

May 24, 2022

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 17th May 2022, after announcement of the unaudited Financial Results for quarter and financial year ended March 31, 2022. 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 stylized flourish at the end.

Swapnal Patane
Company Secretary



Alicon Castalloy Limited
Q4 FY22 Earnings Conference Call
May 17, 2022

Moderator

Ladies and gentlemen, good day and welcome to the Q4 FY22 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 '0' on touchtone phone. Please note that this conference is being recorded.

I'll now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you, and over to you, sir.

Mayank Vaswani

Thank you, Rituja. Good day, everyone, and thank you for joining us on the earnings call of Alicon Castalloy Limited for the fourth quarter and full year of FY22. 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.

As we always do, Mr. Vimal Gupta will cover the financial performance for the quarter, following which Mr. Dravid will walk us through the operating highlights. In order to share a more granular view of the initiatives towards both the global and domestic markets, we also have Mr. Andreas Heim and Mr. Rajiv Gupta to provide insights on these areas.

Following this, our group CEO, Mr. Rajiv Sikand will give us a brief summary of the quarter gone by. Thereafter, we shall open the forum 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. Over to you, sir.

Vimal Gupta

Good morning to all our investors. I hope that all of you and your near and dear ones are safe and well. Thank you for taking the time out to join our earning call.

We have closed the fiscal year 2022 on a positive note, despite several macro challenges, as you would recollect last quarter, we had mentioned about how Alicon has faced and combated four key challenges during nine months of financial year '22. In the fourth quarter, we saw two more of these challenges upending the demand environment globally.

The six challenges that have emerged, which we have named as 6 'C's are:

The first **C** is the COVID pandemic. Lockdowns and restrictions on account of the pandemic resulted in a slowdown across the domestic and international markets. In addition, job losses, pay cuts and reduction in household income, further affected consumer sentiments. A combination of these factors have impacted sales in the auto industry, and we are assessing the long term impact.

The second **C** is that chip/semiconductor shortages, which have impacted production schedules of OEMs and resulted in loss in volumes for the auto industry. What we have seen is auto players rationalizing the available supply of chips into more high value of premium models. Semiconductors are a multidimensional product catering to a number of industries. So overcoming these constraints are expected to take another 9 to 12 months.

The third **C** was a Cost based inflation wherein we saw higher cost of vehicle fuels, aluminum elements, energy logistics, and other costs. This resulted in

increased cost of production and a sharp rise vehicle selling prices by OEM, which again impacted demand. Furthermore, purchasing power was affected due to the unprecedented fuel prices in the country.

The fourth **C** was the cost of new product development. As you know, the development cost for the products are amortized over the product life. However, with the EV evolution, this is an increase in the new product development cycle and the product life cycles are shortened. So we are seeing a rise in the trials required for reaching to normalized efficiency levels.

The two recent **Cs** are the Conflict between Russia and Ukraine and Crisis in supply chain and global auto industry. The ongoing geographical conflict has affected production volumes and has resulted in a complete stop in Russia and Ukraine. The conflict is also impacting and aggregating inflationary pressure and raw material. Further, I think all of you have been hearing about the hit on power supply for European countries, which rely on Russian oil and gases. So high power consuming industries like industrial metals, foundries, etc, are facing unprecedented challenges in sourcing adequate power and at affordable rates. This has disrupted global supply chain networks. The shortages of raw material and subcomponents are expected to impact auto production levels, especially in Europe. So overall the year gone by was characterized by these significant macro challenges.

Given this backdrop, Alicon has performed very well. While we did see some impact on our sales volumes given these challenges, but broadly we are encouraged with how our Alicon family navigated through these roadblocks and delivered robust performance. Our focus on strengthening sales of value added components resulted in favorable revenue mix during the year. In fact, in the last three years, we have seen a significant shift in the needle towards a value added portfolio and revenue mix.

In the auto division, we are seeing strong sales coming in the value-added component in the Passenger Vehicle and Commercial Vehicle segment. The year also witness improved volumes from higher margin products in the EV

category. So our focus on value added addition and our efforts towards driving better operational efficiencies have supported growth in the year. Our top line in the year stood at Rs. 1,081.37 crore, higher by 27% year-on-year basis.

In the fourth quarter, revenue from operations stood at Rs. 320.56 crore as against Rs. 322.57 crore in Q4FY21. That de growth was mainly on account of moderate demand due to the nonlinearities that we witnessed on the macro front.

On the profitability front, the continuous increase in the input costs along with inflated supply chain prices resulted in higher expenses, especially in H2FY22. While there has been a pass-through in the case of aluminum, for several other inputs too, we have witnessed unprecedented pricing pressures.

Recognizing this, we focused on further process improvement and yield enhancement in our production processes. Our teams deployed sustained cost of optimization measures using the Kaizen principles to enable cost reduction. We have been constantly collaborating with our customers to undertake price revisions and have successfully passed on some part of increased costs.

There has been significant inflation in almost all costs, including various overheads. We have also put in a lot of work to mitigate the impact of the rising manpower cost too. We undertook cost of optimization across all levels of the pyramid to extract greater synergies and efficiencies across all aspects of business to counter the cost pressures.

Along with the improved product mix, our cost saving initiatives have enabled us to support margin performance during a difficult year in the terms of inflationary pressures. Despite reporting gross margins for the year of 49.5%, lower by 499 bps year-on-year, we have reported and improved EBITDA margin, which stood at 10.7% was higher by 61 bps. In fact, for Q4FY22, the EBITDA margin stood at 12%, indicating that our exit rate margins performance remains strong.

A key feature of our performance this quarter has been protecting margins from the multiple challenges arising from the volatile macro environment. Due to the increase in alloy prices, there has been a dual impact on both EBITDA and sales, which has resulted in about 100 basis points impact on the margins. As the prices of alloys stabilize, the improved margins will be more evident. In normalized environment, our medium term target is to improve our EBITDA margins to a level of 14% to 15% on the back of our cost efficiency measures.

On absolute terms, our EBITDA during the year stood at Rs. 115.79 crore, up by 35%, and in the quarter it came in at Rs. 38.72, lower by 21% year-on-year basis. Interest costs have been reduced by Rs. 6 crore from Rs. 36 crore in FY21 to Rs. 30 crore in FY22, as we reduced that by deploying the fund raised through QIP and other initiatives. Profit after tax during the year and quarter stood at Rs. 24.18 crore and Rs. 13.21 crore, respectively.

In view of the improved performance, the Board of Directors have recommended a dividend of Rs. 2.25 per equity share of Rs. 5 each, that is 45% for the financial year ended 31st March '22, subject to approval of shareholders in the ensuing 32nd Annual General Meeting.

On the operational front during the year, our manufacturing plants in India and Europe operated at normalized utilization level to the tune of 65% to 67%. We have created a safe, hygienic and a multicultural work environment for our people. Despite the ongoing cost pressures and supply chain disruption, we are focused on undertaking strategic enhancements that are necessary in our operations.

During the year, we witnessed sharp increasing key input costs, which had a resultant impact on the cost of inventory and on debtors. However, we were able to drive greater efficiencies, which in turn enabled us to still improve the working capital days despite these pressures. We expect this to stabilize going forward. Working capital days during the year improved by 18 days in FY22.

During the quarter, we have reported steady cash flow from operations. On the Balance Sheet front, our Net Debt stands healthy at INR261 crore and the net debt ratio remains comfortable at 0.48x. On the CAPEX front, we plan to deploy around Rs. 90 crore in FY23, which includes maintenance CAPEX and new machining capacity.

While there has been some disruptions in recent quarters, our focus continues to be on improving return ratios. As the operating performance rebounds, and we accrue the benefits of better product mix, healthy profitability, streamlined working capital cycle and improved balance metrics. we will aspire to take our return reduced to the pre COVID levels of FY2019.

To summarize, we have reported a very encouraging performance in FY2022, despite multidimensional disruptions in the automobile industry. we continue to operate a healthy financial profile and strong balance sheet. In a normalized environment, we look forward to delivering a strong and sustainable growth.

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

Shekhar Dravid

Thank you, everyone. Greetings to all. I trust all of you are well and staying safe.

The auto sales in the fiscal year 2022 were a mixed bag. While Passenger Vehicle, Commercial Vehicle and 3W segment registered an improved performance on year-on-year basis, sales volume of two-wheelers saw a significant de-growth marred by the high ownership cost and the expensive fuel.

While demand and uptake of the Commercial vehicles and the Passenger vehicle segments remain strong throughout FY22. The upside was limited due to the supply constraints and the ongoing chip shortages.

On the production front as well, we are seeing some impact on vehicle dispatches due to inventory adjustments and the containing impact of chip

shortages. The waiting period for best selling passenger vehicles in the range of 2 to 12 months or more as per FADA. The average dealer inventory now stands at around 15 to 20 days versus the average level of four weeks. So we are seeing some demand supply gap in the domestic markets. On the international front, most of the key export geographies in US and Europe are reporting improving auto sales.

In terms of inflationary pressures globally and domestically. The auto ancillary space continues to witness supply chain bottlenecks. This has further intensified due to the ongoing geopolitical conflicts. We have seen aluminum and related alloy prices breach new heights. In addition, the spread of COVID in certain Asian countries is further fueling input prices. However, we are now seeing, in some cases, domestic auto OEMs, sourcing inputs and chips from alternate source vendors. This is enabling them to mitigate cost pressures to some extent. More so, we have also not seen any major OEMs, both domestic as well as global suggesting for any sharp production losses or any production halts due to these issues, which is encouraging.

Against the backdrop, we are quite encouraged to have reported a strong performance in FY2022. In addition to our focus on value addition, as explained by Vimal, our growth was also supported by new customer gains, addition of new parts from the existing customers, increasing penetration of four wheelers in our overall revenue mix, improved contribution from the EV segment and strong exports.

We have also undertaken several initiatives and directed efforts over the last few quarters and years to position ourselves well in the fast growing industry, and our performance in this year reflects these measures.

Let me take you through highlights of our performance across each domain:

The first being our **Auto business**: The domestic auto sector has seen sharp decline for two years in a row, adversely impacted due to the COVID and the input pressures. However, with a pickup in economic activity and the

normalizing environment should improve the demand environment for all the segments. In addition, high Rabi sowing, healthy agri input, price supports, and forecast of a normal monsoon indicates that the rural demand in the upcoming months could witness similar positive traction. It is also encouraging that vehicle registration with regional transport offices rose by 37% to 16,27,975 units in April, as per the data collected by the vehicle retailers' body FADA. So overall the outlook remains healthy in the medium to longer terms.

Globally, the 2021 global auto production was higher by 1.8% year-on-year, driven by US and China numbers. However, Europe was done by sharp 6% year-on-year. Despite this, I'm happy to share that Alicon's global auto sales marked a strong increase of 63% year-on-year during this year. Alicon India export sales increased strongly by 100% year-on-year.

In the ICE segment, we are seeing strong inquiry level across domestic and export markets. In terms of new parts added by existing customers, we are seeing repeat orders coming in from customers such as Honda motorcycles, MAN Truck, TATA Auto Comp, Eaton, to name a few. I'm happy to share that in the quarter, we have won orders for 21 new parts. Overall in the year, we have seen one new logo win, which is MAN Trucks, which is a strong reflection of our growing brand value in the global markets.

The Passenger vehicle and the Commercial vehicle segments are key focus area for us. Our sales in Passenger vehicle division grew by 45% year-on-year in FY22, and the Commercial vehicle sales grew by 61% year-on-year. Going ahead, our focus will be on improving contribution from higher value components in the Passenger vehicle and Commercial vehicle segments, thus driving augmented brand value and enhanced sales in this division.

Coming now to the second of our growth pillars, which is **Electric Vehicle** division.

The division continues to see strong growth across the markets. In India, the Government's decision of raising the FAME II subsidy and increasing the

deadline for EV transition to March 2024 is fueling growth in the sector, especially for two-wheeler EVs. We have seen as many as 19 states across the country that have announced their respective EV policies, with lucrative benefits to the consumer. This has translated to the strong offtake in EV. In FY22, Electric Vehicle sales in the country gained momentum with total sales increasing by more than 211%. The number of Electric Vehicles sold in the country based on the registrations at VAHAN portal were 4,19,812 in FY22 against 1,34,853 in FY21. While all classes of electric vehicles have shown a big jump, motorcycles sales are shown the biggest jump, growing 461% followed by E-rickshaws and electric cars.

Several 2W OEMs have announced aggressive expansion plans and to further support the EV value chain. We have seen the center undertaking policy initiatives, such as the PLI Scheme and the recently announced policy for the battery swapping.

I am very pleased to share that Alicon Castalloy was one of the companies approved under the Component Champion Incentive Scheme. The Component Champion Incentive Scheme is a sales value link scheme applicable on advanced automotive technology components of vehicles. This PLI scheme for automotive sector, along with the already launched PLI scheme for Advanced Chemistry cells and Faster Adaptation of Manufacturing of Electrical Vehicle (FAME) is aimed to fast tracking India's transport system into an environmentally cleaner, sustainable and advanced system. For this segment, we are working with the OEMs as well as Tier 1 suppliers. We have been working extensively with Donna Corporation, Scania, TATA Auto comp, ARRIVAL, Mahle on the both domestic and international orders. Overall in the year, we have seen two new logos win. One is Scania and other is ARRIVAL, which again reflects our growing brand value in the global markets.

Another area where we have seen strong response from the customers is the light weighting of the products in the auto and EV space. We are getting increased inquiries from OEMs, both in domestic and export markets, and we are actively developing new products to focus on this segment.

We have already built up a portfolio over 101 parts catering to EV and other revenues from EV business transfer 10% in FY22. It is encouraging that in FY19, our overall EV share of revenues was just 2%. So we have seen a very strong growth in this segment in just three years. Going forward, incremental sales of this company would be a function of this value-add EV segment along with other valuable components from ICE, structural and non-segments. Overall, our long term target is to bring wallet share in EV business to 12% in FY23 and to 36% of overall revenues by FY2025-26.

Now on our third growth pillar, being a **Technology Agnostic** platform.

We are steadily adding value added products to our basket. Various aspects of the vehicles are cross functional across both ICE as well as EV platforms and would remain relevant should there be emergence of any alternative technology too. Our aim is to ensure that we gain relevance in interesting and interest in accretive niches around these products by leveraging our core competencies. In this regard, we are working on diversifying and expanding our product portfolio to include several niche and value advancing offering. Overall in the year we have added part from JLR, KTM and Piaggio continue the progress we have made in the global markets.

Coming to our fourth segment, which is a **Non-Auto business**. In this, we are witnessing healthy growth in demand, especially from different sectors. During the year, we have added part complex from Textron and JCB. Both the parts will help to showcase existing and prospective customers about the capability of the Group and will help to add further businesses.

Our fifth growth lever is our **Focus on Improving Customer Wallet Share**. This will be by leveraging our R&D, our competencies and our relationships. Our R&D facility are core to our operations and enable us to keep pace and upcoming opportunities. Overall, we are well placed to announce contribution from the repeat customer and demonstrate customer stickiness. Our long term

approach is towards building wallet share and positioning ourselves as a trusted supplier for an existing customer base.

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

Andreas Heim

Thank you, Mr. Dravid. A warm welcome to all of you. I will briefly cover the developments on our international business.

We have delivered a steady performance in Illichmann during the quarter of the full year on the back of improving demand in environment in our key global markets of US, Europe and China. While we anticipated the inflationary pressures to ease in Q4, the geopolitical situation and shutting down of plants in some parts of Asia, once again lead to the reoccurrence of chip shortages and supply chain issues. This resulted in slight impact on demand in sales values in the second half of the year.

For the year, exports including overseas revenues contributed to 26% of the total revenue. And for the Q4FY22, it's at 22%. I'm happy to share Alicon global sales marked a notable increase of 63% year-on-year during the year. Alicon India export sales doubled during the year in review.

As explained by Shekhar, we have added new business logos last year for the global market - Scania, MAN Trucks, ARRIVAL and Textron. We are working in this quarter to work with Ducati and Rimac. Rimac has an extensive presence in EVs, and is anticipated to be a Tesla for the Europe market.

Looking ahead, we are actively pursuing growth opportunities in the key targeted market in Europe, Middle-East, and the U.S. In addition, there are significant and untapped opportunities, even in the markets of China, South Korea and South America and we are increasingly growing our presence in these regions, through our Illichmann subsidiary. We are also making the steady and ground progress in personalizing new business wins with existing and new customers in the export markets.

Overall, we expect demand and consumption trends to strengthen in the months ahead given normalizing macro conditions. We are also hopeful that the raw material situation eases in the coming quarters.

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

Rajiv Gupta

Thank you, Andreas. Good day, everyone.

The demand environment in the domestic market saw a slight uptick for the Passenger Vehicle segment during the quarter. Bookings and demand continued to remain strong in the Passenger Vehicle segment, but registrations were still impacted due to continued supply chain issues. While chip shortages have adversely impacted passenger vehicle production since mid 2021, production levels of major OEMs are now gradually improving. OEMs are sourcing chips from alternate vendors, which has led to a better output. The Medium and Heavy Commercial segment category has seen a strong build up in inquiries on the back of revival in construction activities and improved ruler sentiments. On the 2W front, price hikes on the back of inflationary pressures and high fuel cost partially affected offtake.

Now coming to our performance, we have delivered a healthy performance during Q4 & FY22. Total contribution from our domestic segments stood as strong 78% and 74% in Q4FY22 and FY22 respectively. During the quarter, we added 21 new parts from a leading domestic and global customer.

On the whole, we have reported an encouraging growth in the domestic automotive segment during the year led by a pent-up demand, festive push, higher preference towards personal mobility. We continue to witness good levels of inquiries and bookings in the market and are hopeful that improving macros will further support this momentum. The PLI linked scheme and improved allocation towards road infrastructure augurs well for the auto sector will help boost consumption, going forward.

On this note, I will now request our Group CEO, Mr. Rajeev Sikand to share you some perspective on Alicon's performance.

Rajeev Sikand

Thank you Rajiv. Good day, everyone.

The last two years have been quite challenging for the industry and economies worldwide on account of COVID pandemic and inflationary environment. Despite these challenges, I am pleased to report that Alicon has maintained a healthy performance during the year. Our growth has been in line with our internal target levels and reflects the momentum across all our business verticals. While focusing on our growth, we have also ensured a strong balance sheet position, and at the same time, ensuring welfare for our team across various locations.

Every year we focus on strengthening our agile business processes to navigate the various operational challenges that may come our way. This has held us in good stead in the last two years. Even now when globally, we are seeing strong inflationary pressures, our inventory management practices and our strategy to collaborate closely with customers has enabled us to mitigate cost pressures to some extent, thus protecting our profitability margins.

As explained by my colleagues, value addition is the key strategic vector for Alicon. Our focus is on improving offtake for value added products across our verticals of Auto, Non-Auto, and EV. This, we believe will drive the multi growth synergies for Alicon, going forward.

In this year, we have undertaken strategically significant initiatives to solidify our trajectory of growth. We have announced significant order wins with multiple OEMs, which provide us with healthy growth visibility for years to come. Our total auto booking now stands at around Rs. 3,000 crore for over a period of five years with nearly average sale, around Rs. 660 crore till now. The inquiries and new business wins across our Auto, EV and Non-Auto segment continue to remain healthy.

From a macro perspective, while we do foresee some pricing pressures in the market, we expect them to be largely restricted in the near term. On the business level as well, we are undertaking all necessary steps to mitigate these inflationary challenges. On the demand front, we anticipate the environment to improve going forward, improving rural segments sentiments on the back of normal monsoon forecast and steady agri indicator. Healthy pent-up demand and buoyant CAPEX cycle should further augment recovery in the Indian economy boding well for our industry.

From an operating standpoint, Alicon is solid and stable, and we are confident that further stabilization of macroeconomic environments will lead to gradual and sustainable growth going forward. Overall, we remain very excited about our future growth prospects and opportunities in the medium to longer term.

On that note, I will now request the moderator to open the forum for any questions or suggestions that you may have. Thank you.

Moderator

Thank you very much. We will now begin the question and answer session. The first question is from the line of Raghunandhan NL from Emkay Global. Please go ahead.

Raghunandhan NL

Thank you, sir, for the comprehensive opening remarks and increasing the disclosures in investor presentation. So firstly, a clarification, in Q3FY22 earnings call you had indicated Rs. 3,250 crore of pending order book. Did I hear correctly? You said Rs. 3,000 crore this time. Has there been a slide drop in the pending order book?

Rajeev Sikand

Thank you. you are right. What we have done is we have done our internal leveling up. Certain products, certain things which we have seen in the market, though the customer may tell us, so we have reduced that. There is no drop from any customer, but we have internally taken a cognizant of the market situation that some product lines will not do as well as they are being projected.

- Raghunandhan NL** Understood, sir. And of this or book of this order book how much would be the share of EV? I was trying to understand to reach that target of 36%, the order book would have a higher share of EV compared to the last year revenue share of 10%?
- Rajeev Sikand** So yes. you are absolutely right. What we have done this year, one of our internal vectors has always looked at value addition in our business rather than look at tonnage and sales purely because value addition gives a very clear indicator where we are going. So I will let Rajiv answer that to you. Thank you.
- Rajiv Gupta** Yes, sir. Thank you, sir, for the answer. Basically as rightly highlighted by you, yes, our order bookings are increasing in the EV, structural and non-auto. Last year we had booked around 31% of my orders with EV, around 10% in Non - Auto, which is way ahead, compared to FY 19-20, where the figures was around 9% of the EV and around 8% of the non-auto.
- Raghunandhan NL** So within this Rs. 3,000 crore order book, what percentage would be EV sir?
- Rajiv Gupta** Within this order booking, my EV contribution is 25%.
- Raghunandhan NL** Yes. And the share keeps increasing because last quarter I remember the share was 17%.
- Rajeev Sikand** Yes. Over next two years, this will grow and maybe we need to revise our targets. Currently our target is 36%, but this will continuously evolve as the market evolves in the EV and this figure will also evolve.
- Raghunandhan NL** Yes, sir. I remember you had indicated the aspiration is 45%.
- Rajeev Sikand** Yes, That still remains.
- Raghunandhan NL** Sir, which would be the major orders commencing this year, Toyota, PSA, if you can give some color on that, and would the execution of new orders add revenue of Rs. 450 crore to Rs. 500 crore this year?

- Rajiv Gupta** You're asking about the growth drivers for this year, mostly will be from the new parts what we've added from existing customers, such as Daimler Toyota, Eaton and TACO, and also with the new customers which we have added such as PSA, JLR, Scania, and MAN Trucks. Also, we are concentrating on increasing the share of business in the domestic four-wheeler market. Talking about sales from the new business, so we are aiming to get a sales revenue of roughly 40% from these new businesses this year.
- Raghunandhan NL** So FY23-24 broadly, what will be the expectation of revenue based on the order book visibility?
- Rajiv Gupta** We are, we are anticipating a growth of around 18% to 20%.
- Raghunandhan NL** 20% growth in FY23.
- Rajiv Gupta** Right.
- Raghunandhan NL** Okay. And in EV, if you can indicate the 10% of revenue which came from EV last year, what would be the share of domestic and export and what would be the share of four-wheeler and two-wheeler?
- Rajiv Gupta** If we see in terms of domestic and export, around 70% is currently from the global market and domestic around, 30%, which we are planning to increase going forward. Yes, I do understand talking about domestic at this movement. the major contributors are Aether and Dana Corp, but going forward with the new business, what we have written last year, that is with TACO, for the TATA motors passenger vehicle segment, this will further increase my contribution in the domestic market.
- Raghunandhan NL** Got it, sir. And two-wheeler versus four-wheeler?
- Rajeev Sikand** Yes, we'll just give you, but it is primarily four-wheeler. But we'll just give you that ratio.

- Moderator** Thank you. The next question is from the line of Saurabh Jain from Sushil Finance. Please go ahead.
- Saurabh Jain** Congratulations, sir, for a healthy set of numbers in an otherwise very challenging environment for this industry. Sir, I have a couple of questions. To start with, a bookkeeping question. What was the contribution of new products during FY22?
- Rajiv Gupta** So last year, my sales bookings from the new business were roughly around 25%.
- Saurabh Jain** 25%. And this year we are expecting around Rs. 400 crore to Rs. 450 crore, right?
- Rajiv Gupta** Right.
- Saurabh Jain** So just wanted to clarify, a couple of con calls back, probably Q2 or Q3 you had given an estimated sales for FY23 of around Rs. 1,350 crore to Rs. 1,400 crore, if I recollect it right and you said this year you are expecting top line growth of around 18%. So looking at the challenges being faced by the industry, are we scaling down our guidance for the current year?
- Rajiv Gupta** Yes, we are also anticipating the challenges particularly in the existing market. That is the reason, the new businesses, what we have backed from 2018-'19 is helping us to outperform over the market growth, which was clearly noticed in the last year and which will continue to seep in the coming years also.
- Rajiv Sikand** But our estimates of this year remain nearly in line barring the little offset we had done in the 2W market where we don't expect a big jump.
- Saurabh Jain** Okay. Okay, sir. Got it. And if you can give me just break up between 2W and 4W for the last year. Last year, I believe 2W was 42% of the total turnover, in FY21.

- Rajiv Gupta** If we see in terms of sales last year, that is FY'2021-22, we closed that 48% of two-wheeler segment.
- Saurabh Jain** 48%?
- Rajiv Gupta** Yes, in terms of sales. And this year, we are planning to reduce our dependency in 2W. From 48%, we are reducing to 40%.
- Saurabh Jain** So actually it has gone up from 42% because in FY21 our 2W share in the overall turnover was 42%.
- Rajiv Gupta** That is with the VA numbers. Talking about VA, let me just clarify. Last year the VA, we closed that 40%, which we are anticipating to bring down to 32% this year. Basically, we are shifting our focus as the market is little sluggish. We're shifting our focus from a Passenger to a Commercial and passenger vehicle.
- Rajeev Sikand** So, Saurabh, let me explain this in a better way. Why we are looking at VA? VA gives us a better focus where we should be aiming at, and this is where our long term aim is also, to reduce our 2W value addition. So the tonnage and sale may look different, the value addition per kg is a critical thing for us. And that is why we are moving out to different segments of the market. We are hoping by this 2W segment by '25-'26 to be less than 20%. On a value addition basis. So that is a key for our business.
- Saurabh Jain** Right, right. Got it, sir. My last question is on the margins front. The margins of course saw some inflationary pressure, but still, we were able to maintain a healthy 12%. So of course, in your opening remarks, you had mentioned that in the midterm we aspire margins to go back to 14% and 15%. Just wanted to know, can we see those levels in the current fiscal?
- Vimal Gupta** So in the current fiscal, we are estimating approximately to improve by 0.7% to 1% improvement, we will be able to deliver in this year.

- Saurabh Jain** On our last year full basis.
- Vimal Gupta** Yes.
- Moderator** Thank you. The next question is from the line of the Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri** Congratulations, sir, on a good set of numbers. Sir, I just wanted to know if what is the vision for next two, three years in terms of revenue and margins. By midterm margin, I assume by FY2025, we are assuming 14% to 15%. So any color on revenue growth that we can expect would be very beneficial. Thank you, sir.
- Vimal gupta** So as I just explained that we are expecting the revenue growth in the range of 18% to 20% on the CAGR basis, that is the estimation we are having internally till FY2025-26. And definitely then we will be like as explained by Mr. Sikand and Rajiv Gupta, about the shift in the value addition from our 2W to 4W and the EVs. So that is the main thing that will improve our margins. So definitely we will be able to improve our margins to 14% to 15%. And I think after in 9 months to 15 months in that period, we will be able to deliver that. The reason being, first, we should understand the impact of the aluminum prices. That unprecedented increase in the last 9 to 12 months. So it is a very simple calculation, if I remove that impact to our margins for the year, like we are talking about Q4 it was 12%. So it was around 13.5% that is not 12% when we make a year-on-year basis comparison. Definitely we are seeing now the prices are easing out in the international market of aluminum. So then that impact we will see definitely in the coming quarters.
- Darshil Jhaveri** Okay. So that's very beneficial. And I'm sorry, sir. One more clarification. So you right now said in FY23, we can do 0.7% to 1% better margin. That will be overall full basis or on Quarter 4? because there we've done 12%. So can I assume 12%?
- Vimal Gupta** We are talking about the Full year.

- Moderator** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.
- Dixit Doshi** Sir, in last call, you mentioned that as the aluminum prices have gone up, the margin percentage on the revenue looks lower. And so when we say in the medium term, we can reach 14%-15% margin, this is considering that if the aluminum prices and other commodity prices will come down, or even let's say it'll remain at elevated level, with the value added products can do 14%, 15% margin?
- Vimal Gupta** So definitely, that impact of the aluminum prices, approximately 1% that we have seen overall, at this moment. And 14%, 15%, because when we take on both of that we can take. So without increase, that means that prices are not eased out. So definitely 14% to 14.5%, we can see, and then further 1% improvement if prices go down at the same level, like one year back. So definitely there will be further improvement of 1%.
- Dixit Doshi** And in this FY22 sales, or let's say Q4 FY22 sales, how much would be the growth due to only the price increase and how much would be volume or value addition driven?
- Vimal gupta** So the aluminum approximately, we can say 7% approximately, the impact of aluminum.
- Dixit Doshi** 7% growth due to the aluminum prices.
- Vimal Gupta** Yes. In the Q4FY22.
- Dixit Doshi** In Q4?
- Vimal Gupta** Yes.
- Dixit Doshi** Q4 y-o-y, right?

- Vimal Gupta** Yes.
- Dixit Doshi** Okay. So basically in terms of volume in Q4, we are down, y-o-y, right?
- Vimal Gupta** Yes.
- Dixit Doshi** Okay. And how much would be for full year, same thing?
- Vimal Gupta** For full year, approximately 4% to 5%, in that range.
- Moderator** Thank you. The next question is from the line of Raghunandhan NL. Please go ahead.
- Raghunandhan NL** Thank you, sir, for the opportunity, again. Sir, Alicon has been one of the first movers in the EV space, and wanted to understand off late, are you seeing a situation where the competition is increasing from other players?
- Rajeev Sikand** Well, we have been early movers and we are not looking at competition from a perception of parts. We are looking from the technology point of view. So our play, even in the EV, will be technology. And certain parts in the EV we have also redefined. The EV segment, certain parts in that, where we will be more focused, which is going to be our playbook. And we are making that pitch with Suzuki Japan, with Daimler Germany. So certain things will evolve. So you can't say that there'll be no competition in this line. And also, to be very openly speaking, some of our components go out. And then they're easy to copy in that way. We are not doing a rocket science, really, but our core trust area is our thermal engineering. And that remains our core business in the EV.
- Raghunandhan NL** Got it. And in terms of PLI, some details, if you can indicate on investments, expected revenue, incentives, or the focused parts, some color, whatever you can share.

Tarun Vyas

On PLI, we have filed the application with the Ministry of Heave Industries and IFCI PMA Agency and they have given us approval as well. Now, they have appointed the survey agency, which will be finalizing giving us that go-ahead in our product. And based on the revenue and that percentage scheme, ranging from 8% to 15%, we will be looking forward for the incentive from the government. So which will be settling down in mid of June.

Vimal Gupta

That is when we will be able to give more clarity on this.

Raghunandhan NL

Vimal sir, if you can indicate in terms of inflation, apart from the commodity side for energy, logistics or any other area, where has been the negative impact, and if you can quantify any of them, that will be helpful to understand.

Vimal Gupta

Sorry? Just misheard.

Raghunandhan NL

On the inflation, sir, there has been cost increase in energy, logistics, so how severe has been the cost increase and by when can company be able to pass on the impact?

Vimal Gupta

So for this, the impact is there. In the quarter we have absorbed around Rs. 3 to Rs. 4 crore cost in Q4FY22. And now we have started the negotiations with the customers already. And some customers, they have agreed and hopefully next coming to four to six months, we will be able to settle down.

Raghunandhan NL

Understood, sir. And the share of exports has been increasing for the company. So given this scenario how much reduction is possible in the working capital days going forward? I mean, FY22, you've already achieved reduction in the cash conversion cycle. Appreciate that. So just wanted to understand the focus for future.

Vimal gupta

Yes, we are continuously monitoring this and taking all the efforts to reduce this cycle. So like in the last year, we have reduced by 18 days. So now this year also we have targeted 18 to 20 days further reduction in the working capital

cycle. So that we are trying to take up with whatever, with the customers or with the discounting side, all the fronts we are taking it up.

Raghunandhan NL

Got it, sir. And just one clarification, did I hear it correct that the goal is to reach 18% to 20% CAGR till FY26 on the revenue side based on the order book visibility, and medium-term target margin of 14% to 15%. Would that be a fair way to understand?

Vimal Gupta

Yes.

Moderator

Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the Management for closing comments.

Vimal Gupta

Thank you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team or CDR India.

Thank you once again for taking the time to join us on this call, and we look forward to directing next quarter.

Moderator

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

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