

March 10, 2021

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 Investor Conference Call**

We are enclosing herewith the transcript of conference call with analysts, which took place on February 09, 2020 after announcement of the Unaudited Financial Results for quarter ended December 31, 2020. 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**

A handwritten signature in blue ink, appearing to read 'Swapnal Patane'.

**Swapnal Patane**  
Company Secretary



## Alicon Castalloy Limited

### Q3 FY21 Earnings Conference Call Transcript

February 09, 2020

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**Moderator:** Ladies and gentlemen, good morning and welcome to the Q3 FY'21 Earnings Conference Call of Alicon Castalloy Limited. 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, sir.

**Mayank Vaswani:** Thank you, Lizann. Good day everyone and thank you for joining us on the Q3 & 9M FY'21 Earnings Conference Call for Alicon Castalloy Limited. We have with us on the call today Mr. Vimal Gupta -- Group CFO; Mr. Shekhar Dravid -- COO and Mr. Rajiv Gupta -- Head of Domestic Business at Alicon Castalloy Limited.

Mr. Vimal Gupta will cover the Financial Performance, following which Mr. Dravid will walk us through Operating Highlights for the Quarter and Developments in the EV Space and the Export Markets, Mr. Rajiv Gupta will then provide Insights on Initiatives towards the Domestic Markets, following which we will have the forum open for a 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 Presentation and our Results Documents that have been shared with all of you earlier.

I would now like to hand over the floor to Mr. Vimal Gupta for his Opening Remarks. Over to you, sir.

**Vimal Gupta:** Good morning, everyone, and thank you for taking the time to join our call. I'm pleased to inform you that we have delivered a solid performance during the quarter on the path of the recovery in economic activity and improving trend across both, domestic and export markets. On a consolidated basis, total revenue from operations was Rs.269.54 crore in Q3 FY'21 compared to Rs.227.75 crore in Q3 FY'20, growing by 18% on a year-on-year basis. On a sequential quarter basis revenue were higher by 31%. We witnessed improved traction with several OEMs in the domestic market, which led to higher volumes, as a result domestic revenue during Q3 FY'21 grew by 33% year-on-year basis and 15% on quarter-on-quarter basis.

Following resumption of movement of goods across international borders, exports volumes have also inched up this quarter as we steadily recovered towards the COVID levels. The revenue mix between domestic and global business stood at 79% and 21% this quarter compared to 78% and 22% in Q2. The revenue mix between the auto division and non-auto division stood at 89% and 11%. While all

are well aware of the sustained recovery in auto volumes, we are pleased to share that even the non-auto vertical is demonstrating recovery.

Coming to profitability, the EBITDA for the quarter under review was at Rs.33.65 crore compared to Rs.32.68 crore, improving by 3% on year-on-year basis. EBITDA grew 26% on a sequential quarter basis. On a year-on-year basis, the EBITDA margin was at 12.5% from 14.3% in Q3 FY'20. We are steadily rebuilding our margin profile after the impact of the pandemic and resultant lockdown. In Q2, we reported the EBITDA margin of 13% and this has slightly moderated this quarter to 12.5% due to the change in the sales mix. We have implemented cost control measures across business and are working towards bringing margins back towards the pre-COVID levels. Profit after tax for Q3 FY'21 stood at Rs.11.45 crore as against Rs.8.44 crore in Q3 FY'20, up by 36% and PAT margin stood at 4.2%.

So a Quick Word on Recent Developments. The Union budget announced last week has many positive announcements and is very encouraging of manufacturing as one of the main pillars towards reviewing the Indian economy. The streamlining of the Production Linked Incentive (PLI) Scheme is favorable for manufacturers of engineered components like us. The vehicle scrap policy which incentivizes replacements should provide a fillip in demand for the auto industry. In addition, measures towards enhancing liquidity in the system, building rail and road infrastructure and increasing spend towards healthcare and farm sector significantly contribute to a more enabling environment for growth.

The Board in its meeting on December 2nd approved a proposal to raise funds up to Rs.100 crore via equity. This is an enabling resolution allowing us to keep the option open to raise growth capital which will provide the financial muscle to address our medium to long term plans. We are carefully monitoring the environment and plans for our customers to identify appropriate time to implement our growth plan.

Overall, we have reported a strong performance during the quarter. With the further unlocking in the domestic and export markets and the improving macro environment, we will build on this momentum in the quarter ahead.

On that note, I would like now to hand over to Mr. Shekhar Dravid.

**Shekhar Dravid:**

Thank you, Vimal. Greetings to all. I trust all of you are well and staying safe. Following an unprecedented first half of the fiscal marked by the lockdown, production constraints and the supply chain restrictions, the third quarter witnessed near normal operations. Several high frequency indicators such as power demand, rail freight, E-way bills, GST collection and toll collections have demonstrated a V-shaped recovery, pointing towards a fairly comprehensive return of economic activity.

Within the auto sector, the domestic market demonstrated resilience in the third quarter with almost all major OEMs reporting V-shaped recovery in volumes. What initially seemed to be a spike due to a combination of a pent-up demand, and the festive season sales has turned out to be a more comprehensive recovery predicted on a positive demand trends in rural and semi-urban markets. Lower interest rates on the vehicle loans and heightened consumer preference for the personal mobility. This has been further aided by the inventory, restocking across OEM dealer networks.

Coming to the International Business, most of our key export geographies in the US and Europe reported healthy revival in demand despite lockdown constraints in some parts of the Europe during the quarter due to concerns surrounding the

second wave. We saw sustained growth in volumes from our Illichmann subsidiary and supply components and parts from this subsidiary to many global clients during the quarter. Exports including sales from Illichmann subsidiary, contributed about 21% of our total revenue in Q3 financial year 2021. In Q3 FY '21, we have added 16 new parts from our export customers like Mahle Behr and Tata Autocomp. So overall 9M FY '21 we added 33 new parts with 8 export customers.

Now a Quick Word on New Business, our engagement with the global OEMs in the US and European market for our EU products portfolio remains strong and we are continuously building a healthy reference base. In international markets, we are seeing significant measures being announced by various economies towards decarbonizing the road transport and boosting the usage of green energy vehicles, which includes electric vehicles. Accordingly, we are witnessing customers enhancing their focus on green energy model, such as electric and hybrid vehicles.

Closer home, the auto industry is seeing increased impetus towards adoption of a clean and clean mobility too. NITI Aayog, the policy think tank of the Government of India is targeting 70% of all commercial car sales and 30% of private car sales in India to be electric by 2030. We are also steadily seeing a slew of measures being undertaken by the Government towards accelerating domestic EV adoption. There is a clear shift taking place towards electric vehicle across India and Alicon remains a frontrunner to capitalize on this growing opportunity.

Coming to our performance in this division for the quarter, total contribution of the Electric Vehicle segment stood at 3% in Q3 FY'21. During the quarter, we added 8 new parts from the customer, Dana TM4 from USA. Looking ahead, we are actively pursuing growth opportunity across all business segments in the key targeted markets in Europe, Middle East and the US. In addition, there are significant and untapped opportunities even in the markets of China, South Korea and South America and we are increasingly growing our presence in these regions through our Illichmann subsidiary. We are also marking a steady and gradual progress in finalizing new business wins with existing and new customers in the export markets. With the COVID-19 vaccination gaining momentum, across the globe, we expect that demand and the consumption trends will only strengthen in the months ahead.

On this note, I would like to hand it over to Mr. Rajiv Gupta, who will cover the developments in the domestic market for the quarter.

**Rajiv Gupta:**

Thank you, Mr. David. Good morning, everyone. Passenger vehicles and two-wheeler sales in India delivered a healthy growth on a month-on-month basis for the first straight month as of December. Tractor volumes have surprised on the upside with large OEMs reporting higher volumes. Volumes of commercial vehicles were not as buoyant as we may witness accelerated decision-making in that vertical sparked by initial phase of the vehicle scrappage policy. The only dampener is the continued firming of fuel prices. Most OEMs are now operating at near normal utilization levels. And a barometer of the increased confidence in the industry is a rapid increase in the prices to pass on the raw material inflation.

Now, coming to our performance, the overall positive momentum in the domestic auto industry has had a favorable impact on the domestic volume offtake. Total contribution from our domestic segment stood at 79% in Q3 FY'21. During the quarter, we have added 11 new parts in the domestic segment from three customers: Dana, Eaton and Garrett. Of which Eaton and Garrett was for the IC segment, and Dana was from EV. Overall, in 9M FY'21, we've added 26 parts with 11 domestic customers. So on the whole, we have reported an encouraging growth in the domestic auto segment during the quarter, led by improving demand on the

account of pent up sales, festive push and higher preference towards personal mobility.

As we look ahead, the domestic operating environment is gradually stabilizing, and there are positive indicators that a demand will only strengthen from hereon. We are seeing a good level of enquiries and bookings in the market and are hopeful for improving macros will further support this momentum.

Now I request Mr. Vimal Gupta to share his Remarks.

**Vimal Gupta:** So thank you, Rajiv. So today I would like to introduce our Managing Director of the Subsidiary company in Europe, Mr. Andreas Heim. He is also in the call. So he also looks after our global business.

**Andreas Heim:** Also, thanks for joining the call today and many greetings from Austria side, and thanks to the Alicon Team for the explanation, many thanks.

**Vimal Gupta:** Thank you, Andreas. So now forum is open for question-answer.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. First question is from the line of Yash Diwate, an individual investor. Please go ahead.

**Yash Diwate:** I just have two questions; the first one is the margin outlook going forward, because our current quarter's margin was down on a year-on-year basis. And in addition to that, what kind of an expected impact of commodity inflation do you expect to be on the margin? And the next one is how are we doing on the execution front for the orders which we have received in the last one, one and a half years? Thank you.

**Vimal Gupta:** Thank you, Yash for the question. So first is that on the margins side, I just explained, one is that about the commodity, so commodity mainly is the raw material of aluminum we have. So that is completely passed on to the customers. So for that, there is no impact on the margins of Alicon. We have a system of settlements with all customers. So that is one side, maybe some small impacts of the other commodities, like the fuel, energy or some other things. So that is also we always keep on renegotiating our prices with the customers. So that is an ongoing process that we have to follow. And on the other side, for the quarterly margins, what you're talking about, there was a little bit impact that had come up, because in the earlier calls we were explaining our cost reduction measures, continuously we were having, and it is in continuation and we are doing that. But on the other side, you know that in the lockdown period, there was a lot of migration happening of people, those were working in our operations on the shop floor. So we have brought back all those people, but there is a change in the people. And this is completely a little bit tough working condition because it is a foundry. And after joining, there was a lot of movement of people there. Some were skilled and new people will took time to learn, and the impact on our operating costs also. And you see that in this quarter some we were expecting on the employee cost side, that was a little bit on the higher side. But now it is under control. Because in the last quarter, we have improved on that side and now things have stabilized. And in the coming quarters, we can see the improvements in the margin and we will be back on our earlier one and maybe in the previous quarter we were explaining that we will continue on our growth journey on that side. And for order side, I will ask Mr. Dravid to explain.

**Shekhar Dravid:** Good morning, Yash. An update on the orders what we received I was very clear in last one and a half years, from Daimler and JLR we are online. Our sample

submission took place as per the requirement of the customer, validation has been completed and which will go in the ramp-up from second half of this year. So that is online right now, there is no issue on that. And whatever the orders recently we received, all the groundwork is under process, and we are quite confident to meet the timelines discussed with the customer, and those will be ramp up condition by '22-23 as discussed in last meeting.

**Moderator:** Thank you. The next question is from the line of Raghunandan NL from Emkay Global. Please go ahead.

**Raghunandan NL:** Firstly, for Mr. Dravid and Mr. Andreas. EVs are witnessing strong acceptance in global markets as you alluded to in your comments. Can you indicate opportunity for Alicon in terms of existing size of business and potential opportunity? Existing, you indicated 3%. If you can give some color on how things might pan out in future? Also, you had indicated complex products such as housing with thermal cooling. So, directionally if you can indicate whether margins would be higher than the existing business that will be helpful?

**Shekhar Dravid:** Regarding EV, we are steadily moving towards as we expressed in last meeting also. Right now, whatever the orders what we bagged in this sector, that is specifically from Danfoss, which is from Dana group, and you know the Ather Scooters which is in India, that has started going up. Recently they have put up the plant capacity of 400,000 acres to be manufactured in Hosur. So, they have ramped up their production around 33 cities now through this asset plus whatever the components what they are supplying, we have ramped up to around 2,000 numbers to supplied to them every month. So, there is a definite growth and that is contributed towards the 3% of our total sales in Q3. We are anticipating the growth to continue to be 3% to 4% in this sector going forward. Right now, we have developed more than 48 components and for the 127 components we are working on which will be coming near future we will close it and that will be under development. So, we are looking at the strategy that by year 2025-2026 we should end up in our EV penetration in our business plan to around 9% to 10% of our total sales turnover we are planning it. So, right now whatever the developments are going on, so, we are adding new components from Dana Corporation. Recently, we have got Garrett. They have come up with their eMobility sector coming into. We have bagged an order for EV sector from Eaton, we are working on that. Recently an Indian OEM, Mahindra, they have developed battery housing, this is the first Indian OEM domestic for Mahindra & Mahindra and which we'll go and ramp up by second half of this year. Also, from Eicher, we have bagged an order, we have got repeat order for some new developments from Danfoss which was previously UQM and we are working on those products. So, as I mentioned that 47-48 products we have already bagged it and under development and further 127 components we are in discussions with customers to convert it into a sales opportunity.

**Raghunandan NL:** On expanding global business, if you can highlight efforts relating to strengthening the global marketing team and how having a Europe presence is helping in terms of gaining market share with global customers?

**Shekhar Dravid:** Basically, you are aware that Enkei Japan is our partner and they are mentors to us in this business. They are helping us out to reach for global customers with their expertise. Also, we declared last time that we appointed a marketing representative in Europe and they will be representing Alicon in the European market. With their help, we were able to bag order from PSA, Cylinder Head business for India, as well as now we are working with them to have a global business from PSA. So, the third one for the US market, we appointed last year our representative, that is TBS and TBS has inducted to penetrate the global business in US and Europe in line with the global business strategy. They have got a team size of eight key account managers with four sales support manpower they're having, and we are seeing a

lot of new information and enquiries and RFQs are getting generated via TBS and we are working on that, definitely this will enhance us to a sizeable amount of global business. So this is again in line with our global policies, expanding our global presence. With TBS team we are trying to access North America, Mexico and Germany also. TBS has good connections in this market. Also, Korea, we are trying to take with TBS team. So, we are expanding with these teams located globally our global presence and is in line our Global Business entry strategy.

**Raghunandan NL:** Last quarter, that is in Q2 concall, you had indicated lifetime orders of Rs. 2,800-odd crore. Just wanted to get an update, would that order book have increased given the new addition of orders which you indicated?

**Shekhar Dravid:** Basically, above that, right now around Rs.250 crore of new orders has been inducted in last quarter. We will make it to around Rs.3,000 crore of total one-time order comprising to the average yearly business of around Rs.600 crore. So last quarter, we were able to engage Rs.250 crore for the lifetime business to Rs.2800 crore that last time what we discussed with you.

**Raghunandan NL:** For Vimal sir, on 9M basis gross margin has improved. In Q3 gross margin is slightly lower and you alluded to sales mix in your commentary. Can you please provide some details?

**Vimal Gupta:** One is that sales mix, because some complicated parts, because we have started, that is one part, the process will vary, because now new parts whatever we are adding, that is our machine parts, may be in the earlier quarter I was explaining, that changeover is happening on the casting parts to the completely fully machined parts. That is the increase in the process. Secondly, I've explained to the question from Mr. Yash. That explained about some impacts in the quarter due to this migration of the labor. So that we brought back and then that has caused a little bit in the quarter, that has impacted on the margin side. So the cost of the new people and then the process because their training cost and then their efficiencies that we can't see immediately when they start working on the shop floor. So that has impacted a little bit on the margin side. So that is now in the Q3 applied. So we can see that the things are normal in the coming quarters.

**Raghunandan NL:** Sir, working capital reduction has been a focus area like BS IV, BS VI changeover and all this COVID pandemic related issues had led to some increase in working capital in say beginning of the year. So just wanted to understand how has been the efforts on reduction of working capital, if you can give some qualitative color on that?

**Vimal Gupta:** You know about the impact when lockdown was there. So there was a pressure on the cash flows and you also know the kind of the quarter gone has been impacted on the cash flows of the company. But I am happy to say that we don't see any increase on the debt side at the end of the nine months. And on the reduction in working capital, this process is going on and may be when we see the final financial for the year of March '21, there you will find that sizable reduction on that side. The process is on because we are more focused on the receivable side and how to reduce our working capital cycle.

**Moderator:** Thank you. We'll move on to the next question, that is from the line of Vibha Batra from Fair Connect. Please go ahead.

**Vibha Batra:** My question is on the equity raise that you proposed. So, does one expect significant Capex in the company and you undertake any significant Capex, what kind of return on capital employed do you target? And also a request, in your

presentation, you could add apart from the operating margins, a line on return on capital employed and return on equity and also if possible give outlook on this?

**Vimal Gupta:** On the equity raise side, it is in process and the activities are going on because when we went for the QIP, so, a lot of interested parties there, so that is on, and we are expecting maybe in the month of March, April. So, it depends on the completion of the processes. So, that time we will take a call.

**Vibha Batra:** So, what is the purpose -- is it a significant Capex budget plan?

**Vimal Gupta:** As I explained the cash flow for the current year, generally you see that maybe going in the history of Alicon, so when Capex are there, so maximum part comes through our internal accruals. So, it is a continuous requirement. When we are talking about the new orders and the growth plans are there. So continuous requirement of capacity is there. So, this time there is a shortfall from one is on the part of the internal accruals and in the coming year because of the sudden jump in the volumes will happen in the coming year. So, for that we have to put up specific capacities for those customers, for those products. So, majorly part will go into the Capex side of this equity, so that is the plan.

**Vibha Batra:** And return on capital employed, what is your target when you make these project plans?

**Vimal Gupta:** I think it is a forward-looking statement, so, at this moment, I cannot give these figures. What we are doing that is more focused on both sides.

**Moderator:** Thank you. The next question is from the line of Apurva Mehta from AM investments. Please go ahead.

**Apurva Mehta:** Just wanted to know the visibility for next year on the exports front and if you can throw light on the balance sheet side?

**Shekhar Dravid:** Looking at the present scenario domestically, right now the Government initiatives whatever is generated, that has sparked some movement in the market, and also we are anticipating good numbers in the coming quarters. For the first quarter of next year, whatever the schedule and whatever the discussion going on with the customer right now, that shows that is in line with a V-shaped recovery, but it would be too early because the market is so dynamic right now and it is difficult to credit for the next quarter. So, we will keep our close watch on this. Regarding this whatever we are talking of next year, we are anticipating a good growth and we are making ourselves ready to handle that growth. I will request Andreas to give some focus on the global business and the whole global scenario to answer your question.

**Andreas Heim:** So, for the global business side, at the moment there is a lot of new potential customers in coordination to get new business onboard, especially in the EV market on which we are seeing a huge potential for Alicon on the global side. We are under discussion with new techniques, like from housings to implement steel parts to convert aluminum housings into light weight parts in pinball castings. On such projects, we are working, for example, with Porsche in Germany and for the customers, we are doing these styles continuously in order to bring new project on the table and the same for better housings. This integrated cooling systems in order to optimize the thermal cooling. So on such kind of new innovations, we are working on the global business side in order to prepare for our future in getting business on parts.



- Apurva Mehta:** So, just put into perspective that in March 2019 we were around Rs. 1,200 crore. Is it possible to outpace that Rs.1,200 crore of turnover next year and what kind of visibility we have?
- Shekhar Dravid:** We have our internal plans, but it is too early to comment on. If any precise figures to be discussed, we waited for one year, I think we should wait for another one year so that we can come in context and give figures.
- Apurva Mehta:** Currently, we have export of around 20%. Can this shift in the next year?
- Shekhar Dravid:** We anticipate next year. I already explained the market is dynamic. So it will be 2% to 3% growth we are anticipating on PCS for the next year and that is in line with our plans what we have made it and whatever the new customer addition their ramp up plan, all put together we anticipate 2% to 3% growth.
- Apurva Mehta:** On the new order wins which we are getting, are they replacement orders or they are new parts which are fresh orders from the current customers?
- Shekhar Dravid:** Only one component that is collected from Daimler, the new model of that, which has been a state of model, all orders what we got it, these are all the new components and these are new replacement for additional business, this is new addition to our existing business.
- Moderator:** Thank you. The next question is from the line of Yash Diwate, an individual investor. Please go ahead.
- Yash Diwate:** I just wanted to know what kind of an improvement in say the content per vehicle and the realizations do we see when we move from our conventional ICE vehicles to Electric Vehicles?
- Shekhar Dravid:** There is definitely increase of contribution of aluminum. Basically, it is related to the part as per the strategy what we are moving into the technology-agnostic part. And these are the parts irrespective of the technology which are required for the vehicle, comes into the chassis, suspension body part of the vehicle. So, this is what we are targeting now. And we are converting from ICE to EV. There will be around 2 to 2.5-fold increase per vehicle of aluminum component and unfortunately for Alicon. Basically, going forward, EV also, there is an addition of low weighting of component because for the better performance of the battery and a more mileage with the one charging. The weight of the vehicle reduction is important for all the OEMs and hence there will be a lot of opportunities coming up that the components we have historically cast iron and steel which may get converted and this journey started to aluminum and aluminum-based alloy. So we are anticipating that in two wheeler, our contribution in aluminum is around 3.1 Kg which will enhance if the two wheeler in EV whenever it comes, which will be an average of 17 to 18 Kg per vehicle, we will get an opportunity per vehicle on the radiocasting. In four-wheeler also, we are seeing sometimes 30-35 Kgs in IC engine which will enhance to 100 Kg per vehicle. So roughly it is 2, 2.5-fold increase in the aluminum requirement we are anticipating converting from IC engine to EV mobilization technology.
- Moderator:** Thank you The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.
- Dhiral Shah:** Sir, my question is pertaining to the order win which we have won in last maybe one to one and a half year. So till date our order book is around 3,000 crore if I am not wrong sir. And maybe if we divide this by five years, every year we will pay

Rs. 500- 600 crore kind of a revenue run rate. So what kind of Capex we would be requiring to execute this Rs.3,000 kind of revenue in next five years?

- Vimal Gupta:** Approximately, we will require around Rs.230 crore to Rs.280 crore in that range.
- Dhiral Shah:** Maybe for FY'21 and FY'22, we have lined up around Rs.145 crore kind of Capex, right?
- Vimal Gupta:** Yes, that we have planned.
- Dhiral Shah:** So incrementally you would be requiring more Rs.140 crore?
- Vimal Gupta:** Yes, roughly.
- Dhiral Shah:** I believe all these new wins are of higher margin, right, the standard margin which is around 12%, so these are on the same range or this is much higher as compared to the current run rate sir?
- Shekhar Dravid:** At this moment, it is on the higher side that is only what I can say. Once it goes to ramp up, real profitability will come into the picture. So it will be too early to comment on the figures. But yes, whatever we predicted always that definitely that will fetch us higher margin for all these components.
- Dhiral Shah:** What is the current market share across 2W, 3W and commercial vehicles right now?
- Shekhar Dravid:** As far as two-wheeler is concerned, we have 39% share right now and it will be very difficult to project for a four-wheeler but roughly it can be 6% to 7% of the total market. In coming future, logos what we have added like Toyota or PSA, new business from Renault, all this has increase our share of business.
- Dhiral Shah:** So do we supply any parts to the tractor industry because right now the overall tractor industry is moving substantially?
- Shekhar Dravid:** Yes, we are supplying to three majors; we are supplying to CMH, we are supplying to TAFE, we are supplying to John Deere and we are having a growth of our business in these three customers as that sector is growing.
- Dhiral Shah:** Apart from this, we were also in talks with Hitachi and Panasonic, right?
- Shekhar Dravid:** Yes, that is for the electric batteries and motors. Because Hitachi and these people will be suppliers of motors - Automotive Motors as well as the battery to major OEMs throughout the globe. So, we are proposing the aluminum casting base requirement of these new customers like Hitachi and Panasonic.
- Dhiral Shah:** So, is there any Capex requirement for the base business. This Rs.280 crore will be for the incremental order win, but any Capex required for the base business which is there right now?
- Shekhar Dravid:** Seeing our business, whatever the capacities we have generated, those capacities are basically common for all the requirements. This Capex what we are talking of the new components which are coming into. And maintaining the shape of the business if you see, we are more towards from a vertical solution to a customer. So we will be providing the customer a ready to sue components with a value added services like machining, painting and some attributes into it. So for that, very

specific machines and very specific infra is required. And these Capex were intended to go into that. As such base whatever we have got, already we are working on that, I think in Vimal speech already given that all cost control, very specifically the existing whatever the assets we have got, the sweating of those assets by introducing new technology, number of number of cavities for dyes increasing to that, cycle time deduction, all these things we are working out to generate the base capacity from the present one to a higher level. Right now, we are working on whatever Capex requirements which is for the new business, very specific requirement of infra required and not from the base one. Very small part of this will go for the balancing of the capacity, but very small part will go for the capacity increase.

**Dhiral Shah:** Are we on track to achieve additional Rs.330 crore kind of a revenue from the new business in FY'22 which we have guided earlier?

**Shekhar Dravid:** Yes, we are very much confident about it.

**Dhiral Shah:** And in FY'23, it would be Rs.520 crore, right?

**Shekhar Dravid:** Yes, roughly. Ramp up of all these orders will start between '22 to '24.

**Moderator:** Thank you. The next question is from the line of Raghunandan KL from Emkay Global. Please go ahead.

**Raghunandan NL:** Shekhar sir, can you comment on how aluminum content per vehicle has been increasing due to premiumization, as the share of EVs increase in passenger vehicles and share of premium motor vehicles increase in two wheelers, how is that leading to higher content per vehicle?

**Shekhar Dravid:** If you see, there is a technology disruption taking place right now from IC engine towards the eMobility. There are two things coming. One is that light weighting of a vehicle is very important as I already expressed, for the performance of the battery and the size of the battery requirements, for a higher mileage with a given charging required. And this calls for the light weighting of a vehicle. And for that, additionally the parts always for a vehicle which were in the fabrication of steel or they are made of cast iron or a steel forging, it has become evident and mandatory for OEMs from the point of view of weight reduction to go for low weighted components or low weight of alloys. Right now, the substitute is available in the market. And hence if IC engine is not there, the other parts like parts of chassis, parts of the body, structural part, which are required. And as I explained, if you take a case of a two wheeler, right now, our contribution in a present IC two wheeler is around 3 to 4 Kg, it is shifted to cylinder head, is from outlets, and inlet given around the state which has increased, once it is goes for the chassis parts or parts required for the suspension and parts required for the body, if it goes, minimum of 17 to 18 Kg requirement of aluminum casting in EVs. That means there is almost a jump from 3 to 4 Kg in present technology which will go to around 18 to 20 Kg per vehicle. And that is an opportunity. As Alicon is a casting manufacturer, irrespective of what sector it goes, until it is made of aluminum and that is the technology we are working on. Based on these, we are providing a solution to the customer for converting their high weight components to low weight components. Having all the infrastructure at our end and we are working on that latest with our customers to increase our share of aluminum into per vehicle. Also, in four wheeler, if you see, right now our contribution is increasing in the cylinder head business and other than Renault, we have added Toyota and last year we have added PSA into it, there are more development, Renault is coming into, recently from domestic OEMs, Mahindra and Mahindra. So all these will increase our share of business in IC engine itself for the remaining content. But if you convert this into EV also, I will

just give an example, normal ICE four-wheeler vehicle is weighs around 1,454 KG, if same vehicle goes to hybrid or EV, there is an increase of around 254 Kg of weight because of the battery load, the motors and transmission which are getting added. So it has become mandatory to reduce that weight of 254 Kg which increases the cost of the vehicle. And looking at these lot many components came into and that is what our strategy last time we explained, we have changed our gear into that, and we have shifted to the technology-agnostic part. The parts which are required irrespective of the technology disruption, whether it is IC engine, whether it is EV, whether it is hybrid, these parts will be required like suspension, chassis part, this will be body part, the frames of the vehicle, all these things will have firm aluminum in future for light weighting of vehicle. So we are anticipating again from a 30 Kg contribution in four-wheeler of aluminum at this moment will increase to 100 Kgs, I think of these parts and these will be additional opportunity by way Alicon will be available for the future growth business.

**Raghunandan KL:** My question was within passenger vehicles, say when you are supplying to someone like Toyota or generally to utility vehicles, the content per vehicle for a UV, would it be higher than that of hatchback? So where I was coming from was that as the industry shifting towards more and more utility vehicles, that itself should lead to higher content per vehicle. Would that understanding be right?

**Shekhar David:** Up to certain extent, yes.

**Raghunandan NL:** Sir, the EV parts will be mostly machine parts?

**Shekhar David:** Yes, as a strategy, right now EV part is a global business, a very few people in India is in it because even in India people are thinking of importing it, they are not making the complete set up in India at this moment. So for a global business, Alicon has got a strategy to supply these components in fully machine condition so that the risk whatever is there... as far as the quality of the part is concerned, that will be filtered at our level only and only good part will be sold to global market. So from that strategy, it will be fully machine components and we are going with this at this moment also.

**Raghunandan NL:** Sir, non-auto business has done well, the share has increased to 11%, last year it was 8% for the FY '20. Can you indicate which are the sub-segments are doing well? Tractors you alluded to, certainly doing well. Here the orders and the customers you have, if you can elaborate?

**Shekhar David:** Other than agriculture, that is tractors, we have seen the growth in the energy sector. As you know that a lot many projects, domestic as well as global, electric projects are coming and where this new technology that is gas-filled technology has come into picture. So we have seen the growth there with the existing components and also the new business what we are grabbing, that also which is coming in energy sector at this moment. Also, we have seen the growth in the defense sector where if you see Indian government recently giving the tender for light weighting of the current tanks which are in operation and 128 tanks at this moment will be refurbished with aluminum parts to lowering the weight of these tanks and each tank requires 32 wheels and Alicon is one of the only supplier for these to Indian defense for low pressure die casting. And recently we have got a balance order of around 900 wheels to be supplied and got a tender of 3,890 wheelers to be supplied in next three years. Each base weight around 42 Kg per wheel. So we are seeing the growth there. And also new opportunities are emerging out. Recently, if you have seen, the Tejas plane which has been developed by HAL, for a passenger which has been converted to a fighter plane. And for this there are new requirements come from the defense for developing a landing gear. And this activity is at the premature stage right now, but Alicon has

got an opportunity to participate for this development, converting presently whatever is imported, it is completely (Inaudible) 59:45 schedule, so developed this part for the landing gear and Alicon is working on that. So these are the major two sectors we are seeing there is increase. Also, you know that we have developed a cylinder head for BEML for vehicle Tatra. Again, that goes to the defense. And right now, look at the market situation and the environmental situation around all the borders of India, army and defense escalation is going on, for that, there is a new tender of 10,000 Tatra vehicles has been ordered to BEML. So, we have got an increased business for a cylinder head which we are exclusively supplying it to BEML and there is an increase in that business we have got. So, all these three, four sectors, has given us an increase in our non-auto sector business this quarter.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**Vimal Gupta:** Thank you. I hope we have been able to address your questions. 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.

**Shekhar Dravid:** Thank you.

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

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*Disclaimer - The following transcript has been edited for language and grammar and may not be a verbatim representation of the call.*