

September 06, 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 August 06, 2021. 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', with a horizontal line underneath.

Swapnal Patane
Company Secretary



Alicon Castalloy Limited

Q1-FY22 Earnings Conference Call Transcript August 06, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Alicon Castalloy Limited. As a reminder, all participant lines will be in 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. Thank you and over to you, sir.

Mayank Vaswani: Thank you Amman. Good day everyone. And thank you for joining us on Alicon Castalloy Limited's Q1 FY22 Earnings Conference Call. We have with us on the call today Mr. Rajeev Sikand - Group CEO; Mr. Vimal Gupta - Group CFO; Mr. Shekhar Dravid – COO; Mr. Andreas Heim - Managing Director of Illichmann Castalloy and Mr. Rajiv Gupta - Head of Domestic Business of Alicon Castalloy Limited.

Mr. Vimal Gupta will cover the financial performance for the quarter, following which Mr. Dravid will walk us through operating highlights. In order to share a more granular view of initiatives towards both the global and domestic business, we also have Mr. Andreas Heim and Mr. Rajiv Gupta, to provide insights on these areas. And they will be followed by Mr. Rajeev Sikand, who will give us a brief summary of the quarter gone by.

Then 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 and also uploaded on to the exchanges. I would now like to hand over the floor to Mr. Vimal Gupta for his opening remarks. Over to you, sir.

Vimal Gupta: Good afternoon to all our investors. I hope that all of you and your near and dear ones are safe and well. Thank you for taking out time to join our earnings call.

The Quarter gone by was a challenging one on account of the second wave of the pandemic, which had devastating impact across the country. While there was no repeat of the synchronized national lockdown, the localized lockdowns resulted in significant disruption to economic activity as caution prevailed. Footfalls has dropped, car dealerships were closed and OEM customers curtailed production schedules.

Combined with challenges in logistics and constricted movement of material and manpower, there was impact on our manufacturing operations. Thus, we have witnessed a compression in production, volumes and consequently revenues during this period. Our manufacturing units in India operated at 50% average capacity utilization levels respectively.

On account of this in April and May, we recorded lower volumes. Soon after with easing of restrictions in June, we saw a hint of recovery from OEMs and reported improved sales in the month of June. However, it was a challenging quarter in light

of the headwinds caused by second wave in India as well as increase in input price globally. Given that, Q1 FY2021 was severely impacted, owing to near global lockdowns during the first phase of COVID-19 comparison with the corresponding quarter of the previous year are not meaningful.

We are therefore giving comparisons against Q4 FY21 which was a fully operational quarter. This will give you an idea of the impact of lockdown in Q1 FY22 on account of second wave as against Q4 FY21. Total Income was up 294% as against Q1 FY21 and 34% lower against Q4 FY21. For the quarter, exports including overseas revenues contributed to 28% of the total revenues while domestic contribution was 72%.

I am happy to see our export, including sales from Illichmann subsidiary continued the momentum from the second half of last fiscal and posted growth on a sequential quarter basis too. Across verticals the auto division contributed to 90% of the total revenues in Q1 FY22 and non-auto division was 10%. We have continued our various initiatives on our cost optimization strategy to align our expenses and optimize our working capital cycle.

During the quarter, we have seen a challenging input price environment with high volatility leading to persistent pressures in raw materials such as aluminium and other input costs. This coupled with the sharp reduction in volumes on account of the lockdowns during April and May 2021 impacted production levels and a consequential impact on lower closing WIP and FG leading to higher material costs. In order to efficiently manage this situation, we are speaking to our customers to increase frequency of raw materials price adjustment on a monthly basis rather than quarterly. This will slightly compress our working capital cycle due to more effective re-adjustments.

On the profitability front, owing to the muted volumes increased material costs as explained above, fixed manpower costs and other overheads, our margins were compressed on sequential basis. Our EBITDA margins at standalone basis stood at 6.36% in Q1 FY22 as against 14.62% in Q4 FY21. This drop is despite our constant efforts and continued focus on efficient production and cost management which has enabled us partially offset the impact of muted volumes and inflationary trends during the quarter. On a standalone basis, we reported a loss before tax of Rs. 9.99 crore as against profit of Rs. 19.97 crore in Q4 FY21.

Our EBITDA on a consolidated basis stood at 8.52% in Q1 FY22, as against 15.20% in Q4 FY21. We are pleased to highlight that our European subsidiary continued to maintain steady volumes on our prestigious order for battery housing to Samsung, which is used for further supplies to JLR. The European operations also benefited on account of onetime billing of tooling to one of our regular customers. Supplies of tooling has decent margins which are reflected in the subsidiary performance.

When compared to Q1 FY21 our EBITDA was Rs. 18.03 crore as against the negative of Rs. 23.42 crore. The loss before tax was much lower this quarter, when compared to corresponding period year last year on account of the differing circumstances between first wave and the second wave.

On the balance sheet front, net debt has reduced after the successful QIP issue, which concluded on 30th June. With a view to optimally sweat assets, we continue to undertake several steps to best leverage upon our established operational structure before undertaking new capacity expansions. Even on the CAPEX front, we will be investing in enhancing our capacities that will only be related to the new projects and new order wins. Our focus will essentially be on two types of CAPEXes in FY22. One is CAPEX for the new order wins which will include enhancement of existing capacities, especially in machining and for the new technologies to service new wins and second would be maintenance CAPEX which is expected to be minimal. So, for the year, we will undertake CAPEX to execute our orders, but this will not result in higher overall capacity.

We are pleased to share that our equity raise has been successfully concluded. Our QIP brings onboard marquee investors who have demonstrated belief in Alicon's equity story. Following the QIP, we also made a preferential issue to the Promoter group and to Enkei, which is a strategic partner. So, in this QIP we raised Rs. 80 crore followed by the preferential issue where we will raise around Rs. 30 crore. The addition of Rs. 110 crore of equity to the balance sheet augments our long-term resources to also pursue our growth initiatives. This capital raised also helped to enhance our liquidity and enable us to balance our working capital requirements.

On the whole, while our results are underwhelming, we are confident that as the volumes of the auto industry grows, we would be able to record decent growth in the second half of FY22. We hope that the deferred demand would enable a healthy recovery in business and economic activities and result in higher sales volumes for the auto industry.

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 all. I trust all of you are well and staying safe. I will share with you some of the trends witnessed in the quarter gone by. To begin with, the quarter started on a somber note on account of the lockdowns and restrictions on account of the second wave of the Covid-19 pandemic. Across the industry while there were concerns of the second wave in March, we did not anticipate the impact, both on the human life and the businesses to be this profound. What we saw across the domestic market is that many OEMs, especially in the month of April, had to either completely stop manufacturing or revise their business plan.

In some regions, and markets, the pandemic induced lockdowns and restrictions extended till June, which severely disrupted the plans for some other industry participants. The quarter also saw huge inventory pile ups at factories, dealers, and distributor levels. However, broadly, what we observed was that OEMs and the suppliers were better prepared to deal with this situation as compared to the previous year. Unlike last year, when there was a nationwide lockdown, this time around lockdowns were only in certain hotspots and micro containment zones.

So, we had cases wherein our customer was fully operating, while Alicon's plant was in the containment zone, but we had to push ourselves and take up the challenge to meet the customer requirements. In addition, supply chain issues further impacted the processes. So, while our performance was impacted due to these disturbances, especially in April and May, the severity was managed given the established set of protocols to handle the pandemic induced disruptions. As the lockdown restrictions eased in June 2021, what we saw across the domestic auto space is that, OEMs reached about 60% of their earlier volumes. From July onwards, these volumes will be upward by 75%. From a consumption standpoint, in June and July, Passenger Vehicles witnessed better recovery than the other category driven by the high pending bookings, low channel inventory and the strong underlying demand led by the preference for personal mobility. We have seen stock levels at OEM and the supplier levels, reducing significantly in the June and July, which is a positive sign.

While the CV segment recording has been slower on account of lower freight availability and seasonally weak infrastructure demand. Good monsoon, hike in MSP prices and continued strong Government support to all agri activities is aiding tractor sales. On the international front, most of the key export geographies in US and Europe reported healthy auto sales led by healthy demand and stable currency in key markets.

Our performance is by and large in line with the trends witnessed in the automobile industry. Like previous year, I would like to discuss our five key strategic growth pillars and the development within each.

The first being our Automobile business. This segment, while was impacted due to the second wave, witnessed a good bounce back in the demand and recovery in the month of June, resulting in the steady volumes during the quarter. Although domestic market saw an impact on account of the second wave, our export recorded continued momentum. We saw increased client engagement, especially coming in from the export markets during this period. During this period, we added 13 parts, out of which four were from the domestic market and nine parts were from the export market. In the domestic market, four parts were from the existing customers. So, three parts were from Dana and one is from the Garret. In the export market, three parts were from Eaton, three parts were from Mahle and two parts from TitanX. I am also pleased to share that Alicon in this quarter has recorded a new client win in the exports. After several months of effort, we are now providing parts for MAN SE, which is a part of the big Volkswagen Group for the truck category.

On the industry front, we have seen demand for the Passenger Vehicle segment both for two-wheelers and four-wheelers gaining traction as a consumer are preferring personal transport over public transport. More so, with the Travel and Tourism stabilizing in country, PVs and even the CVs are seeing a strong recovery. Rural demand although saw an impact due to the second wave is expected to recover, given timely arrival of the monsoon and favorable agri indicators.

We hope that this will further boost consumer spending. In addition, we expect the upcoming festive season to add momentum to the gradual recovery. The schedules from our customers are reflecting growth. We are also seeing some supportive reforms coming in from the Centre and the State Governments, which will further create demand for the new vehicles thus boding well for the Indian auto industry.

Two factors which are dampner are the semiconductor shortages across the domestic as well as the global markets as well as the input cost inflation is also impacting the performance.

Coming now to the second growth pillar, which is the Electric Vehicle division. In the international market, we are seeing a strong momentum. We have won orders from the reputed OEMs during the quarter, such as Dana. Through elopement, we are already supplying battery housings to Samsung, who supplied to JLR in EV space. I am pleased to share that we have been continuously receiving new business wins from Samsung, which has helped us improve volumes this quarter. We are now supplying battery houses across three EV models to JLR. To share the interesting incident few years ago, when not many players were absorbed in the EV space, our company had then seen a huge and game changing opportunity and has embarked upon a challenge to deliver high end technically, complex and highly competent solutions for vehicles in EV domain.

I am proud to share that we have been extremely successful in this venture. Our association with the likes of Samsung, Bosch, Dana, Danfoss, Ather, Mahindra & Mahindra, Eaton among other marquee names have provided us with a great visibility as a reliable and trustworthy partner. And has helped us build a strong reference base in the EV domain in India, as well as in the global markets.

We have received several acknowledgments and awards that has enabled us to strengthen our foothold in the EV space. In one such recent example Alicon received a prestigious award from Dana Corporation for the e-Mobility platform for the end-to-end solution. I am proud to share that out of 3,000 suppliers worldwide, only 11 including Alicon were solicited, and we are the only supplier from India. So, this is a proud achievement for the team of Alicon.

Coming to the domestic side, the development of e-mobility here is lagging global markets. However, the tide is slowly changing for the better now. The Central Government is strongly supporting the absorption of a clean and green energy in the country. They have issued several initiatives, providing incentives and subsidies such as Fame II concessions to the manufacturers, which has boosted sentiments.

Even the Maharashtra Government recently has rolled out and revised EV policy in a move for cleaner environment and to support the EV program in the country. The Government aims at 10% of newly registered vehicles in its major cities to be electric ones by 2025. It has also aim to have around 1,500 charging stations in Mumbai itself by 2025 along with converting 15% of MSRTC buses to electric. The state government will provide incentives to generate demand and for setting up advanced chemistry cell batteries manufacturing plants.

The Government target setting up one Gigawatt battery manufacturing plant in Maharashtra. Similarly in June, the Gujarat Government came out with the Gujarat State Electric Vehicle Policy 2021 which expect would commence from July 1st, 2021. For the period of four years, the Government is targeting 1.1 lakh electric two-wheelers, 70,000 Electric three-wheelers and 20,000 Electric four-wheelers during the policy period. Fundamentally what we are also seeing is that the pricing gap between the E-mobility and IC vehicles is narrowing and becoming a major benefactor for EV adoption.

In addition, higher fuel prices are enabling the shift for consumer from IC towards E-mobility. In the near to medium-term, the focus for the Indian market will be towards two-wheelers and three-wheelers as the infrastructure and the consumer sentiments today are principally geared towards smaller vehicles.

In the domestic EV industry, we have seen an influx of over two different startups with meaningful plans for e-mobility. Even the entry plan of Ola Electric in the Indian market will be very disruptive and will pave the way for mainstream EV usage in the country.

So, there is a plethora of developments are happening on the EV side in the country. And we believe that this will bring in solid growth opportunities for us going forward. We are seeing many e-mobility players in India floating RFQs. With Alicon being one of the frontrunners in the EV space in the country, we look forward to capitalizing on such opportunities and building long term relationships with customers in the EV space. In the longer term, our target is now to clock upwards of 25% from the Electric Vehicle division on the growing revenue base by 2025-26.

Now on to our third growth pillar, being technology agnostic platform, wherein we focus over building niche around the existing and new products by leveraging our core competencies. This includes light weighting of the products in the auto and the EV space. We are getting increased enquiries from OEMs, both in the domestic and the export markets for the development of frames and control arms. Our successful conclusion of order wit JLR has opened many opportunities in this domain. During the quarter, I am happy to share that we have received an RFQ from the prestigious customers like JLR, Triumph, Piaggio. We look forward to materializing the sale in coming times.

Our fourth growth pillar being Non-Auto segment. Here we are witnessing healthy growth in demand across the sectors such as defence, aerospace, agriculture, and energy. And we expect this momentum to strengthen in the quarters ahead. During the quarter we received the RFQ from Textron and Rexnord. We look forward to materializing this thing in the coming time.

The fifth growth pillar is our focus on increasing customer wallet share. Our long-term approach is towards building wallet share and positioning ourselves as a trusted supplier for our existing customer base.

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

Andreas Heim:

Thank you, Shekhar. A warm welcome to all of you. I will briefly cover the developments on our international business. This quarter Illichman Castalloy has

enhanced its contributions in the group financial performance. It had reported strong volumes during the quarter driven by healthy demand environment in European, US and other international markets. In addition, incremental pricing in terms of tooling preparation mould services and new projects have further fueled revenue growth. International business, including sales from Illichman, stood about 28% of our total revenues in Q1 FY22.

Over the past few months, we have been increasingly focusing towards implementing technical enhancements across our high-end product categories. Just to give you an example on this - in one of our collaborations with a customer in Europe, through our competent solution, we notably improved the performance of this vehicle from 60% to over 90%, thus leading to higher volume of takes to customer. Given this sort of direction, we are now being feeling a strategic and valuable partner of several OEMs. Through these initiatives we have also been able to command better pricing and have undertaken suitable price hikes that have further helped us record margin accretions. We anticipate these trends to continue going forward.

Appointment of global representatives in the US, in European market, namely TBS in US and Gifavi in Europe continue to pave the way for future growth for us. We are extending our presence in these markets for significant means, and we are engaging with a wider customer base.

Simultaneously, we are also working on niche business opportunities with customers in geographies of America, Europe, Ghana and Middle East. We are leveraging our entry into Japanese markets with Flextronic. Further our engagement with players like TitanX and Eaton has led to several developmental programs. So overall, we are seeing a strong pipeline under development, which provides healthy future visibility. In Q1 FY22 we added nine new parts from global customers such as Eaton, Mahle, TitanX and Man Trucks.

From a demand standpoint, we are seeing normalizations in demand in the European markets. While they are fears of potential fourth wave, the impact of vaccines in reducing illness is aiding a semblance of normalcy in the broader operating environment across markets and we are seeing volumes strengthen on a month-over-month basis. On the operational front, our plants are operating at 85% utilization levels, and we expect this sustain at these levels going forward.

In May and June, we organized vaccination drives for our employees, and we are happy to share that 90% of our employee's base is now fully vaccinated. Subsequent vaccination drives are in process and will be rolled out in due course.

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

Rajiv Gupta:

Thank you Andreas. Good day everyone. The domestic auto industry came under pressure from the first week of April when major states like Maharashtra, Delhi, Haryana, Karnataka, Tamil Nadu, had to place stringent measures in place in light of rising case volumes. Across the industry, there were reduced foot falls at the showrooms and lower sales volumes forcing OEMs to curtail production in April and May.

While some continue to operate with limited capacity to meet export orders, the domestic operations in the month of April and May were significantly impacted. Auto companies also faced simultaneously commodity led margin pressures in the last few months. As the threat of the pandemic eased, Indian auto demand improved in June. Based on OEM reported data, there was strong sequential recovery in the passenger vehicles and tractors in June.

Two-wheeler wholesales are also seeing uptick. Currently activity indicate that customer interest in passenger vehicles have recovered to early 2021 levels. Now coming to the performance, given the macroeconomic backdrop, and a lower base in Q1 FY21 on account of the first wave, Alicon was able to report steady sales in Q1 FY22. During the quarter we added four parts from leading existing customers as Dana, TM4 and Garrett Motion. We are witnessing a good level of inquiries and bookings in the market, post June and are improving macros will further support this momentum.

On this note, I would now request our Group CEO, Mr. Rajeev Sikand to share with you his perspective on the Alicon performance.

Rajeev Sikand:

Thank you, Rajiv. I welcome all our investors. Thank you for joining the call. I hope you and your family members are well and safe. Before I begin to share with you the perspective on Alicon's performance, I would like to extend my heartfelt thanks to all our team members, and employees for their continuous efforts in driving and supporting business operations during very difficult phase in April and May.

On behalf of the board, I would like to take this moment to thank all our employees, communities, customers, and partners for demonstrating determination and perseverance every day amidst this pandemic.

Coming to the recent development, I am happy to share that we have successfully concluded our fundraise aggregating to Rs. 80 crore through the QIP route. The QIP witnessed a high level of interest and has been 100% allocated to marquee domestic institutional investors including Axis Mutual Fund, Aditya Birla Sun Life Mutual Fund and IDFC Mutual Fund. I would like to thank you all and the entire investor community for their support and confidence in the company. This capital will enable us to implement our growth plan and pursue our expansion plans, enabling us to address our large pipeline. Alicon will also look to reduce debt and strengthen its balance sheet further.

Now from a macro perspective, despite a loss of business volumes in the month of April and May, we were able to record good recovery in June that enabled us to recoup some part of the impact in performance in April and May.

From June onwards, we have seen domestic auto space steadily gaining traction, improved recovery and growth in the domestic economy and sustained improvement in export markets will enable us to report a healthy growth volume and order wins as we go forward. The inquiries and the new business wins across our auto EV, non-auto segments have remained healthy during the quarter. We have built up a strong order pipeline to the tune of Rs. 3,000 crore over five years with peak sales of Rs. 700 crore annually, with an yearly average of Rs. 600 crore as of June 30, 2021.

With improved concentration from high margin product categories and exports based on current visibility of our order books. The trends in order wins that we are seeing in last few months we remain optimistic on the growth potential, especially in the near term.

Health and safety of our employees is one of the key factor areas for us. Across the company we continue to follow strict adherence to social distancing, hygiene protocols and safety. In May and June, we have started vaccination drives for protection against COVID for all our employees, employee dependents, support staff and business partners. Overall, we are hopeful that this new fiscal year we will see normalization across all fronts from economic activities, business operations to everyday daily activities.

With the economy anticipated to mark a strong recovery in the second half of Financial Year 2022, we are hopeful that the pent-up demand will deliver us to pick robust demand in the business and economic activities. This in turn, will drive

momentum in enquiries order wins and volumes for automobile and automotive component players going ahead. As one of the key players in the domestic auto market, we look forward to a promising future and continue to stay focused on our objective of being future ready and being consistent, trustworthy, and reliable partner to our strong and growing customer base.

On this note, we would be happy to take your questions now. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Raghunandhan from Emkay Global. Please go ahead.

Raghunandhan: To Vimal sir. Sir, can you elaborate on reasons for increase in the RM cost to sales and other expenses to sales in this quarter? And also, the expectations ahead? In addition, if you can highlight, given the COVID related issues, were there any one-offs in terms of COVID related expenses in the quarter?

Vimal Gupta: So, first I would just explain the impact on the margins. So, first we talk about the raw material, because we see that is approximately 2% increase. So, that is mainly one that we have a little bit sales mix change where we have high margins. So those OEMs have started their production little late. So, the sales have been impacted during that quarter where we had high margins. And second is that you see that in the results also there is a decrease in the FG stock. So, due to that has also impacted the consumption of our stock. And due to that there is a little bit on the production is on the lower side. So, these are the main reasons for increase in the raw material costs, but those that only a one-time impact we have seen in this quarter because when the productions are normal so these things will go away.

And second you see that the manpower costs. These are not 100% variable costs. And in this manpower, I think performance is much better, if we compare with other OEMs because even having this fixed manpower cost, still we are able to maintain and reduce it. But 100% we cannot make it a variable cost so that has impacted around 3% on the margins.

Another impact is that this lockdown it is not like wave one and that was a complete lockdown. In this lockdown it was on-off situation. So, there was a complete flexibility or fluctuation from the customer side in their orders. So, somebody ask the orders then we have to fulfill, we have to start the production, then we have to close it, if we do not have the orders. So, this off and on situation that has impacted our cost side. So, because it is a comprehensive running process, we cannot stop and then again the next day we start so that has there is a cost for this. So that has impacted on the margin.

So, that also has impacted around 2% on the margin. So overall, we see that around 7% to 8% has impacted on the overall margin for the quarter if we compare with the Q4.

Raghunandhan: Thank you, Vimal sir. So, to understand it correctly with the normalization of operations, easing of lockdown and pick up in scales these things are temporary in nature and should reverse going forward? On the subsidiary part, I mean extremely strong results. But can you quantify what was the tooling revenue and related margin benefits? Also wanted to understand what should one expect as a sustainable performance going forward?

Vimal Gupta: For the Illichmann, our 100% subsidiary company in Europe so one, I think when you have heard from Mr. Shekhar Dravid that is major impact is coming now from the EV side. So that is the main thing that we are trying to highlight every time, that how Alicon is going into this field, and this is the first result we can see the performance from our European subsidiaries.

So, the margins are good there. But definitely, there is an impact of the tooling sale. So, I think the sales value was around Rs. 4.5 crore and the profit margin was Rs. 2.5 crore in that. But we may even remove then, if you compare with the margin from the last year, then there is a substantial improvement in that. And definitely, we see a growing demand in the EV segment in the Europe and a lot of new parts that has explained by Mr. Dravid. So, those developments are happening and we will be able to deliver the good margins and we will be able to sustain those ones.

Raghunandhan: And Vimal sir, one last question to you. If you can talk a little bit about the working capital reduction and debt reduction targets for FY22 and FY23 that will be useful.

Vimal Gupta: Yes, definitely we are more focused that on earlier calls also we were discussing about our working capital cycle as well as on the debt side. So, on the debt side is the first step we have taken that we have raised Rs. 110 crore through the equity that QIP as well as the preferential issues. So, that has given a major impact on the debt side. So, when you will see Q2 FY22 balance sheet, then a lot of things will be seen that on the debt side as well as on the working capital cycle also, we have worked out that there is approximately now reduction by 10 days further we have done in this quarter and hopefully further improvement we will see in the coming quarter. So, we are completely focused on improving our working capital cycle.

Raghunandhan: To Shekhar sir, congratulations on the new orders. Can you indicate approximate size of the orders won in this quarter? And secondly, if you can highlight the major orders like Toyota, TSA by when are you expecting the commencement and how do you see the ramp up in FY 22 and FY 23? So, so basically trying to understand the major orders which will commence and ramp up in FY22 and FY23?

Rajiv Gupta: Thanks Raghu for this question. So, I would like to share with you on the new order booking. So, the last quarter we have added 13 parts over from the domestic customers and 9 from the export customers with around Rs. 121 crore of total projects over a span of five years with a yearly average of Rs. 24 crore per year.

And if you talk about realization, yes, up till now, we have added 239 parts since 2018 . And we are aiming to realize in next year around Rs. 480 crore. This will be around Rs. 600 crore by the year 2023-24 and eventually touching around Rs. 700 crore at the peak by 2025-26.

Raghunandhan: And this would be the major customers where the ramp up will happen?

Shekhar Dravid: This will be basically as last time what we discussed about Toyota and TSA. This will take up ramp up from the next year. Toyota will take place from June 2022 the ramp up will start and their SOPs will start from October as a vehicle and TSA will start from September 2022 where they will start from December 2022 as their SOP. So, these major two will give the ramp up from next year from the previous order bookings.

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 in one of the previous calls, you had mentioned that new product contribution would be approximately Rs. 350 crore for this fiscal and next year it may go up to Rs. 500 odd crore. So, I would like to know, what kind of top line we are aiming it at for this fiscal and next fiscal? Before that, if you could please let us know about the top line recorded during the month of June because April and May were broadly affected by the pandemic led restriction. So, it could be easier for us to understand the monthly run rate?

Vimal Gupta: So, first is the addition of new businesses that already Rajiv has explained and when you are talking about the complete the topline for the full year. So, what we have

estimated approximately Rs. 1,100 crore for this year. So, we are still confident that we will be able to deliver that one.

Saurabh Jain: And sir, anything for the next fiscal? Just rough estimation if you can provide?

Vimal Gupta: Maybe we can add up from Rs. 300 crore to Rs. 400 crore further into that. So, that is our estimation. So, it is please also note that there is a forward looking statement so, we cannot give so much commitment on this.

Saurabh Jain: And sir, June topline if you can you know if it is possible for you to share?

Rajiv Gupta: Yes, for the month of June as we know I mean as rightly said by you April and May was due to the second wave of lockdown and in June we noticed the industry has taken up 71% of the production figures of March. So with that we have done quite well in the month of June.

Saurabh Jain: Sir, my second question is on Illichmann. Since we acquired this probably in 2009-10, we always mentioned Illichmann has just our face in Europe and for years the revenue was stagnating around Rs. 90 crore and Rs. 100 crore. Now, since last couple of quarters the revenue have started picking up. Last quarter we did Rs. 44 crore, Rs. 45 odd crore and this quarter we did Rs. 34 crore, Rs. 35 crore. And yes, I believe roughly 40% of it is from EV segments. So, this quarter, we were actually positively surprised to see Illichmann doing EBITDA margin of 20% and net margin of around 16%-17%. So, the previous participant has already asked this question, but if you can just share a bit about the numbers how do we see Illichmann going forward what kind of EBITDA margins are sustainable for next few years?

Rajeev Sikand: You know, Illichmann is as I have explained earlier, it plays a leading technical role for our group. It is like synergy. On one side, we have the Japanese know-how, the quality, the Enkei behind us and second side we have Illichmann in Europe, which is a historic company which came to us having all the global customers. So, we are focused on two very key areas. And our focus has been to focus on technology agnostic parts, regardless whether IC, whether anything else, EV these parts are what we want to make in Illichmann.

The second part which we came over was the development of EV parts. And you know the customer cycle in Europe of all these developments has significantly increased. Tesla doing the ball work worldwide.

So we see that jump has come and these models which we are servicing just now have shown a robust growth and our team has done a very good job on the cost side, maintaining all that what they need to maintain and you are seeing this results and this will continue. And sometime the tooling will not be there, but otherwise, as I hear till yesterday the volumes are going even higher, because the customers are now changing their markets more swiftly than we would have anticipated. But Illichmann is on a strong growth with these two focus areas - technology agnostic and EV. Thank you. I hope that answers your question?

Saurabh Jain: Yes, sir, thank you. So, roughly Rs. 15 crore, Rs. 20 crore kind of turnover we are seeing in Illichmann from the EV segment and which I believe is the primary contributor to the profitability? So, this may go up substantially up going forward?

Rajeev Sikand: No, these will be nearly, you know, as I said, we have maintained them and a little bit it will go up, but as the new models what is happening there the whole industry in Europe is going through a shift suddenly with Tesla doing very well, the new norms being announced. In Stuttgart, in some areas, they are questioning the traditional fuel in Germany. So, all these are leading to EV and here we are able to offer a very competitive solution from last five years.

So, this is what will help us. The fallout of that is in India. The EV part, which is coming in India to us is because of Illichmann driving it and the know-how which we have got there. Otherwise, it would have been a very difficult journey for Alicon alone to go in the EV space. Of course, these are all castings, but when you show them the parts which we are developing are so critical in nature, this all helps you know to build up the customer confidence and especially the global.

I mean within EV also there are three segments; the low voltage, the mid voltage and the high voltage and the mid voltage parts are always larger by size maybe lower than the value addition is also better. So, that is where our perspective is and that is how we are moving forward.

Saurabh Jain: So, that was really helpful. One last bookkeeping question. So, the investor presentation says the proceeds from the QIP would also be used for some debt repayment besides executing the huge order. So, what kind of debt repayment are we looking at and just to end it if you can throw some more colors on the orders, which Rajiv sir had mentioned in his opening remarks, the Rs. 3,000 crore order book and execution?

Vimal Gupta: So, on the utilization of the QIP proceeds that will be definitely we are able to utilize for the debt reduction and we are estimating approximately Rs. 60 crore to Rs. 70 crore debt reduction by the end of the year, because some proceeds will be utilized for the CAPEXes also. So, that is the estimation we are having.

Rajiv Gupta: On the order booking, yes, we are doing quite well and at this moment, we have 38 parts and the total booking is roughly around Rs. 3,000 crore which I have explained year-n-year how much we are going to accumulate from these parts.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: I just wanted to understand on the margin front, you did kind of indicated that the impact of 6%, 7% on the margins is temporary in nature on account of RM costs and other costs. So, going forward do you expect the margins to normalize to 15% that we have been doing or we have done in the last quarter?

Vimal Gupta: Definitely, because in the last concall also that we discussed how the shift is happening in Alicon on the margin side, because one example already that we have discussed just now about Illichmann. Same things, we are seeing the changing, the changeover is happening in the Alicon in the domestic market also. So, on that front, definitely we are confident that we will be able to deliver the margins and we will be able to maintain that.

Deepak Poddar: Your voice got cut, I could not hear the last thing you said?

Vimal Gupta: So I am saying that we will be able to definitely deliver the margins that we have promised and you will see that the improvements quarter-on-quarter in the margin side.

Deepak Poddar: So, like what you have promised in the sense like 15% is what the benchmark you are looking at?

Vimal Gupta: Yes, that is the benchmark we have.

Deepak Poddar: Okay and going forward into next year now you did say about higher share of like in Rs. 3,000 crore the order pipeline, there is a good share of higher margin business in the new business also contribution will increase which typically has a higher margin profile. So, going forward into FY23, FY24, you expect your margin profile overall as a company to improve significantly or some sense on that?

Yes, that is why I am saying that the improvements will be there and maybe first is that quarter-on-quarter we will see and then year-on-year also because whatever our new orders are coming, those are first is that the IC side is at this moment and maybe when we are seeing that the technology change and moving to EV segment also. So, EV is definitely going to give a good margins plus technology agnostic costs.

- Moderator:** Thank you. The next question is from the line of Aditya Makharia from HDFC. Please go ahead.
- Aditya Makharia:** Yes, I just wanted to check you said that EV is how much of our overall sales? Right now is it 20%?
- Vimal Gupta:** It is currently 8% at this moment in India.
- Aditya Makharia:** 8% okay and but the overseas arm is higher, right? So, at blended level it will be how much?
- Rajiv Gupta:** If I club that it is around 12% currently.
- Aditya Makharia:** Okay. And in India, I believe you are supplying EV components mainly for the electric two-wheelers. Would that be correct?
- Rajiv Gupta:** No, so in India we are supplying to Dana in commercial segment. I am happy to share near about seven or eight different variety of parts we have developed for Dana which will help us to create a good space with other OEMs in that space. Then was so in Passenger Vehicle with Mahindra and Mahindra the battery housing, which we have developed for them. Then is Aether which you have mentioned and also Torque Motorcycle. This order, which we have bagged in last year.
- Aditya Makharia:** So, this 8% includes exports also means you are exporting out of India as well? So Dana, when you say it is basically we are exporting to them?
- Rajiv Gupta:** Yes, Dana is a mix of domestic and export both.
- Aditya Makharia:** Right. Okay. Second question, sir. What is exports out of India currently for us?
- Rajiv Gupta:** Exports is 28%.
- Aditya Makharia:** Okay, so for, I believe steady state for last year, we were around 18% or 20%. If I am right?
- Rajiv Gupta:** Yes, if we are talking about just exports it is around 18%. If I club it with Illichmann, the European subsidiary then it comes to 28%.
- Rajeev Sikand:** There is another deemed export of 4% which we are not considering here because these are routed through our OEMs.
- Aditya Makharia:** Okay, so how much would exports for you go up? Because I believe you are winning a lot of new orders with foreign clients, right? And especially with the capacity expansion, if I am right, you want to focus more on exports?
- Rajeev Sikand:** Yes, that is correct. Yes, right.
- Aditya Makharia:** So could this go up to half of your sales at the console level?
- Rajiv Gupta:** We have defined a clear targets to achieve near about 38% of my exports in next two, three years. We are aiming to add lot of global customers in both which you may

have noticed we got an entry to Volkswagen, which will give me a platform to enter now to Scania, Volvo, and many others.

So, we are aiming. We have noticed because the market with the pandemic we have noticed there is a lot of fluctuation in the domestic market. And also we noticed that not that much fluctuation was not there in export market. And that is the reason strategically we have our plan to increase our presence in export so that these pandemics would not affect us.

Aditya Makharia: Okay, great. And last question. So, what is machining for us right now? And where do you see this going maybe in the next two, three years?

Vimal Gupta: From the machining side approximately 40% components we are doing without machining and definitely because whatever the new businesses are coming up that is 100% machining. So, that is the pie will shrink in the coming years and maybe it will go down to around 18%, 20% not more than that.

Rajeev Sikand: Here one thing you have to take here is the old business of the automotive OEMs like Honda two-wheeler, typically is to machine inhouse, and the change shift is done by Bajaj and now by TVS, we are seeing. Bajaj is the leader in this shift, but these other companies are still doing in house. So, as they will shift because they have made huge investments, but we have taken over Bajaj machine. So, it is not that this is something trend we have set and we have also offered to Hero and HMSI that we can take over their machines.

Aditya Makharia: So, machining, you said is 35% of your sales mix right now?. Did I get the number right?

Vimal Gupta: No, what I think that approximately machined parts at this moment is approximately 60% of our total sales. And that pie will further shrink in coming years. Like Mr. Sikand has explained wherever we are supplying the un-machined parts those also we are converting to machined.

Aditya Makharia: So, which is why you believe your margins will now go up to 15%?

Vimal Gupta: Yes, that is the main reason behind that we are saying that how the margins will improve in the coming year.

Rajeev Sikand: But these OEMs will not certainly give you. You have to also yes, new customers definitely we are pitching like that and new businesses. But the old business suddenly, you know, they have also blue collar and a very strong union. So, you have to treat this very carefully.

Moderator: Thank you. Our next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: I have a question on this new order book of Rs. 3,000 crore. So, one is it largely export oriented? What would be the mix between domestic and exports over there?

Rajiv Gupta: This is 60% domestic and 40% is exports.

Chirag Shah: 60% is domestic and I presume this represents new business and not replacement of existing business, right? So, suppose if a model is getting upgraded, say for example, Bajaj Pulsar, it will not get counted in this or it also get counted in this?

Rajiv Gupta: No, it is totally a new business, a new platform what we are planning.

Rajeev Sikand: This is typically if these models get replaced in India these OEMs have a sourcing policy and we get a preference from them. So, we have not lost any business to

answer your question back as a new partner or to anybody else. So this continues this is journey because there are a limited players to give and we are the largest independent player within the domestic market.

- Chirag Shah:** I was not referring to that sir. What I was saying to understand is because if I look at your revenue aspiration for the year of Rs. 1,100 odd crore and Rs. 350 crore contribution from a new product. So, I was referring to that data. So, when you say new order book of Rs. 3,000 crore of that this Rs. 350 crore will flow, right? So, of the balance Rs. 750 crore is something like an old business which keeps on moving as per the expectations or for OEMs keep on recreating their platforms?
- Rajeev Sikand:** Correct, this is what is their continuity is from 1st of April 2021.
- Chirag Shah:** Okay sir, I presume even in the export order book that you have raw materials would be a pass-through arrangement, right in domestic you have that arrangement?
- Rajeev Sikand:** As a policy our group does not deal with any OEMs worldwide or anybody where it is not a pass through. As a policy, we do not take those orders.
- Chirag Shah:** And lastly sir, of this 40% export order book, is it possible to indicate how much would be EV in that broadly?
- Rajeev Sikand:** Give us a minute. We will come back to you. And we can go to the next question in the meanwhile.
- Moderator:** Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.
- Rohit Ohri:** Hi, sir, two questions, which are related to Illichmann. Now, when we talk about Illichmann are we talking about the Austrian operations or the Slovakian operations?
- Rajeev Sikand:** See for us it is one entity and basically the Austrian operations couple of years back the hardcore operations, we put them in the Slovakian unit, because that was what was draining the company. And we took that decision. Our head office is there, our marketing office is there, our technical team sits there and moves because from Vienna it is only 1 hour 40 minutes. So, it is truly EU. it is a EU nation now so it does not matter whether it is Austria or Slovakia, it is a EU entity combined.
- Rohit Ohri:** So, the production happens in Slovakia right now?
- Rajeev Sikand:** Yes, all operations, hardcore manufacturing happens in Slovakia. And we have machining partners in Europe.
- Rohit Ohri:** Okay. So, what would be the capacity which is in Slovakia and what would be the peak revenues in terms of Indian rupees?
- Vimal Gupta:** So, the peak capacities because in the Indian rupees we can convert we can achieve approximately €18 million sales from there with the existing capacities. So, that we can convert to approximately Rs.150 odd crore.
- Rohit Ohri:** Okay. And if I am not wrong, I heard Andreas saying that the capacity utilization is currently at around 85%. So, will you all be looking at any expansion plans over there in Slovakia or this is the peak of €18 million?
- Rajeev Sikand:** You see we always believe in with our Enkei, Japanese partner right behind us, we believe in sweating and creating through this every year some capacities through the existing through improvements in processes and things like that. Mostly we would like that to shift whatever business we are developing into India, but we are open if there is a good opportunity, why not we are open to putting in. Since the time we

have taken over we have not had given any further debt whatever there is there that remains in the company we have not pumped in any equity, we made a restructuring plan and that has worked for us. So, we have stuck to our core guns that this is our technical center primarily and adds manufacturing of strategic components. So, we want to remain so the area is pretty large which is on rent there and we can add capacities easily.

- Rohit Ohri:** But these properties are not burning cash, is it?
- Rajeev Sikand:** These are not burning cash, certainly not.
- Rohit Ohri:** Okay. Second question is related to the Indian operations. In your opening remarks, you mentioned that there are new products and there is growth CAPEX and then there is maintenance. So, can you give a split between the numbers as to what exactly is growth CAPEX and maintenance CAPEX for the next two years if you can share it?
- Vimal Gupta:** For the two years we include the FY22 and then FY23 approximately we are estimating around Rs. 150 crore for the total CAPEX. Out of this we can estimate approximately around Rs. 35 crore to Rs. 40 crore will go for our maintenance CAPEX.
- Rohit Ohri:** Sir, in the presentation, you also mentioned that apart from EVs, there are certain more emerging opportunities and growth areas that you were talking about. So, if you can just take us through that, that apart from EVs, which are the other domains that you are looking at?
- Rajiv Gupta:** Apart from EV we are aiming to technology agnostic parts. And this certainly will give us a cushion on volumes because for technology agnostic, these will remain common. Be a IC, be a ED or be a hybrid, that numbers would not go down. These are high critical parts in terms of technical requirements. And this helps us to get more VAs from our customers. And I would like to answer the previous question which was left on. You were interested to understand how much was the EV, how much was domestic and export. So out of total order 12% was from the total EV and if we could talk about a mix 50% was from the domestic and 50% from the export.
- Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.
- Vimal Gupta:** Thank you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarification 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 very much. Ladies and gentlemen, on behalf of Alicon Castalloy Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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