alicon Casting the Future

February 18, 2020

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 January 31, 2020, after announcement of the audited Financial Results for quarter and nine months ended December 31, 2019. 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**

Swapnal Patane
Company Secretary

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Alicon Castalloy Limited

Q3 & 9M FY20 Earnings Conference Call Transcript
January 31, 2020

Moderator: Good Day Ladies and Gentlemen and Welcome to the Q3 & 9M FY20 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 '*' and 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, Margaret. Good Day everyone and thank you for joining us on Alicon Castalloy Limited Q3 and 9M FY 2020 Earnings Conference Call. We have with us on the call, Mr. Rajeev Sikand – Group CEO; Mr. Shekhar Dravid – Group COO; Mr. Vimal Gupta – Group CFO; Mr. Sandip Patil – Head of Global Business; and Mr. Rajiv Gupta – Head of Domestic Business of the company.

Mr. Vimal Gupta will start and cover the financial performance following which Mr. Dravid will walk us through operating highlights in the business. In order to share a more granular view of initiatives towards both the export and domestic markets, we will also have Mr. Sandip Patil and Mr. Rajiv Gupta provide insights on these areas. Mr. Sikand will then cover business developments 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 shared with all of you earlier. I would now like to hand over the floor to Mr. Vimal Gupta for his opening remarks.

Vimal Gupta: Good Afternoon everyone. On behalf of the entire management team of Alicon Castalloy, I would like to extend a warm welcome to all of you on the earnings conference call. I trust all of you have received the results documents. Weak demand conditions, slowing economic growth, and the underwhelming festive season have meant status quo for the auto sector during the quarter. Due to these conditions, it would be appropriate to compare the Q3FY20 performance with the immediately preceding quarter as the domestic industry is undergoing a one-time event of change in regime for emission standards.

We have witnessed a revenue decline by 15.24% from Rs. 267 crore in Q2FY20 to Rs. 227 crores in Q3FY20. The revenue decline is primarily on the back of lower volumes as we are fast approaching BS-VI transition deadline as well as the tail effects of our initiative to reduce inventory across our global operations. For Q3FY20, exports including overseas revenues contributed to 21% of the total revenue in Q3FY20 while domestic contribution was 79%.

In 9MFY20, revenues from operations stood at Rs. 760 crore. Exports, including overseas revenues contributed to 20% of the total revenues in 9MFY20 while contribution from the domestic market was 80%.

Coming to our performance across verticals, the auto division contributed to 92% of the total revenues in Q3 FY20 and non-auto division was at 8%. For 9M FY20, our auto segment contributed to 90% of the total revenues, while non-auto stood at 10%.

Gross margins improved to 49.6% in Q3 FY20. EBITDA stood at Rs. 32.7 crore, with EBITDA Margins at 14%, higher by 122 bps on YoY basis. Our various cost management initiatives enabled a healthy improvement in operating profitability during the quarter. PAT for the quarter stood at Rs. 8.4 crore.

In 9M FY20, EBITDA stood at Rs. 95.9 cr, with margins at 13%. PAT stood at Rs. 22.9 crore in 9M FY20, with PAT margins at 3%.

During the quarter, the Company added six new customers. These are across auto, non-auto as well as e-mobility and the pipeline of enquiries remains healthy. While the domestic OEMs continue to monitor the market closely and are keeping their current orders fluid, our investments in talent, marketing offices, design and development in recent years have resulted in improved leads across domestic and international markets.

On that note, I would like now to hand it over to Mr. Shekhar Dravid who will talk about operating highlights for the quarter.

Shekhar Dravid Thank you, Vimal. Greetings to our investors.

The requirement to reduce BS-IV inventory coupled with OEMs preferring to operate on a just in time basis, has meant that the industry volumes continue to be subdued in the third quarter. Our strategy in these uncertain times is to collaborate more closely with customers and drive greater flexibility to completely align our operations with their requirements as they shift from BS-IV to BS-VI production.

What are the strategic steps being taken to maintain and strengthen client engagements? We have deployed focused teams working alongside customers and have compressed the timelines of production schedules to react more quickly to changing requirements. Our teams are also supporting customers on areas such as design, detailing, raw material mix and jointly navigating through the regulatory and technological changes. We also have separate teams focusing on improving the product portfolio to address the changing technologies and catering to the customized requirements for both domestic and export customers.

I am also happy to share that our recent contracts with JLR, Daimler, Samsung SDI and MAHLE are progressing well along the targeted schedules. The design and machining stages are underway and volumes and delivery schedules are being mapped out. These multi-year contracts will result in steady and consistent volumes in the future. These will also enable us to demonstrate performance on new technologies and platforms.

On e-mobility, we have witnessed increasing investments behind creation of e-mobility platforms and now launches have begun to pick up pace in both the Indian and international markets. We have already invested in talent and technologies towards this ensuring we are well-equipped to win potential opportunities in this space.

On our non-auto business, the endeavor is to further improve the product portfolio to better cater to existing and new customers. During the quarter, we have added a range of high-potential parts across various segments and received orders from Keihin Fie and Denso from BS-VI, Dana and Tork Motors in EV segment and Honeywell Automation and ABB in Non-Auto and to bring in differentiation and build up a product suite to grow the existing platform further. Looking at the 9MFY20 performance, we are expecting the year with the same vector and the de-growth will be to the tune of 13%.

On that note, I would like now to hand it over to Mr. Sandip Patil to throw light on our global businesses.

Sandip Patil Thank you, Mr. Dravid. A warm welcome to everyone, I will briefly cover the developments on our International business front.

The International business, including exports has been a key propeller of our growth strategy. Facilitated by our European subsidiary, Illichmann Castalloy, we have increased significant foothold in the Europe and the US markets over the last few years. Today, exports, including sales from Illichman, contribute to about 20% of our total revenue contribution and while we aim to increase this to over 30% over the next 3 years, however we believe that FY21 is likely to witness a drop in our contribution of export business owing to technical disruption happening much faster in overseas market. In FY20, we got orders from JLR, Daimler, Samsung, Mahle, these products are under testing. Based on new product developed like Knuckles, etc, we are in the process of targeting new customers like FCA, TITANX, Eaton, Danfoss & ZF etc.

To strengthen our market reach and increase our engagement with various customers we have opened up our office in France with 2 Key Account Managers and USA with 17 Key Account Managers who have strong contacts in USA and Europe markets. Companies like DANA and Danfoss has already opened doors for us and we are in process to add baskets with additional products after our first entry solutions provided to customer.

I would like to now hand it over to Mr. Rajiv Gupta, who will cover developments in the domestic business for the quarter.

Rajiv Gupta Thank You, Sandip. Good afternoon everyone. Looking at the Domestic Business, I think we all are aware of the current market situation. This is the worst downturn for the automobile industry in the last 20 years. On an industry wide basis, in the first 9 months of Fiscal 2020, we have witnessed volumes decline by 13% on a yoy basis. Within this, Two wheelers are lower by 13%, Passenger by 14%, Commercial by 27%, Three wheeler by 6%

The decline is attributable to combination of factors such as slowing economic growth, NBFC Crisis, Increase in Insurance costs, increased cost of BS6 vehicles as well as factors like shared mobility. As we sensed weakening consumer sentiment and noticed declining volumes, we ramped up exploring of opportunities to diversify the products. This opened up new products lines contributing to some existing business.

We explored opportunity to develop other part such as Wheel hubs, BFT, outer tubes and inlet pipes in Two wheelers. I am pleased to share that we have already booked business in these parts with Honda Two wheeler and Royal Enfield. In four wheelers, we are looking ahead for development of cylinder heads with existing and new entrants coming into the market.

Now, let me brief you about the next year projections. Next year, we are looking ahead a growth around 15% and the growth will be from the new business as well as increasing the share of business in the existing business with the transition of BSVI. In two wheelers, we are adding new product range like inlet pipes, BFT. In EVs, the growth will be from the new customer addition that is Dana and from start-up business from the existing customers like Ather for the electric scooter and Tork motorcycles for the electric bike.

In non-auto, we have added two customers, ABB and Honeywell, which will give us the growth in the next year. I would now request our Group CEO, Mr. Rajeev Sikand, to share with you in perspective on Alicon performance.

Rajeev Sikand Thank you Rajiv. I welcome all our investors - thank you for joining the call. My colleagues have already summed up the results for the nine months gone by and given you the outlook for the near term from Alicon's perspective.

I would only like to share that while the last months were challenging we remain undaunted and our improved EBITDA margin and continued engagement with customers gives us reason to believe in the course we have chartered for ourselves in the last few years.

We would be happy to take your questions now.

Moderator Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankit Merchant from SMC Global Securities. Please go ahead.

Ankit Merchant Sir, my first question is related to the EBITDA margin, so I understand the gross margins have improved, so is this a one-off phenomenon just because of the drop in the price of raw materials or what has basically changed for us and what is the reason for this spike in EBITDA margin?

Vimal Gupta If you see, there is no impact of the raw material in our case because this raw material spike is completely passed onto the customers, so in this if you see our results, we have done lot of cost reduction measures in the company and that has given this result. In all areas we have done lot of exercise of cost down activity and that has even at the end the impact on the EBITDA margin. It will be conversion cost of that price.

Ankit Merchant Sir, my next question is related to the two wheeler sales specifically, we have seen that two wheeler sales over the last, Q3 was also quite muted and Q4 is expected to remain flat and if there is suppose any conditions of pre-buying which should be coming in because of the BS4, so Q1 of next year is also likely to be very challenging, so how are you weaing your portfolio regarding to BS6 and what is the price changes which you are expecting in your portfolio related to two wheelers?

Rajiv Gupta Basically in two wheelers, the market is down, but what we did we diversified our portfolio, we added new products where we are not there, for example product like inlet pipes, we got orders from customers like Honda and we have got 100% of business and there we have a good margins. Also you would agree with transition of BSVI, the parts are very critical and stringent to make and with this we are in discussion with customers for the price increase compared to BSIV parts.

Ankit Merchant When you are guiding of this 15% growth in the coming year, so are you talking in the terms of volume or you are trying or on the value front, what would the breakup be?

Shekhar Dravid Basically, if you see it is a top line what we are going to give. As you know that the, current year is a flat year and our growth majorly comes from the existing businesses with BSIV to BSVI transition and new products we added in the portfolio as Rajiv has already explained that we were not there previously and now with those components or those product portfolios has been added. That will give us an added advantage on the top line. Also as mentioned in my opening comments that basically EV, two new customers have been added, so a new customer base like that and also new customers from the non-auto we are added, these will add to the growth of 15% what we have said next year.

Ankit Merchant What is revenue mix in Q3; does any part of revenue come in from the new products for us in the quarter gone by?

Shekhar Dravid Yes, there are few parts which we added have come in Q3, but this is just the beginning of BSVI so it will give us the added advantage in the next quarter- and coming year, but there are very few parts which are new parts in the project.

Ankit Merchant On the EV front, I just have one last question on EV, yesterday in the con call of Bajaj Auto, the management was guiding quite a good amount of positives related to EV, they have received good response for their Chetak. So, as such how are we planning to take up our EV as a product and as far as Ather has also launched another new vehicle in the competitive space, so what is the game plan going ahead for EV for us and would we be targeting to get into Bajaj Auto's plans or supply some products to them?

Shekhar Dravid Basically looking at EV, at present nothing is clear from the OEMs. Whether these parts will be developed in India or not, but looking at as you mentioned earlier and we are associated with Ather for longer time, basic change has come into the business strategy of Ather itself. Now, they are going to launch their product in seven different cities rather than one city at a time. We are anticipating a good growth in the Ather business in coming years and I think for the next year we will have a better business from Ather. As far as the question comes for the two wheeler industry, Bajaj as far as we know and whatever our business relations with them, yet they have not started any such development for components in India and we are yet to get a clear-cut picture from their side. So it will be very early to talk about it at this time, but we are the partners and we are supplying the components to Bajaj, so we are just awaiting their complete strategy on EV. Once it unfolds, we will have our strategy in place based on that.

Moderator Thank you. The next question is from the line of Saurabh Jain from Sushil Finance. Please go ahead.

Saurabh Jain Sir, my first question is how sustainable are these 14% levels of margins. I believe this is probably the highest ever EBITDA margin which we have achieved this quarter, so how do you see going forward?

Vimal Gupta Thank you, this margins has come up from the cost reduction activity that we have started in the Alicon, so it is a continuous journey so it is not like suddenly in one quarter it has gone down, again it will go up, maybe when the volumes will go, the cost will go up but not in that ratio, so we believe that we will be able to maintain the margins what we have achieved in Q3.

Saurabh Jain On a yearly basis, from next year onwards we believe that we can achieve this 14% kind of margins, right?

Vimal Gupta Yes, we are also expecting the same.

Saurabh Jain	Sir, there was one previous order from Daimler and BMW of Rs. 700 crore of export orders which we were supposed to execute over five to seven years, so how are things going on that front?
.Sandip Patil	These orders are going very well as per the timeline given by the customers. Some products are already developed and under testing, some products are under development as per timeline. These orders we bagged three year from Daimler that was the coolant collector and end of the next year this product will go out from the production and that will be replaced with the new products and new products already are under development. The same in case of the BMW, swing arm supply has already started.
Saurabh Jain	I wanted to ask, have we taken any price cuts during the last couple of quarters?
Shekhar Dravid	Basically keeping our relations with the customer and whatever the business relations we have, we have not given any price cuts as such product of costing or the pricing and frankly speaking, customers are asking but they were not insisting it for maintaining our share., So, the answer is that we have not given any such deductions.
Saurabh Jain	Sir, one last question, this new order which we will start executing from the dispatches will be starting from June onwards, so what would be the incremental addition to our top line from the new orders for next fiscal because I believe there will be some products which will phase out during the next year as you just mentioned that Daimler coolant collector will probably phase out during the next fiscal or in the beginning of the next fiscal, so what would be the amount of revenues that will phase out and what would be the incremental addition to the top line from new orders? Although you have mentioned that overall you have factored in all these things to 15% top line growth, but if you can break this down that would be helpful?
Sandip Patil	First I would like to answer the question you raised regarding the Daimler. Yes, there will be a lag but these models are getting converted and for the new model, we have already bagged the orders. So there will be compensation of that loss but with a lag, so as such there will be no direct impact on the figures as far as Daimler is concerned. Coming down to the 15% of our growth what we are anticipating for the next year. We are planning to have a a growth of around Rs. 160 plus crore in which there will be a growth of around Rs. 90 to 100 crore which is from the new product what we have launched it and these will be SOP for the next year. So out of Rs.160 crore revenue, Rs. 100 crore will be out of new businesses we added and ramp up will start April onwards.
Moderator	Thank you. The next question is from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.
Bharat Gianani	My question is what is the gross debt currently in the books and what is the CAPEX plan for this year and for the next year if you have finalized?
Vimal Gupta	First, when we talk about the CAPEX plan, so in nine months we have used around Rs. 44 crore and we are expecting to close in the range of Rs. 60 to Rs. 62 crore in that range further addition of Rs. 15 to 20 crore because whatever Mr. Dravid was explaining that we need CAPEX for the new orders we have taken. On the debt side, the total debt being long-term and short-term, we are in the range of around Rs. 300 crores.

Bharat Gianani Capex for the next year, if you have finalized?

Vimal Gupta Next year, actually that in this industry we need a maintenance CAPEX year-on-year in the range of Rs. 25 crore every year and in addition to that we are expecting maybe Rs. 15 to Rs. 20 crore based on the outlook shared by Mr. Dravid. It is a dynamic market you know very well, so we get the new business or new orders from existing businesses, so it may change according to that.

Bharat Gianani Sir, I just wanted to know that in the previous call, we had said that we had received Rs. 800 crore worth of new orders which are executable over a period of, I think, five or six years. So basically that makes the per year incremental order book to about close to Rs. 150 crore or so, Mr. Dravid Just pointed out previously that in FY21 we are expecting about Rs. 90 to 100 crore of new project, so are we seeing that in FY22 they may increase in the contribution of new projects or will it remain at single levels?

Sandip Patil Yes, we are increasing the contribution of the new process for FY21.

Bharat Gianani My question was more from the year after FY 21 because like Rs. 810 crores was the order book that we said that was incremental and executable over a period of five years, so basically that gives a top line of about Rs. 150 crores, so are we trying to say that in FY22 the contribution from new projects will be higher than FY21 or is that the right way of understanding?

Shekhar Dravid Basically I will tell you whatever we declared of 800 plus crore of business last quarter that is going to go into manufacturing line in -20-'21 and '21-'22, it is our estimate of how the projects will ramp up and these are subject to customer timelines of how they want to progress the orders. So certainly in '20-'21 there will be revenues from these orders and we believe these should scale up in '21-'22 so that is correct. However, some of the existing orders and traction which we earlier anticipated to continue in '20-'21 may be scaled down a bit by existing customers given the prevailing industry uncertainty.

Bharat Gianani Basically, whatever order book we have received, we will start execution in FY22 only on that?

Rajeev Sikand Something will come in FY21 because you see these are all global car makers. Their projects normally have 12 to 18 months of a lead time because they do their own testing of these products, so Sandip has the figure.

Sandip Patil For FY'20 -'21, the new projects will be in the tune of 163 crore and next year will be 207 crore, and third year of 285 crore. This includes the anticipated incremental revenues from the order announcement in Oct 2019.

Moderator Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave Sir, your employee cost this quarter I believe is Rs. 33 crore and I have seen a few quarters which were upwards of Rs. 40 crore, so you have cut down on your employee expenses quite a bit. Now last four to five quarters we have been either seeing low growth or de-growth because of the industry. Next year when you start ramping up again and growing let us say 14%-15% plus the new orders, so will your employee expense now start moving up. If it starts moving up what is the good assumption for next year, will you be adding a lot of employee cost or this Rs. 33 crore that we have seen in this quarter is that a good place to work with?

Vimal Gupta When both will be there definitely there will be little upward movement in the cost because you know that in this industry we need blue-collar people. So increase in the volume, so we need those people, so it will not be the same proportion but increase will be there.

Agastya Dave Just hypothetically speaking if I go back to Q2FY19, at that time you had a revenue of Rs. 306 crore and employee cost was Rs. 44 crores from that quarter, so if you go back to today you are 227 crores, if your Rs. 227 goes to Rs. 307 will you be going back to Rs. 44 crore of employee cost?

Vimal Gupta No, already the impact we can see that whatever the measures we have taken for the cost cutting that will be there.

Agastya Dave Some of this is saving are permanent, and it is not related to just the industry de-growing and the volumes decreasing?

Vimal Gupta Yes.

Agastya Dave Sir, next question is more an industry question, so if I look at the OEM volumes and what the P&L they have reported so far whoever has reported and if I look at the auto ancillary industry, the auto ancillary industry is still showing much steeper declines, so is there an inventory at this point which is still going on between you and the OEMs. When will that get over and then you yourself have individually taken a call of reducing inventories and you have shared the impact of that on your revenue over the last two quarters. So can you share that for this quarter as well Again related to that when will we see if the adjustment is getting minimized across the industry and again also for you, so any insights you can give would be great?

Rajeev Sikand Basically BSIV to BSVI is a fundamental change, so this is normally which is happening automatically now in this quarter for most of the OEMs. If there is any spillover then you know they can sell it in the Tier-2 or Tier-3 cities. As far as Alicon is concerned whatever we had to finish, we have done it in the last quarter. Now all the inventory modulations have been finished at our end.

Agastya Dave Sir, the inventory that is related to the OEMs can we expect that Q4 would see the end of that and Q1 onwards we start with a fresh slate with BSVI and then whatever happens with the BSVI, nothing to do with inventory adjustment?

Rajeev Sikand I cannot speak for them, but I think there would be some lag, there would be something going I feel that personally because everybody is trying for the same, they are trying for BSVI, but there could be some lag.

Moderator Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah Sir, my question is pertaining to the new project which you are talking about so you are guiding for a Rs. 90 to Rs. 100 crore of revenue in FY21. Which is this new project apart from the project which we have got last quarter?

Rajiv Gupta Apart from that basically growth is in, one is we have added new product line with REML earlier we were supplying only cylinder heads and now we are supplying other parts like wheel hubs and other parts for them. Also they are introducing one new vehicle and that also is added in the cylinder business. The main one is the Inlet Pipes business which we have received from Honda and you might be aware of the volumes of Honda and this will be a 100% supply from Alicon so you can imagine the quantities of supply when we talk about ramp up in business. Then it is from non-auto business as we mentioned two businesses we bagged with ABB and Honeywell that will materialize in the next year, so these are the businesses which will help us.

Shekhar Dravid Basically, if you see as he rightly mentioned, in two wheelers we added new portfolios with the existing customer and the rest what we are anticipating as he rightly mentioned that for Honda motorcycle we have bagged the inlet pipe business. For four wheelers, we are working with Renault and Renault volumes we are anticipating the growth in exports. The Renault volumes is not in India, but as we are already supplying to Brazil, the new whatever the cylinder head we have developed it that will start from this fiscal for export to Brazil so that will be one more addition to our top line on the point of view of four wheeler business, so all these things comprise to around whatever the business increase what we are talking of.

Dhiral Shah What I mean is that you have confirmed order for FY21?

Rajeev Sikand Yes.

Dhiral Shah So the new order which we have got last quarter of above Rs. 800 crores, so that will be the incremental opportunity you will get in FY21 if you can deliver it also?

Shekhar Dravid No, because there the timelines are governed by the customers and they have got their launches governed by those dates, so by end of FY21 we will have certain few parts starting, ramp up will be really FY22, so that is what we have mentioned that time also and we will be maintaining the same at this moment, so in 2021 we are not going to get any growth from those orders.

Dhiral Shah Sir, second question is regarding Bajaj Chetak, are we supplying anything?

Shekhar Dravid At this moment, no.

Dhiral Shah Sir, with this BSVI implementation so what would be the change in content per vehicle for us?

Shekhar Dravid Frankly speaking as far as BS4 in the regular way is compared to the last BSIV to BSVI, it will not be much but to come back with our share of business with each OEM, we have entered into the different portfolio which already explained other than the cylinder head business and that will increase our share of business with each existing customer or the OEM.

Dhiral Shah Sir, I just have only two questions, so who are our top three customers let us say in two wheeler, four wheelers, and CV business?

Shekhar Dravid In two wheelers, our top customer is Honda motorcycles, the second is Hero motorcycles, and the four wheeler our top customer at this moment is Renault and the second is Maruti Suzuki.

Rajeev Sikand As a policy, none of our customers are more than 20%.

Dhiral Shah Sir, in CV?

Rajeev Sikand Daimler would be big if you take globally.

Dhiral Shah Sir, lastly, we have done a tie up with ABB and Honeywell, so what we are going to supply and how big is that opportunity?

Shekhar Dravid Right now whatever for ABB we have done that, that is in the energy sector and it contributes yearly around 14 crore business and for the Honeywell automation this is a totally new product line for different enclosure and different types of requirement in automation, which predominantly was developed in high pressure die casting that is because of the low volumes, this opportunity we have grabbed it under our business portfolio.

Dhiral Shah How big is that opportunity?

Shekhar Dravid It is again approximately around Rs.10 crore per annum.

Dhiral Shah Lastly, on debt reduction plan, so do we have any debt reduction plan?

Rajeev Sikand Just to answer one more question which you had asked and many others have asked around the newspaper article which we gave. Next year I think in FY21 we would have around Rs. 24 to Rs. 25 crore that is coming out of this new business as a start-up, various parts to that extent it will be there.

Dhiral Shah Sir, this debt reduction part?

Vimal Gupta on the debt reduction part, we have already prepared the plan, so hopefully in the coming next six months, you will see change in the figure.

Dhiral Shah So, right now it is 1:1 what would be the debt right now, Sir?

Vimal Gupta Debt is at 0.9.

Dhiral Shah So how it is going to improve in next six months?

Vimal Gupta So maybe we are expecting approximately to reduce by Rs. 30 to Rs. 35 crores.

Moderator Thank you. The next question is from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.

Bharat Gianani Sir, in FY21 you have guided for 15% growth so I'm just trying to understand what kind of growth have we factored for the auto industry? As majority of the growth I think is coming from the new customer addition and increased share of business, so what I was just trying to understand that in your estimates, have you factored any growth for the industry or what kind of growth have you penciled in or will there a de-growth?

Rajeev Sikand The first six months I think till the festive season, we are seeing a very flat growth. As my team has explained these are more or less the orders which we have bagged, which are new or their replacements or they are eating into the share of business. So this is where we are seeing for the first six to seven months till the festive season. Hopefully, we should have some good news tomorrow but nothing substantial we seem to get because the Government hands are also tied in terms of fiscal debt, but let us see what happens tomorrow because sentiment plays a big role in the market.

Bharat Gianani Sir, just on the capacity utilization side, what is your current capacity utilization would be looking at?

Shekhar Dravid For the current year, around 55% to 60% is our capacity utilization.

Bharat Gianani Basically, FY21 as you pointed out, there will be an impact of the slowdown because of the transition and economy is also not that great for the next six months, but what I am trying to understand is that in FY22 the auto industry rebounded there and plus the pace of orders that you pointed out that would also start coming in from FY22, so what kind of growth are you aligning for FY22 if you can just share your assumption on that?

Rajeev Sikand I think we would rather wait for another one or two quarters, so it is too premature, but our long-term vision for FY2024-25 stands and right now that is something which we stand may be plus or minus here or there, but let us wait for another one or two quarters where we can definitely give you a figure.

Bharat Gianani Sir, your long-term target was if I am not mistaken is about Rs.2,000 crore, right?

Rajeev Sikand Yes.

Bharat Gianani That will be by FY2024 -25 you are targeting?

Rajeev Sikand Yes.

Moderator Thank you. The next question is from the line of Saurabh Jain from Sushil Finance. Please go ahead.

Saurabh Jain Sir, my question is about the tax paid, so have we opted for the new lower tax regime because our tax rates are still high, so if you can throw some light on that?

Vimal Gupta At this moment, Saurabh, we have not taken that decision. When we will finalize our account for the year, at that time we will take the final decision on that considering the benefits.

Saurabh Jain the next question is on FY'22, so where do we see the share of cylinder heads as a percentage of revenues standing over the next two years?

Shekhar Dravid Approximately, it will be same as, right now it is around 56% of the reported revenue and by '22 we anticipate that will be the same.

Rajeev Sikand but the answer may be little different, it may move more towards four wheelers.

Saurabh Jain You mentioned a couple of times that real ramp up of new orders would happen only in FY '22, so what kind of growth can we expect in FY '22, I understand you just mentioned that it is too early and you would like to wait for quarter or more? I was asking the overall growth rate for the company, so can we expect a growth rate to be north of 15% which we see for the next year?

Rajeev Sikand So these orders we would get around Rs. 70 to Rs. 80 crores on what we declared as a ramp up figure, of FY25 it will move to Rs. 70 to Rs. 80 crores plus the other growth so there will be a good growth in that year, we anticipate a good growth again in that year.

Saurabh Jain Sir, what were these figures someone had given 163 crores for FY '21 and 207 crores for FY '22 because you mentioned the contribution from the new products would be 70 to 80 crores?

Rajeev Sikand That is by FY '22.

Moderator Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah Sir, whatever cost reduction we have done till date which has led to the EBITDA of 14%, so do you feel further room of improvement in this?

Vimal Gupta If you see that the opportunities are always there, but we have to consider the inflation, so immediately I cannot say that that we will have a major cost reduction or this will happen, but room is there.

Dhiral Shah So maybe in coming years, you can see further margin uptick above 14% also, right?

Vimal Gupta That completely depends on the business mix what we have done, we are planning.

Dhiral Shah Let us say in terms of mix right now, maybe two wheelers are contributing around 45%, if I am not wrong and maybe four wheeler and CV is contributing 20%, so let us say four wheeler goes up, so do you see improvement in margins?

Vimal Gupta That is where I explained to you, opportunities are there for improvement but we should not forget about the inflation, the increase in the cost, so that we have to factor when we finalize all these figures.

Dhiral Shah Sir, whatever order we have in our hands, so that would be your EBITDA 14% only?

Vimal Gupta At this moment, we cannot share, these are confidential information.

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

Rajeev Sikand Thank you everyone for your time, we are excited about the opportunity ahead of us and truly believe we are very well placed to capitalize on the shifts in the industry landscape. I hope we have been able to answer all your questions. Should you need any other further clarifications or would you like to know more about the growth, please feel free to contact us or CDR India. Thank you once again for taking your time to join us on this call.

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