 1 of FY '25 EBITDA of Rs. 58 crore. The absolute EBITDA of 57 crore in Quarter 2 signals another strong quarter.

Finance costs increased by 11% year-on-year to 11 crore driven by higher borrowings and 9% sequentially from quarter 1 of FY '25.

Depreciation rose by 26% to Rs. 23 crore reflecting investment in machine and tooling.

Pre-tax profit, the PBT grew by 20% year-on-year to Rs. 23 crore, up from 19 crore in Q2 FY '24. The net profit, the PAT for Q2 FY '25 was Rs. 17 crore, a 16% increase from 15 crore in Q2 FY '24.

For H1 Financial Year ‘25, total revenue reached Rs. 905 crore, up 23% from Rs. 737 crore in first half of FY '24. Gross margin was 48.8% down from 50.2% in H1 FY '24.

EBITDA for H1 stood at Rs. 115 crore, a 32% increase year-on-year. And the profit after tax for H1 of FY '25 was Rs. 36 crore, an increase of 49% year-on-year basis compared to Rs. 24 crore in H1 of '24.

Our Quarter 2 capital expenditure totaled approximately Rs. 54 crore and for H1, CapEx is around Rs. 100 crore, focusing on Machinery and new product development, for FY '25, we anticipate CapEx of around Rs. 150 crore, underscoring our growth initiatives.

Coming to our earlier guidance of Rs. 1,800 crore for FY '25, targeting 15% growth. We are seeing signs of softening of demand in India as well as in markets such as Europe and USA. We are closely monitoring the situation and will update on this in Q3 as we get more clarity on OEM schedule.

Despite the cautious tone for the immediate future, we remain excited about our prospects bolstered by ongoing client discussions. While current sentiment around electric Four-wheelers is subdued, we are well-positioned in Hybrid technologies with promising engagements with domestic leaders like Toyota and Maruti.

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

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

I am pleased to share that we once again achieved our highest ever quarterly revenue in Quarter 2, marking the fourth consecutive quarter with revenues surpassing Rs. 400 crore. Alongside a 22% year-on-year revenue growth, we also posted a healthy increase in both PBT and PAT. This performance underlines our strong momentum as we progress through Financial Year '24-'25 on a solid trajectory.

This quarter's performance is more impressive when viewed in the context of a decline in the global automotive market. In Q2, global production was lower by 4% on Y-o-Y basis. In the same period, the Indian automotive market has reported an increase of 9% in overall vehicle sales, driven by the recovery in Two-wheeler sales despite a decline in Passenger and Commercial Vehicle segments.

Against the decline in the global market and modest single-digit growth in the India market, Alicon achieved a solid 22% increase in sales. This includes 59% Y-o-Y growth in the Passenger Vehicle segment, a 19% rise in the Two-wheeler sales and 28% growth in sales to the Non-automotive segment.

Contribution of the CV segment has declined, aligning with the segment's overall volume reduction. This quarter saw continued momentum with Maruti Suzuki driven by an increased ramp up in Cylinder Head supplies to support an additional model and the commencement of deliveries to their Gujarat plant. As anticipated, this resulted in higher volumes supplied through Maruti Sujuki.

At the beginning of 2024, we initiated the supply of Cylinder Heads to Stellantis India. With a successful ramp up in quarter 1, I am delighted to report that this momentum continued into Quarter 2 with a further scale up in volumes. Consequently, Quarter 2 marked our highest ever supply volume to Stellantis, significantly surpassing quarter 1 level.

Toyota maintained its steady demands for Cylinder Heads for their Four-wheeler hybrid models. Toyota has planned a new TNGA line capacity expansion from January 2025, for which in-house line modification has been planned in November. The modification will require shut down for a brief period in November, but the line expansion will result in higher volume requirements from quarter 4 onwards.

The strong performance of hybrid models from both Maruti and Toyota coupled with scale up of volumes in Stellantis has enabled the growth of 59% Y-o-Y in the PV segment.

In our European operations, the Battery Housing product for hybrid vehicles that we are supplying to Samsung, a Tier 1 supplier, is progressing well. This product is supplied to three different vehicle models and volume has stabilized after ramp up in quarter 1.

Last quarter we highlighted a development project for Volkswagen Autonomous Driving Initiatives. With ADAS technology set for widespread adoption across the automotive industry, This venture positions us to tap into a high growth market segment. Our success in delivering a precise design and specification on the first attempt has earned high praise from Volkswagen. The Volkswagen R&D team has recommended us for future power development activities.

We have positioned ourselves to capitalize on the large trends, defining the auto industry today. Today, we supply nearly 90 components to the EV industry with our European plant providing a strategic advantage in advancing tech capabilities. Our expertise in thermal engineering has set us apart exemplified by the e-Axle development for Jaguar and Land Rover.

While electrical vehicles have witnessed early success and generated lot of buzz, there are now some concerns over charging availability and range as well as battery replacement and resale value. As a result, Hybrid Vehicles have now started to catch up in terms of interest generated due to their position as a practical bridge between traditional and fully Electrical Vehicles.

In the first 9 months of the calendar year 2024, Hybrids recorded higher sales growth than EVs in key markets like Europe, USA as well as in India, driven by consumer preference for their flexibility and compatibility with existing fuel infrastructure.

A global automaker like Toyota has invested significantly into Hybrid production, positioning Hybrids as a pivotal growth segment in the automotive industry and in India. Marty Suzuki among the leaders to incorporate this technology. With a strong portfolio towards this segment, we are well positioned to capitalize on this trend also.

Another element of our growth strategy is to increase the share of customer wallet. We are doing this by pursuing more contracts for end-to-end fully machine parts. As the proportion of 'as-cast' parts reduces in favor of fully machine parts, there will be greater element of value addition.

Our customer value proposition is rooted in technology-driven innovation, powered by our state-of-the-art Advanced Technology Center. Equipped with high-end machines and driven by a team of 20 researchers, the Center spearheads R&D, delivering ground-breaking, cost-effective and eco-friendly products and processes.

Recent additions to our technology capabilities includes:

- The state-of-the-art cold core box manufacturing facility at our Shikrapur Plant in Pune, enabling the production of high precision components that meet stringent industry requirement and strengthen our market position.
- Integration of robotic arms into production processes, enhancing precision efficiency and safety while ensuring consistent quality and improved output.
- Integrating advanced digital process control across our operation, leveraging machine intelligence to enhance precision and efficiency on the production floor. These controls provide real-time data and actionable insights, enabling smart decision making and aligning our processes with global best practices to meet the evolving needs of our customers and products.
- We have added AI and IoT into our operations, which has contributed to productivity enhancement as well as reduced rejection rate. This helps in optimizing manufacturing processes, making them more efficient and responsive to real-time data.
- Moving up the value chain, we are now working on highly complex HPDC parts with the aim to shift the process architecture into LPDC, highlighting our exceptional design and technological prowess. Transition from High Pressure to Low Pressure Die Casting, enhancing structural integrity, detailed precision and material efficacy, meeting diverse customer needs while advancing sustainability goals.

In fact, we are striving to enhance sustainability through multiple initiatives. Transitioning products from HPDC to LPDC reduces power intensity and minimizes waste, while our new model plant and automated facility optimize resources. Alongside water conservation efforts, we have diversified our energy mix. With solar panels at our India and Europe plant now generating one-third of our energy from renewable, we aim to increase this to over 50% by next year, further enhancing resilience and cost efficiency.

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

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

In Quarter 2, FY '25, Global Auto Industry witnessed 4% Y-o-Y de-growth in volumes. Within this,

- There was 1% growth in North America and South America markets,
- De-growth of 25% in Middle East and Africa
- Europe volumes declined 4%, China de-grew by 6%, South Asia down by 3%.

In the contrast, the Indian auto industry reported a healthy performance with 9% volume growth driven by the Two-wheeler segment. Analysis of the growth by segment indicates

- 12.5% growth in Two-wheeler segment on a year-on-year basis
- 0.7% de-growth in the Passenger Vehicle segment on a year-on-year basis,
- 13% de-growth in the Commercial Vehicle segment on a year-on-year basis.

Auto volumes would have been better in Quarter 2, but the Shradh period negatively affected sales. Despite the weakness towards the end of the quarter, Two-wheeler sales posted growth of 12.5% with the momentum continuing from earlier quarters.

Within this, scooters' growth was 16.3% Y-o-Y, while motorcycles grew by 10.7%. This growth was largely driven by recovery in the rural market and increased financing penetration.

For quarter 3 FY '25, the market outlook remains positive bolstered by ongoing rural recovery and expectations of festive season demand along with expected off-take from the wedding season sales.

In the Passenger Vehicle segment, Utility Vehicles continue to witness favorable momentum. Further, the segment around EVs is somewhat subdued, while demand for Hybrid vehicles remains strong. Having built up offerings for Hybrid vehicles, we are well positioned to take advantage of this trend.

In Q2 FY '25, the retail volumes of Commercial Vehicles declined further due to the seasonal slowdown around monsoon and is expected to improve slightly in Q3.

Coming to the business wins:

In Quarter 2, we added 13 new parts from 5 existing customers. This includes 5 parts from the carbon neutral segment, 7 parts from ICE and 1 part from the Structural Business. Of these 13 parts added, 6 parts pertain to the domestic business and 7 parts for the international business.

The 7 parts of the international business cater to requirements of marquee global customers like Scania, TACO, JLR, Daimler and Honda cars.

This includes another order win for a structural part for Jaguar. This is a significant win with around Rs. 850 million over a lifetime. We expect the balance in our product mix to improve further as all of the new business that we have won this quarter is supplying parts for a 4-wheeler, which we aligned to a strategy of focusing on a higher value path.

The global business contributed to 23% of the total revenue during the quarter. Further, 94% of our business is from auto and 6% from non-auto customers.

During Quarter 2 FY '25, Alicon booked new orders aggregating Rs. 37 crore. The new business added is aligned to a strategy of higher value and as it is all towards the 4-wheeler part supplies. With this, our total new order booking has surpassed Rs. 9,000 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, sir. We will now begin with the question-and-answer session. The first question is from the line of Umesh Matkar from Sushil Financial Services Limited. Please go ahead.

Umesh Matkar: So, my first question would be the gross margins were down 200 basis points. If you can elaborate on whether there was a change in the composition?

Vimal Gupta: So, Umesh, the main reason we have explained that there is a decline in the Commercial Vehicle because the change of the sales mix. Because the Commercial Vehicle where we are having the higher margins and major contribution for our exports, there we have seen some softness. And on the other side, there is an increase in the sales of Two-wheelers. So, where the gross margins are lower. So, that is the main reason for this some decline in gross margins.

Umesh Matkar: And sir, do you expect the composition to change going forward?

Vimal Gupta: Yes, definitely, because you know that Auto industry, some softness is there in the export, especially the U.S. market, what we are seeing in the Europe market. So, hopefully, maybe next to one or two quarters I think there will be some softness. After that, we are seeing a good recovery.

Umesh Matkar: And what would be the impact of U.S. CV and global EV slowdown on us?

Shyam Agarwal: Mr. Umesh, thanks for the question. On the Commercial Vehicles, if you see the more impact is in Europe and little bit impact in the USA, if you see for the Commercial Vehicle. So, there we are seeing some of the customers or rather all the OEMs, they are seeing that the demand is not there.

However, new Euro norms are coming in 2026 and 2027. So, there will be a pre-buying because the cost of the vehicle will increase, so there may be impact that pre-buying may come in the next year. So, we are hoping, and we are keeping a close watch on the ADI release, which comes every month from all OEMs.

So, we will keep a track and maybe in the next con call, we will be able to give you a much clearer picture because by the time of the next concall, we will be having the yearly projections also from the European customers.

Umesh Matkar: And sir, what are the new logos added, or contract signed during the quarter?

Shyam Agarwal: Yes, as Rajiv has explained in the con call, so we have added the new businesses from Jaguar and Land Rover, then Scania, then TACO. So, these are the new customers from where we have got the new businesses.

Umesh Matkar: And any view on like beyond FY27, if you can give us and also Rs. 2,200 crore, what kind of business plan we are shaping up? Any color on the same, if you can give us, that would be very helpful.

Shyam Agarwal: Umesh, very good question, actually, but I tell you, we will be in a better shape in the next con call, because we will be compiling all our yearly projection for the next year and the forthcoming year.

Secondly, you know that lots of global events are happening, like the election in the U.S., the softening of the Europe and the U.S. market, then the tension in the Middle East. So, global market is very volatile, and we are seeing the government spending in India is also down in this financial year. So, we also expect that something should come in the budget. So, maybe we will have more inputs, more detail for you in the next con call.

Umesh Matkar: Sir, Middle East, there are some issues going on. So, is there any impact that we are having on the business, and are we seeing it that reducing it?

Shyam Agarwal: Umesh, I tell you, it is having the impact, no doubt. We can see sometimes the freight cost to our Europe and USA customers, that keeps on changing, and as well as the lead time for the freight, what we are supplying, that increase or decrease. So, it impacts the businesses with respect to exports that we are seeing. And also, these things impact the cost of the fuel. The crude rate increases with the tension in the Middle East, you know very well.

So, these things are having the impact, and more confidence of the customer comes when there is peace globally. So, we see it should improve as victory with the Trump, he already said he will work for the peace globally, including Russia, Ukraine. So, we are keeping our fingers crossed for a better global environment.

Umesh Matkar: Sir, our medium-term goal of attaining 15% EBITDA margin and 20% ROCE is on track. Or is there any change in this?

Vimal Gupta: No, we are on track and the target is clear. Only that is due to some little bit softening in the market that for short term, there is an impact we are seeing. But definitely because as per our order book, the kind of business is we have already booked and the kind of margins these businesses are having. So, I don't see any impact on that in the coming years.

Umesh Matkar: That's good to hear. Sir, what is the contribution from High Pressure Die Casting in H1?

Vimal Gupta: No, we are not in High Pressure. We are doing Low Pressure, Gravity and some Sand Casting.

Umesh Matkar: And will new parts starting production in Q3, Q4 offset overall slowdown in EV and CV?

Shyam Agarwal: Umesh, as you know in the automotive industry, when we acquire new businesses, the implementation period for the new product is 1 year to 1.5 year. So, it is having the development lead time, then productionization, then the PPAP from the customer. So, lots of activities are there. So, if there is an immediate drop in the sales, you cannot cover up with the new businesses.

However, we have a new business, you know, bookings are there and there is a pipeline with which the SOP of the new products will come. So, it is very difficult to say whatever softening is there, it will be covered up because it depends in which sector it is coming, whether it is a high volume, high value. So, lots of factors are there.

So, generic statement we cannot make, but we understand the intention of your question. So, we always work to reduce the impact of the market softening with the addition of new products, new customer, new segments. So, we will keep on working on that, and we will keep you posted on that.

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

Jyoti Singh: Sir, congratulations on continuing to maintain a top line above Rs. 400 crore. And sir, my question is on the revenue mix side. Like on the PPT, we have given 94% in the auto and 6% non-auto. So, if you can explain segment wise?

Rajiv Gupta: So, we have noted in the last quarter, the contribution mix, Passenger Vehicle were around 38%. Then Two-wheelers were around 43%. Commercial were around 12%, and Non-auto were around 6%. So, we have noted this, there was a movement, particularly in Passenger Vehicles when we compared with last year Quarter 2, we noticed a growth of 69% in the Passenger Vehicles. Even we noted a Two-wheeler increase of 19%.

But as Mr. Shyam explained, we noted, I mean, you all know the downfall of market, especially for U.S. and Europe for the Commercial Segment because we are mostly into exports when we talk about Commercial. We saw a dip of around 21% in Commercial, and that would be one of the factors why even our gross margins were on the lower side than what we anticipated.

Jyoti Singh: Sir, just wanted to know, like earlier we changed our strategy to diversify more on the Passenger Vehicle compared to Two-wheeler, but now because of the rural recovery, another factor which is supporting Two-wheeler. So, now what is our strategy like CV also not doing very well. So, now what our strategy going forward? And how much we are confident to maintain that Rs. 2,200 crore target by FY27?

Shyam Agarwal: Jyoti, thanks for this question. So, our strategy is very, very consistent, and we are focusing more on the four-wheelers, especially on the Passenger Vehicles, Commercial Vehicles and also more focus on the export businesses. As mentioned by Mr. Vimal in his speech, we are also focusing more on high value addition with shifting from 'as-cast' to 'as-machined' part. So, our endeavor is there.

However, as you mentioned correctly, we have seen in the last quarter, the sales in the Commercial Vehicles and the Passenger Vehicles were not good, and we have seen the decline. So, to fill up the idle capacity, we increased our share of business for the Two-wheelers. So, those options are already available with us if we have to fill the idle capacity.

But the long-term strategy will not change with the performance of the market in the one quarter. We are very much consistent with our thought process and the strategy, which our Group has defined that we have to increase the top line, but we have to maintain a very healthy bottom line also. So, our strategy will be quite consistent in that.

Jyoti Singh: And sir, on the margin side, what is our target? And how we are targeting on the margin side, if you can guide us?

Vimal Gupta: So, margin side, what we are doing that, first of all, definitely there is an impact on the change in the sales mix, but continuously one is that we are more focusing like what we are talking about. So, we will see further improvement in the sales of Passenger Vehicles. We are having a good margin. And second is now due to the seeing the global issues, all these things, the market pressures, so, in-house this, the cost reduction, those activities also started to reduce the cost. So, maybe we will see the impact in coming quarters, quarter 3 and quarter 4, how the costs are going down as well as maybe some improvement in the gross margins. So, that is the way we are working to improve our margins.

Jyoti Singh: Our market share on the Cylinder Head and new part side, if you can explain?

Rajiv Gupta: On the Cylinder Heads, yes, particularly Four Wheeler, there is definitely a movement. This was also noted in the results. One is yes, the volumes what we are adding up at Maruti with the upcoming launches and also now addition to one location that has added to our sales opportunity. Second, also we explained on Toyota where even they are going to come up with, they are talking about capacity expansion. So, there is also an opportunity. Third is the Stellantis. There was momentum in last quarter. Volumes are picked up. So, that will also add to this bucket.

And now what is happening when we are supplying to these OEMs to domestic as well as global, a lot of companies have recognized about the capacity, capability of the volume what Alicon can deliver. So, enquiries have increased in that area. So, we would like to, going forward, definitely we see an opportunity to add further businesses with existing as well as some new customers in this domain.

And talking about the new business, yes, basically as we have aligned our strategy where we have defined very clearly which segments, which market, which customers to tap and we have delivered few of the niche parts in past. So, this is now demonstrating our existing and prospective customers. Also, what we have done is a lot of parts are of critical nature, a lot of parts are critical than the original ICE traditional paths where even we talk about very low wall thickness compared to what traditionally people were manufacturing in the process of Low-pressure Gravity.

One example I would like to share with you is the Volkswagen Automation part. It is a very critical part of 1.2 meter weighing around 18 Kg which Volkswagen has given another opportunity to excel how Alicon is. And we have delivered this part in the first sample. A very good sample was submitted to sample and to their surprise, we have maintained the wall thickness which is ideally being achieved within a HPDC process. So, this gave a lot of recognition, and they have shared the appreciation mail to us, and now even they are talking about adding new other opportunities with the group company and other players in this space also.

Also, secondly, we are working aggressively on automation. So, in the last quarter, we have added six new robots in existing line because whatever parts we are adding, it's critical in nature, bigger in nature and even now we have already submitted the samples of such critical parts and in the coming quarters, we are working on the SOP of those parts. So, these parts will demonstrate that Alicon has come to a certain level of manufacturing when you talk about critical parts, and we are quite confident these products, once going SOP will give an opportunity to add business with existing and add new customers in this space. So, that is how we are working on new business going forward.

Moderator: Thank you. The next question is from the line of Amit Agicha from HG Hawa & Company. Please go ahead.

Amit Agicha: Actually, I joined the call late, I apologize for that. My question was with respect to the CapEx guidance for FY25 and FY26.

Vimal Gupta: So, actually, for FY24-'25 already given Rs. 150 crore, so maybe FY25-26, there will be further addition in the capacities for the new businesses. But it will not be the range of Rs. 150 crore or maybe Rs. 200 crore, but expectation is between Rs. 90 crore to Rs. 100 crore.

Amit Agicha: And any revenue guidance with respect to like focus on the international market?

Rajiv Gupta: Yes, definitely. This will be more towards the critical parts, what we added. Like, for example, we explained, we have worked actively on automations, adding robots, because whatever parts now we are adding, it's of higher weight, like a Jaguar part, which we have developed in the past. The short weight of that part is 30 kg, and it's with a high volume. So, we know very well, in a conventional way, with manual operation, it's not possible. So, we are working actively, and these are very critical parts, and also to add precision and increase our manufacturing capabilities on that ground.

So, going forward, investments definitely will come up in such projects, where we can offer solutions and more with automation.

Vimal Gupta: So, mainly, what we are seeing that, when we are moving towards the bigger parts, more critical parts, so somewhere we have to invest in our new equipment to handle those, and more automation. So, for that, we need additional capacity.

Amit Agicha: Sir, the guidance for FY25 given was Rs. 1,800 crore, am I right?

Vimal Gupta: Yes.

Amit Agicha: And for FY26?

Vimal Gupta: For FY26, now, that's why we are saying that maybe in the next quarter, we will be able to give more clear picture, because we will have more clarity from the OEMs, when they will give the full-year volumes, because there is no consistency. We are seeing some softening in the market, in the global market. So, that's why, at this moment, it looks a little difficult to give guidance for that next year.

Amit Agicha: Sir, last question was with respect to the blended interest cost on the borrowings that we have.

Vimal Gupta: And for the capacities, we need debt, but if you see on the other side, even after having this, the addition of Rs. 100 crore CapEx during the six months, still there is no big increase in the interest cost. So, maximum we are managing through our Internal accruals. So, definitely we are focusing on this.

Amit Agicha: My question was interest rate. The blended interest rate on the total borrowings.

Vimal Gupta: Total is in the range of 9.5% in the range.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for today, I would now like to hand the conference over to the 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. On behalf of Alicon Castalloy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Disclaimer: ***This is a transcript and may contain transcription errors. Certain statements made or discussed on this call may be forward looking in nature and must be viewed in conjunction with the risks and uncertainties that the company faces. The company does not undertake to update these forward-looking statements publicly. Please also note that this document has been edited without changing much of the content, to enhance the clarity of the discussion. No unpublished price sensitive information was shared/discussed on the call.***