

November 11, 2020

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

Scrip Code: 531147

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

Scrip Symbol: ALICON

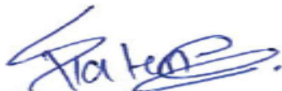
Dear Sir/ Madam,

Sub: Transcript of Investor Conference Call

We are enclosing herewith the transcript of conference call with analysts, which took place on October 28, 2020 after announcement of the audited Financial Results for quarter ended September 30, 2020. The said transcript is also uploaded on website of the Company.

We request you to kindly take the above information on your record.

Thanking you,
Yours faithfully,
For **Alicon Castalloy Ltd**

A handwritten signature in blue ink, appearing to read 'Swapnal Patane', with a horizontal line underneath.

Swapnal Patane
Company Secretary



Alicon Castalloy Limited

Q2 FY21 Earnings Conference Call Transcript

October 28, 2020

Moderator Ladies and gentlemen, Good day and welcome to the Q2 FY21 Earnings Conference Call of Alicon Castalloy Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you, Mr. Vaswani.

Mayank Vaswani: Thank you, Janice. Good day everyone and thank you for joining us on Alicon Castalloy Limited’s Q2 and H1 FY21 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. Sandip Patil – Head of Global Business; Mr. Rajiv Gupta – Head of Domestic Business and Mr. Abhishek Kumar, Head of EV Business of Alicon Castalloy Limited.

Mr. Vimal Gupta will start and cover the financial performance, following which Mr. Dravid will walk us through operating highlights of the quarter. In order to share a more granular view of initiatives towards both the export and domestic markets. We also have Mr. Sandip Patil, Mr. Rajiv Gupta and Mr. Abhishek Kumar to provide insights on these areas. Mr. Sikand will then cover business developments following which, we will have the forum open for a Q&A session.

Before we begin, I would like to point out that some of the statements made in today’s call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with all of you earlier. I would now like to hand over the floor to Mr. Vimal Gupta for his opening remarks. Over to you sir.

Vimal Gupta: Good afternoon, everyone. I welcome you to the Earnings Conference Call for Q2 and H1 FY21. I hope that all of you are safe and well. We reported an encouraging and resilient performance during the quarter, despite the upheaval in the external environment. As the domestic lockdown was being unwound, we began to witness the recovery in demand, which combined with inventory replenishment has translated into a sharp rebound on volumes.

On a consolidated basis, revenues from operations were at Rs.205 crore in Q2 FY21, which was 23% lower on a year-on-year basis. This was in a sharp contrast to the immediately preceding quarter revenues, which were impacted due to the lockdown for a better part for that quarter. Within this, domestic revenues during Q2 FY21 were at Rs.161 crore. This has been driven by strong traction in the two-wheeler market coupled with a steady recovery in sales of four-wheeler. On a year-on-year basis revenues were 26% lower.

Export revenues including overseas were at Rs.45 crore in Q2 compared to Rs. 22 crore in Q1. On a year-on-year basis, overseas revenues are still about 29% lower compared to Q2 last year. The contribution to revenues between auto and non-auto business stood at 89% from auto and 11% from non-auto. The EBITDA for Q2 FY21 was Rs.27 crore, lower by 24% that is Y-o-Y basis in line with the lower revenues. However, this marked a sharp turn around compared to EBITDA loss of Rs. 23 crore in Q1 FY21. The EBITDA margins has been resilient at 13% in Q2 indicating the sustainable benefits of cost control measures implemented and operating efficiencies realized.

Profit after tax was Rs.5.3 crore in Q2 FY21 against Rs. 9.4 crore in Q2 FY20. The profit after tax margin was 2.6%.

The net debt as on September 30th was at Rs.320 crore with a net debt to equity ratio of 1:1.

We have deferred our expansion plan and are instead focusing on sweating all our existing capacities and for FY21, we expect only regular maintenance spends and some CAPEX towards new business that we have won.

On the whole, we have reported a steady improvement in performance during the quarter. We are closely watching the trajectory of sales during the festive season and we continue aligning our production with the demands from the auto companies. We will look to build on the improved performance of Q2 FY21, should the improved industry traction sustain.

The positive development is that we have been able to drive efficiencies across our operation. On that note, I would like now to hand it over to Mr. Shekhar Dravid, who will talk about the operating highlights for the quarter.

Shekhar Dravid:

Thank you Vimal. Greetings to our investors. I trust that you and your families are safe and maintaining all precautions against the spread of COVID-19.

Following the unprecedented last quarter, the operating environment in Q2 FY21 for reasonably steadier. As lockdown restrictions eased across the market, we saw initial shoots of revival in the domestic economy. Several micro and macro level high frequency indicators such as PMI for manufacturing, electricity consumption, cargo volumes at ports and railway, vehicle registrations, number of E-way bills recorded a strong sequential improvement. Rural and semi-urban economy continued to be buoyant during the second quarter, and with a widespread monsoon and timely sowing of the next season crop, we remain optimistic that the recovery will be further broad-based in the months ahead. Improved rural and agri indicators augers well for the domestic auto industry, especially two-wheeler and the tractor sales.

Coming to the domestic auto sector:

Auto sales marked a significant rebound on a sequential basis. The industry saw stepped up sales in two-wheelers, passenger vehicles and tractors, especially in the month of September. This was due to the pent-up demand across the economy and was supported by acceleration in rural sales and lower interest rates on the loans. As we speak, strong numbers are being reported by dealerships in some auto segments across country for festive season sale. As Mr. Vimal Gupta indicated earlier, we are continually watching the festive season sales and in touch with the auto majors. In addition, the Government's fiscal support package to support consumption and CAPEX spending further bodes well for consumer discretionary spending in the longer-terms.

On the international front, while we saw most of the key export geographies such as Austria, Germany, Brazil returning to the normalcy from June itself. In US and other European markets, we are seeing increased recovery and the production are now almost at near normal levels. However, with rising case counts in these countries, further rounds of lockdowns are being indicated, so we are waiting and watching the indications from our customers to assess whether the demand will remain steady.

Coming to Alicon's performance during the quarter:

In light of the macro-landscape, we have reported our encouraging performance during the quarter with improved profitability. As discussed last quarter, we have undertaken measures that focus on tightening of our fixed costs, enhance the efficiencies and improving manufacturing processes for leaner operations. This has also positively impacted the PBT and the PAT level performance.

I'm also happy to share that our net cash flow from operating activities for the half year was Rs.38 crore, which is stable compared to the first half last year. As far as our auto business is concerned, we have witnessed improved volumes during the quarter, client engagements have been strong, and we have seen multiple order wins coming in from the global OEMs and Tier-I suppliers. As discussed in the previous call, in August we have signed the multiyear contract providing multiyear growth visibility. This includes order from prestigious global OEMs such as Toyota and PSA for their passenger vehicle platforms.

We have very strong support from Enkei Japan, as partner for continuous upgrading the latest foundry technology. This has enabled us in keeping through Toyota and PSA like Global giants to get the key businesses. We are also witnessing customers enhancing their focus on green energy models, such as electric vehicles and hybrid. In the quarter, we have received orders from Dana, Flextronics and Eaton for their e-mobility platforms. Also the engineering and technological advancement in European subsidiary, Illichmann to support our growth in EV sector. Our proactive technology investment in Illichmann has given us the edge in e- mobility over our competitors.

Overall, for auto and EV we are optimistic on the growth momentum continuing in the coming quarters as well. We have a good pipeline of inquiries, and our product launches in the EV and auto space are also seeing great acceptance among existing and new customers. We are optimistic that the pace of the growth and the order bids for these segments will continue.

Looking ahead, although the overall consumption is far from pre-crisis levels, we are hopeful that the demand momentum will continue in the months ahead. We are undertaking maximum efforts to secure our business operations by putting in place stringent safety standards across our plants and offices to ensure well-being of our people, solidifying client engagements, building new customer relationships, improving supply chain system and ensuring seamless deliveries. The upcoming festive season and the stabilization in domestic markets should lead to better demand and enhanced consumer sentiments on a sequential basis. Our discussions with several domestic and global customers are also at advanced stages and we believe that once the macro-situation normalizes, we should be able to deliver healthy growth in the quarters and years ahead.

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

Sandip Patil:

Thank you Mr. David. A warm welcome to all of you, I will briefly cover the development on our international business front. We saw a steady revival in sales and volumes from our Illichmann subsidiary. We supplied components and parts

from our European facility to many global clients during the quarter. We also reported increased export sales as ports and international supply chain stabilized from June onwards. Exports, including sales from Illichmann subsidiary contributed to about 22% of our total revenues in Q2 FY21. However, with the rising case count of Covid19 and prospects of further restrictions and lockdown in many of our international locations, we are cautiously optimistic about the prospects of the international markets in Q3.

One of our contracts where we anticipated start up production has been deferred, and we believe that once situation stabilizes the pace of activity will be accelerated. Other contracts are progressing well in design and prototyping stages. And once the macro situation normalizes, we should be able to deliver strong growth from the international business.

In Q2 FY21, we added 7 new parts from 4 export customers with the addition of 3 new logos. In H1 FY21, we added 17 new parts with 6 export customers with 3 new logo additions. Our long-term strategy for the International segment remains unchanged. We continue to focus towards expanding our global footprint. Additions to our sales office in France and UK, we have set up new sales office in Detroit, USA with 18 key account managers from previous sales. We are actively pursuing growth opportunities in the key targeted markets in Europe, Middle East and US. Also, we are looking to expand our territory in China, South Korea and South America. Even on the E-mobility front, we are seeing increased opportunities in these markets. We believe we are well placed to capitalize on the growth opportunities going ahead. The non-auto space such as infrastructure, aerospace energy is also throwing up various growth opportunities in the international markets.

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

Rajiv Gupta:

Thank you, Mr. Sandip and good afternoon everyone. The domestic auto industry witnessed a rebound in volumes with production figures reaching 96% in Q2 FY21, over the same period last year. Within this, the two-wheeler production volumes were just 5% lower during the quarter, but the month of September 2020 witnessed 15% year-on-year increase in volumes. Passenger vehicles were lower by 3% year-on-year during the quarter but in the month of September 2020, it witnessed 17% year-on-year increase in volumes. OEMs have geared up quite well post lockdown, we manage quite well against the same, despite of extension in lockdown for our plants in the Maharashtra region. Total contribution of our domestic segments stood at 78% in Q2 FY21. During the quarter we added 7 new parts from 3 domestic customers, and in H1 FY21, we added 15 new parts with 8 domestic customers with two new logo additions. Looking ahead, we are closely monitoring the domestic operating environment and are hopeful that the business momentum will remain stable in the coming months. Although, the road to full recovery in the auto sales seems long, the domestic auto industry is seeing a steady uptick in inquiries and bookings due to the upcoming festive season. In addition, a good monsoon season will, with positive trends in rural economic should support this momentum and with improving demand we have steady increase production across all our facilities. Our teams are also actively in contact with all the distributors in order to ensure streamlined deliveries and supplies. I would like now to hand it over to Mr. Abhishek, who will cover the developments in the EV business.

Abhishek Kumar:

Thank you Rajiv and good afternoon to everybody. So, the global EV industry continues to remain upbeat regarding EV adoption, with the long term commitments for OEMs as well as tier one. Alicon remains to be bullish in the EV space, from our current share of 5% in FY21, within the EV space we plan to get to a 10% level by FY25-26. When talking a little bit about the numbers within the space, the total parts

that Alicon has won within this space is 39, across 9 customers with 2 new logo additions that is Flextronics and Dana TM4 and we are looking at a yearly business size of Rs. 74.7 crore with these current set of customers. However, going forward we continue to build on this aggression by capitalizing on the advanced discussions that we are in with global OEMs and we are targeting a business to the tune of Rs. 190 to 200 crore within the next two years. So, this journey in the EV space has been possible because of the advanced investment that is done within the technical capacity by our European group company Illichmann. So, this advanced investment on their part has helped us quickly leverage on that strength to provide bespoke solutions to our customers. I would now request our group CEO, Mr. Rajeev Sikand to share with you, his perspective on Alicon's performance.

Rajeev Sikand:

Thank you Abhishek. I would like to start with my favorite quote – “There is a thin line between desperation and inspiration”, which was our condition in April 2020. Our teams have deeply reflected to draw insights and act, build resilience to recover quickly to stay focused and reimagine to great imaginative structure for our business. We now call this journey the ‘Alicon way’. My colleagues have walked you through the key trends of performance during the quarter. I am happy that the Q2 numbers depict our agility in balancing our operating model in line with demand and keeping sharp focus on cost and our reimagining ability. Clearly there is a great resilience in our business model, which I believe will give more than proportionate returns as demand starts to come back in a sustained manner. I would like to reiterate that we are confident of our growth potential and the opportunities across the auto, non-auto and E-mobility space in the medium to long term. From our end, we are ensuring that we do our ultimate best to secure our business operations, protect our people and our operating model and continuously address customer demand. We are also actively working in tandem with our customers on cost cutting front, on higher fuel efficiency, where we are engineering products in a cost effective and a smarter way with better performance metrics.

Secondly, we are seeing increased demand coming in for affordable and lightweight products. Our lightweight alloy products enable significant weight reduction and provide reliability and cost benefits due to lower alloy content. Alicon is steadily building up references and we have also introduced a new portfolio of innovative and high potential parts to further boost product efficiency and draw down the overall weight of the end product.

On the whole, we remain growth focused and we have taken several steps to further extend our footprint to serve leading manufacturers and market globally. We believe the results from these initiatives will be visible in the next growth cycle. Our significant order wins and backlog provide visibility to further scale our performance from next year onwards. In addition, new business wins across various categories continue to remain strong providing multiyear growth visibility for the Company. I would like to thank all the Alicon employees and their families and our Tier II and Tier III partners, who actively contributed to restarting the operations at Alicon. We would now be happy to take your questions. 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 Saurabh Jain from Sushil Finance. Please go ahead.

Saurabh Jain:

First of all, good that we have achieved decent numbers amidst the continued pandemic and the quarter that started on a weak note for auto sector, but slowly picked up towards the last end of the quarter. And also we have broadly reached the similar EBITDA margins of September 2019. I have a few questions. I'll start with the orders on hand. Over the last couple of quarters, we have announced some major order wins which include that Rs. 810 crore from JLR Daimler, Samsung and MAHLE, Rs. 120 crore from PSA, Rs. 80 crore from Toyota and Rs. 269 crore from

ABB and Dana. So these total little less than Rs. 1,300 crore and gives visibility to incremental annual sales of nearly Rs. 600 crore. So now for the current year, the year is probably washed out and you have earlier mentioned in the previous call that you see a drop off nearly 20-odd percent in current fiscal. Now talking about next fiscal considering the above order wins and also considering that there would be some products which will be phasing out during the next fiscal. So what is your take on next year's growth and also considering that many of these would start commercial supplies only towards the end of next fiscal, would appreciate if you could throw some light on FY23 as well. I understand it would be quite early to talk about FY23, looking at the current scenario but considering the orders on hand and if you could provide some colors on how the growth or numbers will look like in FY22 and FY23.

Abhishek Kumar: Thank you very much and very interesting question. So as rightly said we have explained you in past that first we had our order when and that was in tune to Rs.160 crore for the year, then there were several new businesses that was in tune to Rs. 220 crore. At the moment, we have got order wins of on an average, Rs. 562 crore on a yearly scale. If you talk about the year-on-year increase from these new businesses, so next year, we will be booking a sale of Rs. 328 crore from these businesses and when you talk about in terms in the year FY22-23 that will be roughly around Rs. 520 crore.

Saurabh Jain: Okay, thank you that was really helpful. Apart from these order winds we have also announced earlier that we are in discussions with customers like Hitachi and Panasonic. So, any updates on these, which are the other names with which we are currently in discussions for new orders, and if you can talk about the quantum of these orders which we are discussing, if it is possible like how big is the size of our enquiry book?

Rajiv Gupta: Hello, good afternoon. So, apart from Hitachi and Panasonic which we continue to be in discussion with, we are also in touch with the companies like Rivian, who are the next best competitor to Tesla and American Axle & Manufacturing. So, the total order pipe for both these customers combined stands at somewhere close to Rs. 200 crore on an annual basis.

Vimal Gupta: So Saurabh, like Rajiv and Abhishek has explained. So, I'll just summarize you with your question. So, firstly that you talked about Rs. 810 crore order which is from the Daimler, Samsung, MAHLE and JLR. So, that average comes to approximately Rs. 162 crore a year. So, already these developments we have finished, and the commercialization has started. So, some part of this we will see in the current year and next year, we will see the ramp up that will come. After that, we talked about the further additions on the new business approximately Rs. 220 crore that was yearly average. So, that is based on the five years life of the project. Total size was Rs. 1,100 crore for the project. So, that, and the previous quarter we have further added business of around Rs. 900 crore that will contribute approximately Rs. 180 crore a year. So, when we do all this combined, so we see that in the coming year that is FY21-22, approximately Rs. 330 crore can come from the new businesses and that will ramp up to around Rs. 520 crore in FY22-23 and in FY23, it will reach around Rs. 600 crore. So, that is from the new business that what we have got and in addition to that, actually there is a shift business because one is these are the parts that we have to develop, another is that some customers those who want to shift from the existing suppliers to Alicon. So, there are two big names, so one is called **Magnix** and another is the Daimler. So, approximately Rs. 80 crore in year that the business will be immediately shifted and that the impact will come from the next year itself that we can see. That is the overall summary. One more addition I would like to give is Mahindra, so for four-wheeler business cylinder head. So, in that we were after them for last 12 years. So, now they have some problems with additional supplier and they have asked if can we do this business and based on their request

within five days, we submitted our samples and they are so happy and now they have given us more inquiry. So that will be the further addition, so these are the businesses that we are more focused on this, which are the low hanging fruits available. So that will add up in the next year top line.

Saurabh Jain: On the products, which are phasing out if you can show what kind of revenue loss can we see approximately in the next coming two years?

Vimal Gupta: So one was that from the Daimler, so that is already phased out but the size of the business has reduced one part that we were doing from the last five years. So, approximately the impact is approximately Rs. 40 to 45 crore a year. And whatever the changes happened from shifting BS-IV to BS-VI that is already done.

Saurabh Jain: I also wanted an update on our current revenue breakup in terms of two-wheelers and four-wheelers and also what percentage of our total turnover is cylinder heads? I understand margins of cylinder heads are lower as compared to the new products, which we have started making for new clients. So, how is that shift happening, basically the shift which you call from noise products to niche products?

Rajiv Gupta: So, if you talk about the contribution of cylinder heads to the total pie of automotive components. So, that contribution is 64% at this moment and particularly, if we talk about the shift what we are talking about from current year to by the year FY25-26. So, particularly two-wheeler, the current pie is 55% and we are seeing that this pie will decrease to 35% by the year FY25-26 because, we are focusing more towards the four-wheeler parts, which give us a higher value addition. So, currently the contribution for four-wheelers is 36% which will move to 51% by the year FY25-26.

Saurabh Jain: Okay and 54% is FY20 cylinder-heads contribution?

Rajiv Gupta: Yes, cylinder particularly if I define in terms of total pie in automotive use, if we talk about two-wheeler that is 42% and if I add the four-wheeler cylinders also that will constitute to near about 67%.

Saurabh Jain: With shift from noise to niche and all these cost cutting measures which the management had spoken about in their opening remarks, what is the scope of improvement in profit margins now, can we see something like 15% or 16% EBITDA margin in FY23, is that very comfortably achievable?

Vimal Gupta: When we talk about the cylinders of two-wheelers, its casting business, we are not doing any further validation like machining or any other processes. So, when we shift from this casting business to the machine parts or machining or painting or other processes, So, automatically, the value-add increases and there is a scope of the increase in the margins. So, when we shift from 55% to 35%, so whatever the pie is going to the business, where we have higher value additions, the processes are there. So definitely there is a scope for improvement in the margins.

Moderator: Thank you. The next question is from the line of Dhruvin Upadhyay, Individual Investor. Please go ahead.

Dhruvin Upadhyay: My questions are broadly on two business segments, first the E-mobility business and second for the non-auto segment. In the E-mobility business, can you please name a few customers or top 10 customers, who we are supplying to in this segment and what kind of growth do you see in the customer base going forward?

Abhishek Kumar: Okay, so the top customers as on date include Samsung for which supply happens from our European unit Illichmann and the second is Ather. These are the top customers in terms of supply as on date. However, a lot of components in the e-

mobility space are under development or under the ramp-up phase. So going forward, we will see additional accounts like Dana TM4, Ather as well as Samsung is ramping up by the way. So these are the accounts that are bound to grow going forward, along with the new guys that we have already discussed.

Dhruvin Upadhyay: Okay. Sir my second question, you had earlier mentioned that you had started supplying or will be supplying components to all key segments of an electric vehicle that is, battery housing, motor housing and transmission. So, what are the key products that we are currently supplying commercially within these three segments and what are the other components that we are working on?

Abhishek Kumar: Okay. So, these are broadly categorized categories that we have been supplying that motor housing is already in regular supply, our battery housing is in regular supply, transmission housings, for regular transmission housings are already in delivery, for E-mobility, it is under development. So, for the next interaction, we can showcase you all the supplies in terms of transmission housing. However, invertors, that is yet another area of growth, for that the supply is already underway, we have been supplying to one customer, we are already in SOP and we are going to get into SOP for yet another customer.

Dhruvin Upadhyay: How is E-mobility scenario different in our Indian market when we compare it to international markets, and what kind of geographies are we witnessing higher traction?

Abhishek Kumar: There are two major geographies that are contributing to the pie that is European geography, the Western European geography and the North American geography, which is the US. In terms of domestic market versus export market, domestic market is yet to pick up in terms of E-mobility because it is already under the development phase, a lot of R&D activity that is going on. So, we expect this market, the domestic market to mature in the next one and a half to two years. Till that time most of the attraction is going to come from the export markets.

Rajeev Sikand: Although, we have started in the domestic market.

Rajiv Gupta: Yes, we have already started the work in the domestic market and so going forward we will see.

Dhruvin Upadhyay: So, which are our key customers in the non-auto segment and out of our total product basket, which products do we supply the most to these customers?

Rajiv Gupta: If you talk about non-auto, the key products are housings and our key customer is Siemens over here and currently our share with non-auto is 9% and we are eyeing to touch that share to 14%.

Shekhar Dravid: The customers whom we are supplying it to in India as well as globally, we are supplying to TAFE, CNH, John Deere, etc

Rajeev Sikand: These customers are listed in non-auto segments.

Shekhar Dravid: The new entrant right now if you see this is basically you must know that **XXXX (38.50)** has been now divided into two major companies. So that is one more addition increasing in our portfolio as far as the volumes are confirmed in that sector. GE Energy is one of the customers in our list of top five customers. So, GE Energy and GE Medical are customers who are in our non-auto portfolio. Defense we take it under non-auto sector and in that we have spoken a lot on this, we are the single source of the low pressure die casting aluminum wheels to the Indian Defense for tanks so that we are supplying it. And we are supplying it to BEML for the

vehicle called Tatra. So these are the customers what we are entertaining in non-auto.

Dhruvin Upadhyay: Sir in the defense sector, are there any other products that we are developing that we hope to supply in the future?

Shekhar Dravid: There is one more part what we have developed that is an import substitute for defense again, which is for ventilator, this goes with a tank as part of engine and one more part right now we are discussing because defense is also working on a low weighting of the tank and in this they are working on the wheel hub, which is at present the steel forged part and that they would like to convert into aluminum with a steel insert into it. So, this one we are working on. Coming down to the next product, which we are trying to work it out is basically the landing gear which is at present for the aeronautical application, it has been imported and we are trying to develop with **(Inaudible) 41:12** in aluminum in India. So, these are the coming projects what we are working on, it will take some time and they are in nascent stage of the development.

Dhruvin Upadhyay: Is it possible to give some guidance for the non-auto segment for, like the next two or three years and what kind of growth would we be seeing and what kind of margins or what kind of sustainable margins do we expect to make?

Shekhar Dravid: Basically, today we are standard at around 9%. So, this overall growth till FY25-26 we are anticipating in non-auto to a 14%. Absolute value will be much more but percentage might be around 14%, because our topline growth in FY25-26 will also be increasing through that measure. Margins, so even though the volumes are less, the margins as you know in the non-auto sector are always on the higher side as compared to the auto sector. It is very difficult at this moment to identify the figure of profit at this moment.

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

Raghunandan NL: Sir, my first question was in terms of aluminum procurement and pass-through process, recently aluminum prices have been increasing like how is the arrangement with the customers, how much is the general lag for a pass through of aluminum prices and also if you can indicate generally what is the number of days of inventory, which the company maintains and also how big would be the share of aluminum within the raw material cost?

Vimal Gupta: So, in this first is that you see that raw material is approximately as a part of the scale is 48% to 50%. On the procurement side, so, there are issues on the shortage of the scrap and these issues at the custom, but we have a tie-up with all aluminum foundries that are supplying the material. So because our imports are very less, very small amount, but we are buying domestic in domestic market. So that is the process and challenges are there for the procurement, but we are able to manage, and we have procured the material and mainly maximum OEMs, they have the tie-ups with the suppliers also. So around 60% of OEMs, they have tied with aluminum suppliers. So we have to procure the material from them. So that is the way we work and balance 40% we can say that we have also advanced schedules with these foundries so that we don't face any problems of the supplies, that is the way and for the pricing side, when these OEMs have the tie up so all the prices they settle with the suppliers so that is automatically built up in the pricing and for the balance we have the settlements quarterly, maximum customers are on quarterly basis. So, every quarter either they give an advance that at this rate, we are going to give and the supplies are there, we can buy the metal from them or based on the purchases at what price we have purchased during the past quarter on that basis they settle

the prices. So, it is almost 100% pass through system and in one quarter maybe up or down, but on the whole, everything is settled and is completely pass-through.

Raghunandan NL: Within the raw material cost, would aluminum contribute as high as 80%, 90% share of that cost?

Vimal Gupta: In this approximately, 70% to 75%.

Raghunandan NL: For tracking aluminum prices, LME aluminum would be the right indicator, if we had to track your raw material cost?

Vimal Gupta: So, LME is for the imports generally, for procurement of the scrap, generally it is done by the supplier, they do it, but in the market, they have Hindalco, Nalco and some other customers' OEMs, the prices depend on that. So, all the market is driven by that.

Raghunandan NL: What kind of inventory would you maintain?

Vimal Gupta: Aluminum is a commodity, so we don't need to maintain a higher inventory so maximum three to four days.

Raghunandan NL: Can you broadly indicate that within the exports, what would be the breakup for PVs, CVs and non-auto?

Sandip Patil: So, export major share will come from the CV business and PV business and also one more segment where there are technologically-agnostic parts so those parts goes on EV segment also as well as PV segment so those are the common parts.

Raghunandan NL: CV would be closer to like 70%-80% of the exports?

Sandip Patil: Currently, CV percentage is lesser. Currently it is around 50% but going forward, it will again go down and there will be equal contribution of PV, CV and EV.

Raghunandan NL: Relating to one of the earlier question where you mentioned that the new orders will be about Rs. 328 crore in FY22 and which will ramp up to Rs. 520 crore in FY23. So what would be this number for FY21?

Vimal Gupta: This will be approximately Rs. 60 to 70 crore in this year.

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

Bharat Gianani: Sir, you just pointed out that the order book we had, like there was mention of three, four orders. So can you just clarify for that, Rs. 810 crore was from JLR and the export order that we had. And apart from that Rs. 120 crore was from PSA. And you had mentioned Rs. 200 crore and Rs. 269 crore, can you please clarify like from what customer it was and when it would start executing?

Sandip Patil: So, Rs. 810 was contribution from the JLR, Samsung, MAHLE and those customers. Then next contribution of Rs. 250 crore was from PSA, Toyota, Renault, UQM, MSIL those customers.

Bharat Gianani: So, Rs. 810 and Rs. 250 crore right, that was the amount?

Vimal Gupta: Rs. 810 is the order size for the life of the product that is the kind of full year average, so yearly average will come to Rs. 116 crore, next project what we are

talking about, the total project value is Rs. 1,100 crore, so yearly average is around Rs. 220 crore, which is for PSA, Toyota, Renault, etc. So, these are there, and after that further, we have the order book of around Rs. 900 crore for the project life averaging maybe around Rs. 180 crore yearly. That is coming from Mahindra, Dana, REML, Eaton those type of customers.

Bharat Gianani: The contribution from all this will start from FY22 and you are expecting about Rs. 328 crore incremental topline from this right?

Vimal Gupta: Rs. 320 crore from all these three that I have explained because as and when in every call, we are just updating what further addition we have made, like Rs. 810 crore, then Rs. 1,100 cr, then Rs. 900 crore, etc. That impact immediately we can see from the next year.

Bharat Gianani: Okay. So, because of the COVID situation and because of some export issues, are you facing any delays from the customer side like there is any communication from the customer that because of the COVID-situation the execution will probably be delayed or something like that, any communication from the customer side?

Sandip Patil: So, some of the projects, where we are participating in global business and customers have cleared those programs already, they are taken up on priority. So there is no delay, only for one customer, there is delay and they have deferred by around three months - four months, so we don't see furthermore delays on that.

Bharat Gianani: On the cost control measures that have led to the strong performance. So, just wanted to kind of say that any margin aspiration that you have given that you've talked about the machining mix will also improve given the new orders that come, and obviously operating leverage will also kind of help. So any margin aspiration that you have for the next two to three years?

Vimal Gupta: Every company has margin aspirations and they look for the higher margins. So now it will be a forward-looking statement so, I cannot give you the number, but like I have explained it will be on the higher side because of the shift from the casting business to the fully processed components. So definitely we are looking for the higher margins.

Bharat Gianani: Sir any target you have in mind like?

Vimal Gupta: We work based on targets.

Bharat Gianani: What would be capex for this year and next year?

Vimal Gupta: We are getting further additions and new business is coming in with high volumes and high value. So approximately half of the year has gone, but for the balance year, we have to put the investment for the specific processes because some capacities are available, those are the common type of processes we have to do, and when we are shifting from the casting to the fully machine products, we have to make the investment in the PLC machines as well as for the particular product requirements like testing and all these things. So, for this year as well as and for next year, Rs. 140-150 crore we have to invest to build up the capacity for FY21-22 and as well as for fulfill the requirement of FY22-23.

Bharat Gianani: Okay. So, Rs.140-150 crore will be next two years, three years?

Vimal Gupta: One and a half year, this year half year and next one year.

- Bharat Gianani:** FY21 as a whole, what would be the amount and FY22 as a whole, what would be the amount?
- Vimal Gupta:** Rs. 42 to 45 crore in this year and balance will be in the next year.
- Bharat Gianani:** Okay sir, next year will be about Rs. 90 or 100 crore?
- Vimal Gupta:** Yes.
- Moderator:** Thank you. The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.
- Pankaj Bobade:** What is our breakup for our exposure to ICE engines and EVs and given that ICE engines would be a sunset industry maybe at least five years down the line. What are we doing to compensate for that?
- Rajeev Sikand:** Firstly, I would like to answer that when we say five years down the line, it is not going to really happen and neither of the big OEMs who have invested so much money in India is going to happen so soon, in India, especially. So, when you come to our facilities, our back-end, our LPDC, our GDC, all our machines are same machines that can make ICE engine part, same machine can make EV parts. So, we are completely agnostic on this. There may be one or two special fixtures, tooling, tooling is which is normally customer paid item, otherwise we are completely covered in this and now I will let Rajiv answer the breakup.
- Rajiv Gupta:** ICE goes around 85% of total revenue contribution. EV currently is holding 4% and rest is held by the non-auto. So we are focusing, our focus from EV currently is 4% and we want to grow to 10% and in a very granular way we have listed down which customers to tap and how we should go about over the years. If we talk about ICE from currently 85%, definitely things are moving towards EV, the contribution will go from 85% to 75%. The thing is, if you particularly talk about ICE engine, we are focusing more if I talk about segment wise if you see two-wheelers, our focus is now to other periphery parts because we know very well the market is shrinking. And to grab more sale, definitely we need to increase content per vehicle and that is a reason earlier we were only with cylinder heads and we didn't have a good margin but with the other periphery parts we have opportunity to submit fully machined and painted parts. So with that, definitely the profits are going to increase. Particularly, if we talk about light vehicles, we are focusing more towards cylinder heads rather than other engine parts where we were contributing much earlier. So we want to increase our share in cylinder-heads currently from 8% to 16% in the next five years. In commercial and non-auto, we are eyeing for new products, new customers and the new products.
- Moderator:** Thank you. Ladies and gentlemen, that is the last question for today. I would now like to hand the conference over to the management for closing comments. Members of the management over to you for any closing remarks.
- 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 of CDR India. Thank you once again for taking the time to join us on this call. Thank you very much.

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