



**Alicon Castalloy Limited**  
**Q2 FY23 Earnings Conference Call**  
**November 16, 2022**

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**Moderator:** Ladies and gentlemen, good day, and welcome to the 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 now hand the conference over to Mr. Mit Shah from CDR India. Thank you, and over to you, sir.

**Mit Shah:** Thank you. Good day, everyone, and thank you for joining us on Alicon Castalloy Limited's Q2 & H1 FY'23 earnings conference call.

We have with us today, Mr. Rajeev Sikand, Group CEO; Mr. Vimal Gupta, Group CFO; Mr. Shyam Agarwal, General Manager - Marketing; Mr. Andreas Heim, Managing Director at Illichmann Castalloy; and Mr. Rajiv Gupta, Head of Domestic Business of Alicon Castalloy Limited.

Mr. Vimal Gupta will cover the financial performance for the quarter, following which Mr. Agarwal will walk us through the operating highlights. In order to share a more granular view with the initiatives to the global and domestic markets, we have also Mr. Andreas Heim and Mr. Rajiv Gupta to provide insights on these areas. Following the comments of the team, our Group CEO, Mr. Rajeev Sikand will give a brief summary of the quarter gone by and encapsulate the strategic imperatives. Thereafter, we shall open the forum for a Q&A session.

Before we begin, I'd like to point out that certain statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings documents shared with you earlier.

I'd like to hand over the call to Mr. Vimal Gupta for his opening remarks. Thank you, and over to you, sir.

**Vimal Gupta:**

Good morning to all our investors. Thank you for taking the time out to join our earnings call. I trust that all of you have had a chance to review our earnings documents which was shared yesterday. We are delighted to share a strong set of results for the Second Quarter of Financial Year 2022-23.

Those of you tracking the auto industry, would know that 2018-19 was the best year in the last few years for the industry. Thereafter, there have been multiple challenges, which are well documented. As per our assessment, the domestic industry has reached a performance level of approximately 80% of the benchmark set in 2018-19. While the international auto industry is at about 85% of the benchmark. At Aicon, our revenue performance is 120% of the benchmark, that we had set in 2018-19, clearly indicating a strong outperformance when compared to global and domestic auto industry. The genesis of our current performance can be traced back to the months following the peak of 2018-19. As industry volumes begin impacting, we realized that we had to further diversify and strengthen our business by adding newer components, more regions and increasing customers. We were highly dependent on few key parts and the customers base was narrow. Further, our business growth was driven by what our customers decided to provide to us.

The business transformation that we see envisaged included a focus on multiple growth vectors which have been categorized as five pillars by us. This includes - Traditional ICE business; Opportunity from Carbon Neutral Technology including Batteries, Electric Vehicles, Hybrid Electric Vehicles, Plug-in Hybrid Vehicles, Fuel Cells and Hydrogen Cell Technologies; third is, Opportunity from Structural parts or Technology Agnostic parts, which remain consistent, no matter which fuel technology is used to power the vehicle; and fourth one is, Non-auto business encompassing opportunities from sectors such as Defense, Healthcare, Telecom, to name a few, where our competencies can be leveraged; and fifth one is, Enhanced customer wallet shared through machining, finishing and combining products to offer customers one-stop solution.

Even as we begin implementing this growth strategy, we were faced with the global pandemic in early 2020, which delayed the outcomes. However, as we are seeing the effects of the pandemic fading into the background, we are witnessing recovery in economic activity and customer behaviour. This has enabled us to apply our growth strategies with greater vigour.

In that backdrop, I will run through the financial performance. Total income in Q2 FY2023 stood at Rs. 378 crore. That is higher by 41% on a year-on-

year basis. Significantly, outpacing industry growth, which was around 14% year-on-year.

During the quarter, we witnessed some cooling off in input tariffs, but these remain substantially higher than the corresponding period last year. These are the pass-through for us but there is some lag. The pass-through impact due to prior input price increases combined with improved product mix have added gross margins for the quarter, which stood at 49% in Q2 FY2023 against 47% in Q2 FY2022.

In line with our strategy, the share of business from Passenger Vehicles, Commercial Vehicles, Exports and Carbon-neutral technologies has grown enabling a richer product mix, also the focus on machine parts has enabled us to realize better margins. To enable this, we intend to keep the share of 2-wheeler business stable. Given limited scope for value addition and drive a higher proportion of incremental business from Passenger Vehicles, Commercial Vehicles, Exports and Carbon Neutral technologies where the scope of value addition is greater. The initial benefit from this approach has added to the momentum this quarter.

While our endeavour to improve margins through rebalancing product mix is bearing fruit, we continue to face cost inflation. We had categorized the challenges facing us internally as '6C' framework - the COVID impact, chip shortage issues, cost of new product development, the conflict between Russia and Ukraine, global cost base inflation together with supply chain challenges. While some of these challenges are slowly getting mitigated, cost inflation continues to persist.

Kaizen principle-based initiatives that we have adopted have helped us bring in optimization across all methods of our business model right from the inventory management, employee expense to power cost optimization, among others. We have seen a notable reduction in fixed expenses, as well as streamlining of overheads due to these initiatives. As a result, the EBITDA margin in Q2 FY2023 was 11.5%, higher by 210 basis points year-on-year basis. In absolute terms, our EBITDA margin during the quarter came at Rs. 43.46 crore, higher by 72% year-on-year basis. As we have shared earlier, our 3 to 4-year target is to improve our EBITDA margin to a level of 14% to 15% on the back of growth initiatives combined with cost efficiency measures.

With the operating leverage provided by the growing scale of operations as well as reduced finance expenses despite impact of increasing interest rates, Profit after tax was Rs. 15.3 crore for the quarter, high 5x compared to Rs. 3 crore in Q2 of last year.

For the half year ending September 2022, revenue was Rs. 722 crore as against Rs. 480.41 crore in the corresponding period last year, growing by 50%. The gross margin during the first half of FY2023 stood at 48% as compared to 49% in the first half of FY2022. EBITDA for first half of FY2023 stood at Rs. 81.42 crore against Rs. 43.3 crore in first half of FY2022, that is higher by 88% year-on-year basis. Profit after tax for the first half of FY2023 stood at Rs. 26.11 crore against a loss of Rs. 1.12 crore in the first half of last year. I'm pleased to share that we have delivered a performance surpassing pre-COVID levels. More importantly, if you analyze our first half numbers, we are, of course, to set new benchmarks in revenue and profitability.

On the CapEx front, we have deployed Rs. 15 crore during the quarter and have deployed a total of Rs. 38 crore during the first half of the current financial year. This is in line with our plans to deploy around Rs. 90 crore in FY2023, which includes maintenance CapEx and new machining capacities. In Q2 FY2023, our plants in India and Europe operated at utilization level of 70% to 75%.

To summarize, we are continuing on the positive momentum and are confident of delivering better financial and operational performance during Financial Year 2023. Our focus continues to be on improving margins, return ratios and streamlining our working capital cycle. We are confident of delivering strong and sustained growth in the quarters ahead.

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

**Shyam Agarwal:**

Thank you, Mr. Vimal. Greetings to all of you.

The domestic auto sector saw a significant recovery in demand during the quarter. We witnessed a growth of 14% in volumes on a Y-o-Y basis. And within this, Passenger Vehicles grew 38% on Y-on-Y basis, Commercial Vehicles grew 36% on a Y-o-Y basis and 2-Wheeler volumes improved by 8% on Y-o-Y basis. The improved growth was driven by the pent-up demand, improved availability of semiconductor, festive push, new product development, and in case of Commercial Vehicles and Heavy Vehicles, factors such as increased infrastructure spending, mining activities, logistic growth and resumptions of offices and schools added the demand.

On the production front, OEMs delivered better level of production, which augured well for the overall industry. In the previous con call, we had indicated that we started Calendar year 2022 with the projection of 5%

industry growth, which was subsequently raised to 7%. And based on the data up to September 2022, there is optimal that domestic industry can achieve high single-digit and possibly double-digit growth for the full year.

International trade remains favorable as global customers have adapted to challenges such as limited semiconductor availability and supply chain realignment. We are receiving healthy leads and inquiries from our international business segment and remain optimistic about future growth. Tracking this, last quarter, we had indicated an increase in our internal budget to a range of 25% to 28% growth on a year-on-year basis. As is evident from the numbers in H1, we have delivered 41% increase in revenues on a year-on-year basis. Given the orders in our book and the anticipated start of production, we can now expect to close the year with growth of 30% to 35% on year-on-year basis.

Let me take you through the key factors contributing to the improved outlook.

First, against the initial expectation of flat industry performance, this year, we are witnessing domestic industry volume improving with the expectation of high single-digit growth this year. Second, the new parts and orders added over the last 2 to 3 years have entered SOP and are contributing to incremental revenues in Financial Year 2022-23. Overall, there are multiple levers which are offering a high visibility of growth. As Mr. Vimal has already covered, the key focus area for us, which are contributing to our outperformance. The overarching approach across all of these areas is to sharpen the focus for us, which means greater emphasis on value addition.

In the Auto business, we are seeking critical parts like Cylinder Heads and to underline our commitment, we came up with the automation cell to drive the differentiation in our offerings. We have automated one Cylinder Head line for a global customer. Since Cylinder Head is the critical part, and we see a strong opportunity for some customers, we have made investment in automation technologies in order to showcase our readiness and know-how of technology for this critical part.

In Carbon-neutral technologies, our focus is on Passenger Vehicles, Commercial Vehicles and export opportunities as we see a greater scope for value addition in these areas. We have already built up a portfolio of over 93 parts catering to EV and are progressing well on our target for scaling up revenues from carbon-neutral technologies. While we have shared that, on initial target, which is to bring our wallet share from carbon-neutral technologies to 25% of our overall revenue via Financial Year 2025-

26. Based on new order wins, we see accelerating momentum for the share of revenue from carbon-neutral technologies. Based on the orders received, we have already achieved 22% from Carbon-neutral technologies by financial year 2025-26. There are certain ongoing discussions with global customers, which hold potential to drive these targets higher.

We have already achieved 22% share on the back of several exciting order wins. In end September, we announced a large multiyear order from Jaguar Land Rover for their e-mobility platform, which was the largest ever order win in Alicon's history from a single customer for a single project. We will supply the E-axle housing, which is a critical product for the e-mobility platform. The component entails supply of an integrated e-motor and transmission housing. This order is for the deliveries over 7 years with major supply will happen over 5 years. The product will be manufactured at our facility in Pune. This business award clearly illustrates our improved standing in the global industry, the improving salience of our brand, our expertise in manufacturing critical and complex components, as well as the competitiveness on the global stage, where we have pitted against suppliers from all corners of the globe. To win this order, showcases our capability, as well as opens the gate for other major global OEMs, as well as the new entrant in the e-mobility.

In the Carbon-neutral segment, we have a host of parts which are set to go. Our supplies to Dana have commenced with the start of production, and will gradually build up in the coming quarters. As many of you would know, Dana is well regarded Tier 1 supplier to many global OEMs and is a key supplier to Switch mobility, which offers electrical buses in India.

We had successfully developed samples for a recent order win from Tata Motors for their EV platforms through TACO. The components will enter mass production in this current quarter. In our global business, increases volume being supplied to Danfoss and our order win from Rimac, last quarter has opened up 5 new parts this quarter. This will allow us to demonstrate a wider portfolio to existing and potential customers. Andreas will walk you through greater detail for the order wins.

A key development we had spoken about was the supplies to the Toyota hybrid vehicle called 'Hyryder'. It enjoys highest-ever mileage in its class of 27 kilometers per liter for a 4-wheeler and the customer response to the product has been fantastic. It has a waiting period of 5 to 6 months. As we have shared last quarter, we will be supplying Cylinder Heads for this vehicle. And given the favorable response to the vehicle, we can count on some exciting volume growth from here.

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

**Andreas Heim:**

Thank you, Shyam. A warm welcome to all of you. I will briefly cover the developments on our international business. We delivered a consistent performance in each month during the quarter, owing to a robust demand environment in global markets of the United States, China and in Asia. While we saw early evidence that supply chain concerns were lessening across markets, the prolonged conflict has expanded inflationary pressure on some essential inputs. Prices for major raw materials began to stabilize at slightly lower levels.

The rising prices of inputs are pass-through to customers, and we are working with them to arrive at the formula for higher energy costs too. We had noticed some pass-through and we are working towards appraising the remaining inflation in the cost basket. The EBITDA margin we had delivered is despite absorbing some proportion of the higher costs, too.

Last quarter, we had talked about assured gas availability. It is now well-known that alternative gas supplies to Europe has resulted with supply higher gas reserves are based at higher costs than before. We are in discussions with our suppliers to work out assured supply of power while exploring any scope of cost reduction. Further, we are in the processing of installing solar panels to diversify our energy mix.

The global business contributed to 6% of the total revenue during the quarter and first half year in this financial year, respectively. Of that 10 parts, we were able to add 8 new parts from global customers.

Last quarter, we mentioned that we delivered a Motor Housing product for Rimac, an associated company of Porsche, which holds 45% ownership. Rimac is perceived as Tesla of Europe and our suppliers to Rimac Auto are very helpful to opening the doors with other European customers. Based on our suppliers last quarter, we are now working on additional projects for Rimac completing 5 parts, and this will mark an expansion in our relationship with them.

On the last quarter's discussion, you may recall that Rimac also has an engineering division, which supplies for large global OEMs, including its parent company, Porsche. We undertook a Thermal Engineering project for Rimac, which is working on developing EV parts for other OEMs. There is a huge potential to build on these new supply arrangements.

We are working with KTM on developing a new swing arm following our sources with Ducati in the previous quarter. To remind all of you, given ongoing projects with KTM, BMW and Ducati, all 3 of the largest European 2-wheeler OEMs are part of our customer list.

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

**Rajiv Gupta:**

Thank you, Andreas. Good day, everyone. The Indian automotive sector grew strongly in the second quarter with the Passenger and Commercial Vehicle category leading the way, and 2-Wheeler seeing the gradual recovery in demand. Furthermore, of freight capability remains high, following a brief slowdown during the monsoon, the CV sector sales during festivals recovered in retails. In India, we have seen improved traction in the Auto sales, particularly in the Passenger Vehicle and Medium & Heavy Commercial Segments. For 2-wheelers, after initial expectation of the flat volumes, we witnessed high single-digit growth this quarter. We saw significant boost in volume performance throughout the festive season because this was the first normal festive season after 2 years of the COVID-led disruption.

In the quarter, we have delivered a strong performance. Total contribution from our domestic segment stood at 79%. Overall, we recorded good growth in the domestic auto industry throughout the quarter, driven by the strengthening trends, festive push and a greater preference of personal mobility.

We are seeing high volume of inquiries in the market of the new technology and how optimistic that strengthening macroeconomic conditions will help us sustain this momentum. More importantly, domestic customers are evaluating suppliers based on capabilities and track record in the EV offering. Aicon is well placed in this regard with the rich experience in this space and a compatible track record of 93 parts with 16 customers. Our European subsidiary Illichmann, which has been supplying EV components since 2017 has been a key contributor to our global competitiveness in this space.

In the Non-auto business, we have been awarded an order for a prestigious telecom project under AatmaNirbhar Bharat. This is for a large order for implementation of the 4G/5G network. Aicon will be a single source of provider to this large project for the past it is supplying. All of the technologies for current 4G and 5G networks have been imported. And the project aims to recognize developing this technology as a part of AatmaNirbhar Bharat. We are proud to be a key supplier to this project.

In the non-auto business, there is further traction as we are in discussions with the Department of Defense for supply of further products catering to defense requirements.

Lastly, we have developed a Cylinder Head for a leading manufacturer for all-terrains vehicle. This will be supplied to the U.S. market. This order win is important as we have traditionally supplied partially finished Cylinder Heads to customers. We are now moving up the value chain by supplying fully finished Cylinder Head in this case.

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

**Rajeev Sikand:**

Thank you. Good day, everyone. We have reported strong results during the first half of this fiscal. We have marked an uptick in client engagements and have demonstrated strong progress against new orders.

We have chalked out our focus on global customer and invested significantly into human resources and R&D in order to enhance our global competitiveness. We challenged ourselves to develop a greater proportion of critical and complex parts. We have pushed our teams to think of providing solutions to customers rather than focusing on parts or components enabling us to transform the business model.

If you look across the customer base, we are now working with Maruti for Cylinder Head, which is the largest OEM in India. We are well placed with Toyota, which is the global leader in technology. Customers like PSA offer us greater visibility in domestic and global markets alike. We have supplying our EV parts to Tata Motors, which is fastest-growing OEM and dominating the EV market in India.

Another achievement of our strategy that I have shared was to increase the footprint of Passenger Vehicle and CV in our value addition mix from 50% in FY2020 to 70% in next 5 years. Further, we aim to increase the share of global business from 37% in FY2022 to over 45% in next 5 years.

The focus is clearly a higher value addition and as a team, we are obsessively monitoring the value addition per kg. We also aim to increase our sales per machine by launching the proportion of machine parts in comparison to 'as cast' at present.

I am pleased to share that this is starting to reflect in our performance. With the industry growing at 13% on a year-on-year basis, we have outperformed in a meaningful way, reported a revenue growth of 41% year-on-year in Q2 FY2023.

Further, we have rebranded our focus for EV to Carbon-neutral technologies, which mirrors the wider focus by our team. This is reflective of the potential technology mix that we foresee in the mobility sector over the rest of the decade and beyond. We also seek to build out our contribution from structural parts, which are technology agnostic. Currently, the contribution from Carbon-neutral and structured part is 14%, and we aim to take this over 45% in 5 years' term.

On operational efficiencies, we have optimized costs across our business model and brought in higher efficiencies that enable us to restrict the impact of cost on our margin profile during the quarter. We are actively working towards increasing our sustainability footprint and ensuring commissioning of our captive solar plant, which will meaningfully transform our energy mix.

I would once again reiterate that we are future ready. As an organization, we enjoy a favorable outlook. On the back of global recovery, we see strong demand trends. Our total order booking for auto business now stands at around Rs. 3,400 crore to March 2026 with an average annual value of Rs. 700 crore. We look to build on this further with deepening engagement with existing and potential customers.

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

**Moderator:** The first question is from the line of Umesh Matkar from Sushil Finance. Please go ahead.

**Umesh Matkar:** Thank you for detailed explanation on technology and also an exciting future business outlook. So we can see that Alicon is moving into a global supply chain. There are certain questions I had. Like what is the current contribution of 2-Wheelers as of now? And going forward, what it will be in next 3 years? Also on machine components, how much is the contribution right now? And how much it will be in the future?

**Rajiv Gupta:** Okay. Thanks again for your continued support and your questions. So currently, this year, we are aiming to bring our 2-Wheeler contribution to 37% and eventually to take this to 17% by FY2025-26. On the machining

front, this year, we will be closing roughly around 70% to 74%. And we are aiming to increase it to 80% to 85% by FY2025-26.

**Umesh Matkar:** Okay. 2-Wheelers, I missed it, sir, it was from 37% to?

**Rajiv Gupta:** To 17%.

**Umesh Matkar:** 17%. Okay. Right. Also, you mentioned on your comments that value addition you're doing. So how much will it result in increase in content per vehicle?

**Rajiv Gupta:** I guess, as of moment, we're looking add, I mean, enter different segments where I can give solutions to our customers. So if we see a scenario of playing in an ICE segment versus playing in a EV segment, my opportunity in a 2-Wheeler space is almost the same, seeing how the industry has come up with a model of lucrative solutions in the 2-Wheeler space. But yes, the opportunity has increased a lot when we talk about segments like Passenger and Commercial. If I see for Passengers, the opportunity lie somewhere around 15% to 20% in the ICE segment, The ability to go to 40% to 50% in the EV platform. Also in Commercial, from around 10 to 20 kg per vehicle, the opportunity is increasing to 80 kg.

**Umesh Matkar:** Okay. That's good to hear. Sir, Alicon has visibility till FY2025. Can you throw some light on developments and order pipeline beyond FY2025?

**Rajiv Gupta:** So we have done a good progress talking about adding businesses from FY2018-19 where we're very clear which segments, which parts to focus. And today, we are very proud to share with you, we are moving ahead with our strategy. The total order booking stands at around Rs. 7,200 crore when we talk about a period sales till FY2028-29 with a yearly order booking of Rs. 1,000 crore. In this portion, our order booking, I mean, it's a good number with EV and Carbon-neutral parts, roughly around 32%, with technology agnostic parts roughly around 6%. More important here is, we have added more of an exports parts, roughly around 50% and also in this journey, we've added new logos, roughly around 30% to 35%.

**Moderator:** The next question is from the line of Raghunandhan N. L. from Emkay Global. Please go ahead.

**Raghunandhan N. L.:** Congratulations, sir, on stellar performance, and thank you so much for the detailed opening remarks. It is very helpful. Sir, my first question is, the new order bookings in Q2, can you indicate what was the value of the order bookings? And also, can you indicate approximately what is the new order contribution in revenue for FY2023 and FY2024?

- Rajiv Gupta:** So in Q2, we have added 10 parts from 4 customers with a yearly average sale of roughly around Rs. 190 crore with a peak sale of around Rs. 250 crore. And the total project sale is roughly around Rs. 1,200 crore for a span of 5 years. On the new order bookings, the good thing is 71% contributes my EV, the Carbon-neutral segment which I'm aiming followed by 90% in ICE again a critical Cylinder Head part. Also, we made good numbers with technology agnostic, which we were aiming. Out of this order booking, 81% contributes towards exports.
- Raghunandhan N. L.:** And can you indicate FY2023-24, how much would be the addition to revenue because of new orders? Would it broadly be in the range of Rs. 600 crore to Rs. 700 crore?
- Rajiv Gupta:** Around Rs. 700 crore, we are going to book with these new businesses next year FY2023-24.
- Raghunandhan N. L.:** And, I mean, the recent prestigious order on E-axle from Jaguar Land Rover and this E-axle housing being an important product, which can reduce weight. Can you indicate what can be the potential for this product and in terms of getting orders from more customers?
- Rajiv Gupta:** So, again, that's one of the great achievements that Alicon has bagged. This is one of the highest order booking in the history of Alicon. And Alicon was able to convince or grab this opportunity from a global customer like Jaguar with the know-how what we have shared with them, also we have given them unique solutions, which they have really appreciated. And this is one of the critical part when we talked about parts for the electric mobility because it's a combination of Motor Housing and Transmission Housing. So now this development will help us to showcase our existing customers and potential customers who are actively working on such projects. So we are already in discussions with other players also. So we are quite confident on an immediate development, we will get immediate inquiries of such developments going forward.
- Vimal Gupta:** So, Raghu, important is to understand in this, like when we got this order from Jaguar Land Rover, so it is not like that they have given to India. So there were the global competitors from China, from Europe and we have shown our capability of the technology. So that was very much appreciated that at global level, the kind of technology, Alicon is having. And on that basis, almost all global players, these OEMs, they have approached us. So that has opened the door for Alicon at global front.

**Raghunandhan N. L.:**

Got it, sir. That is heartening to hear. Sir, on the export side, I understand that we have strong order bookings, and we will continue to see a strong growth. I was trying to understand the industry situation. Any concerns you foresee in future because of the recessionary concerns for U.S. and Europe? And also because of this power availability issues, is there any production impact expected for the Europe subsidiary? And also in terms of this rising energy cost, in terms of pass-through of inflation, gradually it should happen, any timeline by when you expect pass-through to happen, whether it will be over the next 2, 3 quarters?

**Vimal Gupta:**

So in this first, I'll take your question about the challenges in the coming period, that is definitely everybody is worried about that the U.S.A. recession. That is maybe we can say post the recession because Fed is now increasing the interest rate that is impacting, and we see that a lot of attrition is happening in the industry there. So definitely, we are also taking that into our consideration and both focus on the orders we are having from the U.S., so we are keeping the watch on that, how they are moving, how they are performing. And definitely, we are taking our internal actions. So how to now focus and maybe to compensate this, if the sales lock happen, so how to compensate from other customers, that is to achieve and deliver our targets, as well as more focus on the cost reductions if something goes wrong. So these already initiatives we have started taking in Alicon that is on the part of the recession. What we are talking about, we foresee the challenges.

On the energy costs, especially in the Europe, definitely it is a concern. And at this moment, we are able to negotiate almost with all customers and to pass-through that cost to all OEMs. But it is a challenge. And now we are seeing some availability has increased in Europe for energy. But now we are seeing that maybe customers they will shift in future from Europe to India, maybe it is opening up further opportunities for Alicon for the new businesses. And when we talk about the energy cost in India, so on that, definitely, one is that, initially, we were also not focused to pass-through because it is not so much fluctuation in this cost. But now we have started negotiations and discussions with the customers to pass-through like we are doing for aluminum. So consider as a completely variable cost. But on the other side, for the reduction, as explained in the speech also that now we have already tied up for the solar energy. So that we will start getting the benefit from the next quarter, in quarter 4. So that will also impact on our reduction in the energy cost. So hope I have answered all your questions, Raghu?

- Raghunandhan N. L.:** One last question before I fall back to the queue. And one clarification also. On export side, broadly, sir, what would be the mix between Americas and Europe and rest of the world? Would it be 40:40:20?
- Rajiv Gupta:** Yes, U.S. 40%, and Europe also roughly around 40% and 20% rest of the countries.
- Raghunandhan N. L.:** And my last question was, sir, on the margin trajectory, our medium-term target is to go back to the 14%, 15% margin level. Approximately or broadly, how do you see the margin range for FY2023 and FY2024? Just trying to understand your thoughts.
- Vimal Gupta:** So the target is at least to improve by at least around 0.75% to 1% we are targeting in the next year.
- Moderator:** The next question is from the line of Aman Agrawal from Carnelian Capital. Please go ahead.
- Aman Agrawal:** I had a few questions. So first was on our process of manufacturing, like your low-pressure die casting method of manufacturing are casting process. So like as far as I understand and please correct me if I'm wrong, it is slightly expensive compared to high-pressure and slightly complex compared to high-pressure process of die casting. So there is around 25%, 30% kind of differential in cost for low-pressure casting versus high-pressure casting. So like on our EV orders, like given they are on low volumes right now, and we are getting these orders on low-pressure casting. So do we see a risk in future, like when the volumes basically ramp-up, this EV-related volumes which we are getting, they might shift to high-pressure casting in future, sir.
- Rajeev Sikand:** This is a phenomena, which is even going on right now in our current business. Again, it depends on our OEM strategy. Right now, if you see Maruti, which they are bringing the new EV cars, they've gone the high-pressure route. So it's a OEM-to-OEM preference. It's got nothing to do with the criticality of the component which determines the process and not the volumes only. Like a Cylinder Head cannot be made in high-pressure because of the certain mechanical properties, which cannot be achieved in high-pressure. So it's either gravity or low-pressure.
- Aman Agrawal:** Yes. Understood, sir. So we do not see a risk on the EV order book, which we have that in future, there might be a move to high-pressure and we might lose business. Right, sir?

**Rajeev Sikand:** No. The future is already there. So it's the part of the journey, some will move, some OEMs will like to go that route, some will like to go this route. And even now when we are doing our current production, in many areas, we are more or less matching the high-pressure cost of production. So that is what the ability we have developed at the back end.

**Aman Agrawal:** Understood, sir. That is really interesting to hear. My second question was on this order book, sir. So like if you can basically touch upon how we calculate the order book, like how do we calculate the quantity for a particular product? And relating to that, like in future, in EV, like since it will be a developing technology. So if we see much iteration in the models introduced by OEMs, like once the new model comes through, if the life of that model is not enough. So could that impact the overall order value for us, sir?

**Rajeev Sikand:** So this is open for everybody, right? This is not unique for Alicon. It is open for every supplier, it is even now. First you take the current models of ICE which is take for example, Indian market OEM. And this is applicable to some model will do well, some model will not do well. So suddenly, Toyota has launched this 1.5-liter hybrid, and if you guys go to the showroom, you will find a different Toyota showroom in base. Why? There's no car in hybrid in that, they are mini SUV. Having those kind of features, a 17-inch wheel extra. So somehow Creta is the leader now. How long it remains? But also Toyota is not doing very big production of this right now because there are chips of high-end chips, they have already announced 500,000 cars are going to be lost this year. So it's also chip issue for them, that's what we think, but market will determine how these kind of changes because this is a great change which the market has got out of a new car at a higher price being launched and now the waiting period is 5 to 6 months.

This is a continuous change, some models will play, some will fall down. So you have to be on your toes. How your back-end of your investment is common, and front-end always we take from the unique guys fixtures we always take from our customers.

**Moderator:** The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

**Dixit Doshi:** A couple of questions. Firstly, as you have mentioned that we are upping our guidance of now, we are targeting 30%, 35% growth this year. Now, looking at the order book and also the commodity prices are coming down. So how do you see the growth in FY2024?

- Rajiv Gupta:** So in FY2024, we see that definitely, we can touch roughly around 14% to 15% further growth.
- Vimal Gupta:** So this is an initial number. So we are in discussion with all customers. So definitely, there will be a revision in the coming period. But at this moment, around 14% to 15% we see the growth in the next year further.
- Rajeev Sikand:** And another factor is, right now the segment which we are supplying globally, their order book is still strong because every month we are verifying with them and they are still launching all that. How all that remains with this recession, that is another critical point. So every quarter, there will be a new update because there is a weightage of maybe 30% of the exports coming. So that will also be very important because if the recession does hit in a big way or this may have a little knocked-out effect.
- Dixit Doshi:** Okay. And because if the commodity prices falls, then we may have to pass on that benefit also. So even after considering you feel that we can do good double-digit growth?
- Rajiv Gupta:** Yes. Right.
- Dixit Doshi:** Okay. Now, my second question was, actually, I couldn't understand the part in the opening speech, you mentioned that we will be doing something in 4G/5G product. If you can just repeat that?
- Rajiv Gupta:** Well, this is a project for the telecom sector. BSNL has planned to indigenize this process like other players like Airtel and Vodafone, Jio, they are buying these products from China. So as a Government initiative, the BSNL has taken that initiative to indigenize. And we got this opportunity, as this is one of the again, a very critical component, a unique solution what we have offered. So successfully last quarter, we have submitted samples and now this has come into SOP. And with the success story, we see good volumes going forward.
- Dixit Doshi:** Okay. And how big it could be annually?
- Rajiv Gupta:** I'll come back on that.
- Moderator:** Next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.
- Jyoti Singh:** Congratulations on a good set of number in Q2, sir. Sir, my question on the growth side, how much percentage we are expecting for FY2023 and FY2024, if you can guide on that?

- Vimal Gupta:** So we have already explained that, at this moment, we are expecting 14% to 15% in the next year, based on the current information we are having. So it is a continuous process that quarter-on-quarter we will review and then we will revise the numbers. But at this point, this is the status.
- Jyoti Singh:** Okay. And sir, earlier in last quarter, we have guided around 18% to 20% growth.
- Vimal Gupta:** So that is for the current year of FY2022-23, we were talking about FY2023-24 is around 14% to 15%. These numbers are a little bit coming down due to the further increase in the numbers of the current year. So base has increased.
- Moderator:** 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:** So 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 interacting next quarter. Thank you very much.
- Moderator:** Thank you. On behalf of Aicon Castalloy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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