

May 17, 2019

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

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

Scrip Code: 531147

Scrip Symbol: ALICON

Sub: Transcript of Analysts Conference Call – 20.04.2019

Sir/ Madam,

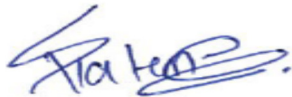
Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Transcript of conference call with Investors and Analysts, which took place on Saturday, April 20, 2019, after announcement of the Audited Financial Results for Fourth Quarter and Year ended March 31, 2019. The said transcript is also uploaded on website of the Company www.alicongroup.co.in.

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

Q4 & FY2019 Earnings Conference Call Transcript April 20, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Alicon Castalloy Limited's Conference Call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you sir.

Mayank Vaswani: Thank you, Rayomand. Good morning everyone and thank you for joining us on Alicon Castalloy Limited's Q4 and FY2019 Earnings Conference Call. We have with us today Mr. Rajeev Sikand – Group CEO and Mr. Vimal Gupta – Group CFO of the company. Documents containing details to the results have been circulated earlier and these are also available on our corporate website as well as the stock exchange website. We will begin the call with opening remarks from the management following which we shall have the forum open for a question and answer session. Before we start, I would like to point out that some statements made in today's call maybe 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 handover the floor to Mr. Rajeev Sikand for his opening remarks. Over to you sir.

Rajeev Sikand: Good day everyone. On behalf of the management team of Alicon Castalloy, I would like to extend a warm welcome to all of you. Thank you for taking time out on a Saturday to join our earnings call. I trust all of you have received the results table and result presentation. I will cover some industry developments and business updates for the quarter and the year gone by, following which Mr. Vimal Gupta will run through the financial highlights.

We are pleased to have ended fiscal 2019 on a strong note. As most of you are aware, majority of our business is contributed by auto sector. 80% of the revenues are from domestic market and balance is global plus exports, which includes our revenue from the international subsidiary - Illichmann Castalloy Castalloy. Domestic industry faced sluggish demand conditions in FY 2019. Consumer sentiment was impacted by slower growth in rural markets, especially in the second half, rising fuel prices, impact of legislation of insurance, especially in the case of two wheelers, all of which led to moderate volumes even in the festive months as well as sporadic instances of inventory buildup. Despite these challenging market conditions, in FY19 on a consolidated basis, we have reported a topline growth of 17%, EBITDA grew by 27% and PAT improved by 37%. Export revenues grew 25% in FY19, while domestic revenues registered a healthy growth of 14% with improved client metrics. Similarly our performance for Q4 FY19 was buoyant with 7% growth in revenues, 13% growth in EBITDA, 24% growth in profit after tax. As guided, enhanced product mix has driven an improvement in EBITDA margin, which is at an all-time high in Q4 FY19. In the previous year, we had shared with

you that we would expand our production facilities by setting up a Greenfield project at Khed, Pune to augment our capacities. Given the challenges we faced in FY19, we have taken quick steps to control the operational costs and improve the utilization of our resources to optimum levels. Given the uncertainty we foresee in FY20 as well, we have taken a decision to postpone the investment for the time being and sweat our existing capacities, of course with the regular review of the market trends. Most importantly in FY19, we have undertaken strategic intervention to solidify our trajectory of growth, our multi-pronged focus towards strengthening our existing customer base, adding new clients across markets and ramping up our product basket continue to drive business momentum during the year.

We also expanded the bouquet of products to serve the needs of our customers both in domestic and export markets. We have introduced advanced and innovative products that are helping our customer boost efficiencies and performances across two-wheeler, four-wheeler and CV categories. The Indian automobile market is inching towards an implementation of BS-VI norms. For Alicon, having already operated and supplied BS-VI compliant parts in developed markets, we believe our learnings and application of new components will enable us to support a smoother transition for our customers in the domestic market. Starting from Q4 FY20, we anticipate a significant shift in the volumes from BS-IV to BS-VI vehicles, as OEMs commence manufacturing for the new regime. As an integrated supplier of components, we believe this particular transaction will throw open many business opportunities as established relationships will be under pressure to deliver the upgraded requirements and enhance performance parameters. We already have designs of several BS-VI components in place and are actively reaching out to potential customers.

The other aspect of our customer base comprises range of sectors, which we classify as non-auto. This, includes defense, aeronautical, healthcare, power and railways. In FY19, we added a suite of products enabling weight reduction, improved cost savings and better performance metrics. In the longer run, we believe the components we develop for the non-auto industries will offer a huge opportunity for us to grow in the global markets and we are on track to improve our contribution of non-auto to 12%, on a growing revenue base, by FY22.

On the e-mobility front, as you are aware Alicon is proactively involved with domestic as well as global OEMs, right from design and the concept side to the development of the components for the electric vehicles. Back in FY15, we saw electric mobility as the significant market disruptor and since then we have prepared ourselves to cater to this segment. In last 2 years, we have developed motor housing, battery housing, gear-box housing for 3 large manufacturers in Europe. We have also catered for a scooter application in India, which has significantly increased the content per vehicle. These components are on a mass production basis and we are supplying it from our European as well as our Indian facility. In the Indian market, we are steadily witnessing a pickup in consumption of e-mobility. Several auto components, which are present in commercial engines, are manufactured in cast iron or steel fabrication or similar composite materials. We believe, these will get converted into aluminum or low-density material like aluminum magnesium alloys in the electric vehicles. Through this, we are sensing huge opportunity and we have equipped ourselves to cater to the untapped high-potential domestic opportunity.

Looking ahead, we believe that demand conditions are said to improve and we will continue to endeavor to sustainably, outperform the industry growth led by leveraging our comprehensive product portfolio, diverse customer base and deep imprint of our innovation and R&D. We are all well positioned to capitalize on enormous growth potential across the auto, non-auto and e-mobility segments and look forward to delivering a strong and sustained performance going ahead.

Before I close, I would like to share that our Board has recommended a final dividend of Rs. 5 per share for the financial year 2018-19. On that note, I would like to invite Mr. Vimal Gupta to run through key financial highlights of the quarter and full year ended 31st March 2019.

Vimal Gupta:

Thank you, Mr. Sikand. Good morning everyone. I will begin by taking you through the key financial highlights of the period under review and we will then look forward to taking your questions and suggestions. We have delivered a healthy performance during FY19 with strong traction in exports and improving contribution from the non-auto division. Our revenues from operations on a consolidated basis stood at Rs. 1,182 crore in FY19 against 1,013 crore in FY18, registering a growth of 17% year-on-year basis. Domestic revenue during FY19 grew by 14%, while exports including overseas revenues, delivered a strong growth of 25% on year-on-year basis. Exports including overseas revenues, contributed 20% of the total revenues in FY19 while domestic contribution stood healthy at 80%. During the quarter, we reported a healthy performance with revenues from operations higher by 5% at Rs. 313 crore.

Coming to our segmental performance, the auto division contributed to 89% of the total revenues in FY19 within this 48% from the two-wheeler, 18% from passenger vehicles and 23% from the commercial vehicle and light commercial vehicles. In our non-auto division, the revenues contribution stood at 11% in FY19. Our long-term focus remains on improving contribution from the non-auto segment by around 12% by FY22.

On the profitability front, EBITDA during FY19 stood at Rs. 149.6 crore with the margin of 12.6%, higher by 110 basis points. Profit after tax during FY19 stood strong at Rs. 53 crore, higher by 37% and profit after tax margins have grown up from 3.8% to 4.4%. During the quarter, operating EBITDA stood at Rs. 41.1 crore with a margin of 12.9% and profit after tax was Rs. 15.9 crore, higher by 24% with the margins at 5% as against 4.3% of the Q4 FY18. From our balance sheet perspective, cash and cash equivalent during the period stood at Rs. 12.4 crore, net debt stands at 268.2 crore translating into 0.9 debt equity ratio, which has remained largely stable. Our working capital cycle remains healthy. With this the current pipeline of order remains strong and we continue to see improved enquiries and leads across market and industries. The demand has already started to pick up from second week of January and will look forward to a stronger performance in the first quarter of next fiscal. As shared by Mr. Sikand, we continue to focus strongly on value creation for all stakeholders and the Board has recommended a final dividend of Rs. 5 per share. So total dividend is Rs. 7 per share including interim dividend of Rs. 2 for the financial year 2019. With this, I now conclude my remarks and would now be happy to discuss any questions comments or suggestions you may have.

Moderator:

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nirav Sheth from SBICAP Securities. Please go ahead.

Nirav Sheth:

I believe that this is a very credible performance. I have two set of questions. I, was of the view that two wheelers volumes were taken off because you got safety norms coming in and then the emission norms coming in. What I hear in your introduction is that we tend to benefit. Is this largely a market share gain or higher value addition for the component that you are supplying?

Rajeev Sikand:

See, it is both. You see this market share gain because we are able to offer the BS-VI. So suddenly, with BS-VI development now on a very high note, the other companies are not able to develop and also in the shorter term, we are able to gain

the share of business from the others. And the third, with the electric, we have started supplying the first domestic electric scooter that is Ather. What we are seeing is the significant content per vehicle is going to increase with the electric vehicles coming in.

Nirav Sheth: Just a related question because Ather is the new disrupter in that space, how are the incumbents placed to offer that electric vehicle, like Hero or Bajaj?

Rajeev Sikand: They will all come up. Sooner or later, you see the players will all be there. Somebody will come and disrupt it like Tesla which has come, but all others will also gain momentum because they are the incumbents, they are the leaders. The more they come the more better for us because we are seeing significant shift in the parts which we are supplying in electric scooter, they are much more in content than even the cylinder head and the difference is equal to 5 times by weight, for example.

Nirav Sheth: The next question I was referring to is that given our vision of Rs. 2,000 crore by FY22, what is your sense in terms of the incremental capital that you will need to hit that turnover because you have been fairly conscious about adding any capital assets? But to hit that particular revenue base, what is your sense in terms of incremental addition that you will need to add to capacity?

Vimal Gupta: Nirav, if you see in this year FY19, a lot of capacity, we have already installed. So we are already prepared to hit the number of Rs. 2,000 crore by FY2021-2022 and now on the coming years, you will see that whatever further capacities we will install that will be for after FY2022. So for hitting the number Rs. 2000 crore, we don't see that major capital expenditure will be there. So there you can see the improvement in the asset turnover ratios in the coming years.

Nirav Sheth: That is interesting. So if you are making any capital expenditure it will be only for beyond FY22?

Vimal Gupta: No. Like at present, we have reached approximately Rs. 1,200 crore of turnover. So for approximately, for Rs. 1400-1500 crore, we can say that the capacity is already installed. For addition of another Rs. 500 crore turnover, that capital expenditure we will have to make.

Nirav Sheth: Sure. And you will broadly look at a ratio of 4:1 - So for another Rs. 500 crore of turnover, you will probably invest in Rs.100 crore, is that the right assumption?

Vimal Gupta: Approximately, for net Rs. 500 crore, you can say Rs.150 crore-170 crore of investments, we may require.

Moderator: Thank you. The next question is from the line of Udit Gajiwala from SMC Global. Please go ahead.

Udit Gajiwala: With a target of Rs. 2,000 crore of revenue, what will be our margin profile? Do we have any sustainable margin aim in our mind?

Rajeev Sikand: Yes. This is a question which keeps coming and our margins will significantly improve only. As I told you, there are 2-3 reasons for that. Our global share of business is increasing. The margins in the global business are on a higher side. And as soon as the disruption happens in the electric, the value addition content per vehicle will increase. So there are two significant changes, which will come. Third change, which is coming just now is the BS-VI, which itself is going to be

higher margin gains. So this is the way our numbers will play out and as you would see from last 16 quarters, what we have been projecting we have stuck to that.

Udit Gajiwala: Looking at the industry that you have decided to postpone the capex, so when do we see the demand picking up, like you mentioned from second week of Jan? But in two-wheelers specifically, are we seeing more slowdown or is there a significant pick up?

Rajeev Sikand: See, we have taken a conscious decision because we felt that it is right to sweat our assets more. So we have done lot of work on asset sweating and market will definitely pick up because everybody has made such huge investments. I think people are waiting for this election to get over. So let us wait and see. Small green shoots will come. If you see, then all the talk which is happening is on the same line. So we are pretty positive on this that we will grow more than the market, it is a trend, which we will maintain.

Moderator: Thank you. The next question is from the line of Aveek Mitra from Aveksat Financial Advisors. Please go ahead.

Aveek Mitra: In the last discussion, you said among the ~140 companies, in the e-mobility space, you have reached to about 25 players with RFQs and you have converted one. So, what is the status on that? How it is progressing? Is it going as per your expectations or it is better or slower?

Rajeev Sikand: It is as per our expectation. On a domestic side, we have found even better opportunity with Ather. We worked with them to change many parts. And I think we have a scope for even more which we did not realize. But as we went and saw the vehicle, we could give them more ideas. So this has made our case stronger and as you know two-wheeler is booming in India with large players. So this is a big change though in electric mobility, globally we see what we have shared with you, we are standing by and things are looking good on that side. On the advantage which we saw from this whole exercise, which we have done, on the domestic side we found that when we have gone to Ather, typically 5 times more content per vehicle, we can sell and now maybe we can go to 6 times, 4-6 times we can change the content per vehicle.

Aveek Mitra: Two questions actually come from this - one is that how long will you take to develop a product suppose it comes to your radar? And second is that I read somewhere and also confirmed from some other players that a significant amount of two-wheeler parts are coming from China and getting assembled here. So in that kind of a situation, how do you think the domestic market will pan out over a period of time for the local manufacturers?

Rajeev Sikand: Yes, you are very right. Typically, our product we can give within 20 weeks-24 weeks. It also depends on our loading at that particular time, maybe you can say 30 weeks-36 weeks and then is the test, but it is a typical time frame. So, that is answering your first question. Answering your second question, that is what we saw with a company like Ather that they have developed some parts in China and we are looking at now taking over those parts because you know the government is going to put a levy. So everybody is little scared on that levy and also the currency fluctuations. Also, we must understand the psyche of these people because the Indian market could not give them the required head start which they were looking for. So they went to one place in China, which has number of tool rooms. China does not operate like India - so in one location, you can get 50 tool rooms. So we are working with them very closely and we are seeing a good opportunity with them.

- Aveek Mitra:** But can you compete on the pricing front?
- Rajeev Sikand:** Much better.
- Aveek Mitra:** In consolidated, the loan asset basically, you have a non-current asset of Rs.6-7 crore on your books. So, what is that?
- Vimal Gupta:** These are the security deposits given.
- Aveek Mitra:** Okay. On behalf of Illichmann Castalloy?
- Vimal Gupta:** These are for Alicon, not for Illichmann Castalloy.
- Moderator:** Thank you. The next question is from Ashish Golechha from Ajit Securities. Please go ahead.
- Ashish Golechha:** What is your current order book?
- Rajeev Sikand:** You know our orders are consistent. We have basically two types of orders - one is the current customers, where we are already running and second is the new customers and third is the SOP – the current customers have given us parts which we will be launching. So it is something which we have got all worked out.
- Ashish Golechha:** When we plan to basically increase our non-auto revenues from 11% to 12%, how much will we see the revenue contribution coming from global auto OEMs, for which we have developed 3-4 products in the e-mobility segment. So I am talking about specifically four-wheeler OEMs, foreign based, so how do you see that segment contributing to the revenues in the next 3 to 4 years?
- Rajeev Sikand:** See, our total exports will continue to grow. These are parts, parts don't remain the same and even the manufacturing does not remain the same, but the whole gamut of knowledge, which we get from this helps us with the new parts for other OEMs also.
- Ashish Golechha:** Do you see any customer contributing more than the 15% of the turnover going ahead?
- Rajeev Sikand:** Not at present.
- Ashish Golechha:** Considering that you have maintained the debt equity ratio at 0.9 level and Rs. 268 crore is the current debt level, in next 3 years-4 years, do you see this figure increasing by Rs. 100 crore-150 crore or there can be further addition in the debt component?
- Vimal Gupta:** There will be further addition of debt, but we will be able to maintain and are going to reduce the debt equity ratio.
- Ashish Golechha:** So in the next 3 years-4 years, you significantly see your debt reducing from this level?
- Vimal Gupta:** Yes.
- Moderator:** Thank you. We have Mr. Aarsh Desai from Vallum Capital. You may go ahead.

- Aarsh Desai:** With our revenue target of Rs. 2,000 crore by FY22, and a third of it coming from exports, so the exports would contribute about Rs. 600 crore of revenue and we have had about Rs. 240 odd crore of revenue in our global market currently. So I just wanted to understand what gives us confidence that we can take this Rs. 240 odd crore number to Rs. 600 odd crore and that is about 47%-48% CAGR?
- Rajeev Sikand:** It may not happen to Rs. 600 crore as we have forecasted, but our numbers of Rs. 2,000 crore stand because we are seeing growth of exports within India, from India and our global locations. So it maybe Rs. 50 crore here and there but the numbers are going in that direction.
- Aarsh Desai:** I was just trying to understand what gives you the confidence that exports will grow really fast in the sense that you will have some sort of order talks with the OEMs?
- Rajeev Sikand:** The new orders have started coming in. For some orders, we are further expecting the LOIs and some are in a finalization state.
- Aarsh Desai:** Are we allowed to disclose the orders that we have already got?
- Rajeev Sikand:** We can disclose it, that is not an issue. We are also looking at number of other things. We have just appointed a marketing collaborator in Europe.
- Aarsh Desai:** Yes. In France.
- Rajeev Sikand:** Yes, it is over 6 months. You know when they talk in the same language it makes a difference. So now I am looking at a different model globally also for other countries.
- Aarsh Desai:** I was just seeing your working capital efficiency, it has sort of gone down because our payable days have gone down. I was just wondering why has the working capital efficiency not improved if I see it over 3 years-4 years, is this earlier we took a hit on inventories and debtors and now it is coming over on payables. So I am trying to understand that.
- Rajeev Sikand:** On a global basis, you know we have put certain locks in our system. So these are driven through SAP. Then our operations are now more controlled on that. Vimal, please explain the other part.
- Vimal Gupta:** We are now more efficient in the payments to the vendors, so renegotiation for the pricing and based on that, the payment terms are being settled with the suppliers. As well as there is some changes in that due to GST, so you can see some increase in inventories and because our customers are based in North or some other different locations and we have to maintain the inventories on their site. So after the GST, we are now starting to maintain the warehouses at the places of the customers, so that is the reason of some increase in the inventories on that side. But you will see it on the receivables side, the number of days has gone down.
- Aarsh Desai:** We plan to sweat the existing assets and take our turnover from Rs. 1400 crore to Rs. 1500 crore. So, are you saying that this would be the major contribution to the asset turnover change and the pickup in ROCE, going forward?
- Vimal Gupta:** Yes.
- Aarsh Desai:** And also with regards to Ather, which you said is showing very positive signs in the domestic market, you know with Ather being priced at slightly below premium segment, at Rs. 1.20 lakh, while most scooters would be in the range of Rs. 50,000

– 60,000, you believe it is something that can really pick up in India with the sort of infrastructure that India has, the sort of spends and mindset the Indian consumers have, so how do you look at that market?

Rajeev Sikand: Yes, very interesting question. When the electric scooter comes, it is a huge opportunity for us. Now the second question which you asked is the pricing and the environment. You know many years ago, in Delhi, there were the smoke inducing 'Phat-Phat' vehicles and buses, and then suddenly the new environment norms came in. Within 2 years-3 years everything changed. So you know in the cities today, there is a PIL, there are so many other things which are happening by law. Things are bound to change. It will create one or two PILs and this will start with a city. These kinds of scooters will start with the city. So you have to think from a different perspective for this kind of disruption to happen in India. But the point which I was trying to make is that when the electric scooter really picks up, our opportunity grows substantially as the content per vehicle increases and right now that is not factored in our plans.

Aarsh Desai: With regards to the e-vehicles, the market that we plan to cater globally, I just wanted to understand what sort of edge do we have that the global OEMs would not source it locally and instead buy the products from Alicon, why would they not use the local players?

Rajeev Sikand: We are supplying from our company in Europe only.

Aarsh Desai: So the entire e-vehicle is supplied from the European subsidiary only?

Rajeev Sikand: Yes, except the Indian startup.

Aarsh Desai: How are we in terms of pricing in terms of what we can offer to the OEMs compared to the other players globally?

Rajeev Sikand: It is the same. You know we are in the business because we are able to supply. In Europe, you have to understand there are actually two types of foundries. The bigger players are only 4 or 5 in the entire Europe and the rest is fragmented into 200 to 300 other foundries, which are very small and these foundries are slowly winding up. You know in the last 3 years, maybe more than 50 foundries have wound up.

Aarsh Desai: What is the reason for this?

Rajeev Sikand: They are not able to sustain the cost. The cost of Germany has now reached Slovakia, where 4 years ago, it was different because the population is so less and if they don't expand and if it continues the way it is, the costs are rising because there is a people cost in the foundry.

Aarsh Desai: Can you sort of breakup the margins between our global business and our domestic business, what range they would be in?

Rajeev Sikand: Global is much higher.

Aarsh Desai: So would it be in the range of 15 odd percent?

Rajeev Sikand: Yes, you can say.

Moderator: Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

- Ashwin Reddy:** Can you talk about the industrial demand right now because we hear reports about Honda cutting production in two-wheelers for the first time ever since 2001. So some color would be helpful on where the industry is right now because I hear Q4 was not so great, but Q1 could get worse or how do you see it?
- Rajeev Sikand:** I think if you see our numbers of Q4, this should give you a different idea. Yes, the industry will have its own challenges. Some customers would take sudden decisions which are taken because of their own imperative. Our numbers for this year, we have given, fits in our budgeting and we are very clear we will grow more than the industry.
- Ashwin Reddy:** In one of the last concalls, you did mention that you are taking share from other models where you are not there. So I just wanted to get a sense of how the industry is doing right now?
- Rajeev Sikand:** That is one of the reasons we have grown.
- Ashwin Reddy:** Regarding the working capital part, as the global business takes off and as the exports grows faster than domestic numbers, so should we expect a stretch in your receivables and working capital, is that how we should see it?
- Vimal Gupta:** Yeah, there will be impact on the receivable side because the credit period to the export market is on the higher side, if we compare it with the domestic.
- Ashwin Reddy:** Is it like what, 3 months or more than that?
- Rajeev Sikand:** It differs from country to country also.
- Vimal Gupta:** Yes, Europe is different and US is different. At present, we are supplying major parts to the US, but when we go the European market, it will be different. So it is now at 120 days in the US market, so maybe 80 days-90 days we can see in the European markets.
- Ashwin Reddy:** The debt in terms of the absolute debt levels that you have right now, so over the next 3-4 years will this be constant, will this come down or at some point you want to be completely debt free? What are your thoughts there? I mean you mentioned the max would be 1:1 debt to equity.
- Rajeev Sikand:** In the next 3-4 years, we cannot commit that it will be debt free company, but definitely we are focusing on to reduce the debt equity ratio.
- Ashwin Reddy:** But right now, are we at the peak debt in absolute terms?
- Vimal Gupta:** We can create 1:1, what is almost 1:1.92. So in the future you can see some reduction on that side.
- Ashwin Reddy:** So you are saying reduction in absolute debt levels?
- Vimal Gupta:** Not in the amount, I am talking about the ratios. We have a target of Rs. 2,000 crore. So lot of working capital, we will require in the investment side.
- Moderator:** Thank you. The next question is a follow up question from Aveek Mitra from Aveksat Financial Advisors. Please go ahead.

- Aveek Mitra:** One is regarding your gross margin or the raw material pricing, this quarter, I see that your gross margins are 40% which we have seen previous quarter of about 39%. So there is a movement in gross margin, how you want to address it going forward?
- Vimal Gupta:** The gross margin in the material part side, it is in the range of 50 to 52% in all the quarters. So that is in that range but when we are talking about in the future, so definitely there will be an improvement because the major focus is on the export side.
- Aveek Mitra:** And how do you actually manage your raw material sourcing?
- Vimal Gupta:** So major raw material is the aluminium. So almost 80% is already decided by the customers from where we have to buy. So it is 100% help by the customer and we don't take any risk in that pricing side.
- Aveek Mitra:** What all do you book in your consolidated revenue because if I just remove consolidated minus standalone then it comes to about Rs. 35 crore of revenue and this is basically the revenue generated out of Illichmann Castalloy or how it is done?
- Vimal Gupta:** Yes. This is from Illichmann Castalloy.
- Aveek Mitra:** Okay. So Illichmann Castalloy is just generating about Rs. 100 crore of revenue per year?
- Vimal Gupta:** Yes, this year it is Rs. 107 crore.
- Aveek Mitra:** What is the future of this particular plant?
- Rajeev Sikand:** We have to understand that Illichmann Castalloy is basically providing our technical know-how and our global customers. This is how we see this as a business; this is one of our innovation centers.
- Aveek Mitra:** Their material is directly supplied from your side in India to end customers?
- Rajeev Sikand:** Yes, we supply directly. We don't have any customer, maybe one odd, small very piece, otherwise we supply directly from India to the global customers, Illichmann Castalloy does its own.
- Aveek Mitra:** The selling and distribution expenses, of Rs. 35 crore of last year, so this is part of your selling expense or is it something else?
- Vimal Gupta:** No, the selling and distribution is generally for this, the transport cost, packing cost and such type of things.
- Moderator:** Thank you. The next question is from the line of VVS Shah who is an Individual Investor. Please go ahead.
- VVS Shah:** My question is regarding our topline target of Rs. 2,000 crore by 2022, looking at the last 6 months scenario in automobile industries, so what gives you the confidence that you will achieve that target looking at the ground level realities of automobiles industries in India and what are the challenges you see to achieve that target?

- Rajeev Sikand:** Basically, we are looking more from the bottom line. I am not looking purely at the topline. Topline, moves one year here and there. Our bottom-line targets must be met. So that is why we are focused and last 16 quarters whatever we have set internally as our bottom-line targets, we have met for the full 16 quarters or 4 years you can say.
- VVS Shah:** But in the last 6 months, things have changed dramatically as far as automobile is concerned?
- Rajeev Sikand:** Yes, but we have met our targets. Our targets, whatever we have promised to our Board, internally, externally, we have exceeded our target.
- VVS Shah:** What are the things that we are doing differently than other?
- Rajeev Sikand:** We are appointing right collaborators for global marketing, because world is all about collaboration, you know to grow you need collaborators whether it may be technical or it may be a marketing collaborator. So, we are looking at things differently and first case, we have already done so and we are looking at extending that beyond Europe. We are also looking at our own cost structures, how we do the business. We have employed some professional companies to work with us on blue collar, on white collar, optimization on Internet of Things, how we can bring more transparency in our own businesses using SAP as a change on behavior so that our people are more cost conscious. So there are lots of factors. Then we are lucky, we have some good mentors from the industry who are working with us. One is Mr. Pankaj Thadani, he was the CFO of Bajaj Finance and he is mentoring our teams, then Dr. Nandakumar, who was HR Chief of Mahindra, he has joined us. So we are working a lot on leadership. If we will get our leadership correct, our bottom line will automatically work out correct.
- VVS Shah:** I have some simple suggestion. Looking at our market cap of Rs. 800 crore roughly at today's price and looking at the bright future for next 3 years, we as a shareholder feel that market is not justifying the true potential of our company. Right now we have started with a conference call that is an excellent thing. But can we go for one good analyst meet, at least once in a year to get the awareness.
- Rajeev Sikand:** We can certainly think of that.
- Moderator:** Thank you very much. I would now like to hand the conference back to the management team for closing comments.
- Rajeev Sikand:** Thank you everybody for joining today. I think our next meeting would be after the next quarter results. So thank you so much for participating today. I will leave it to Vimal.
- 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. So thank you once again for taking the time to join us on this call. Thank you very much.
- Moderator:** Thank you very much. On behalf of Alicon Castalloy, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect the lines.

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