

Alicon Castalloy Ltd

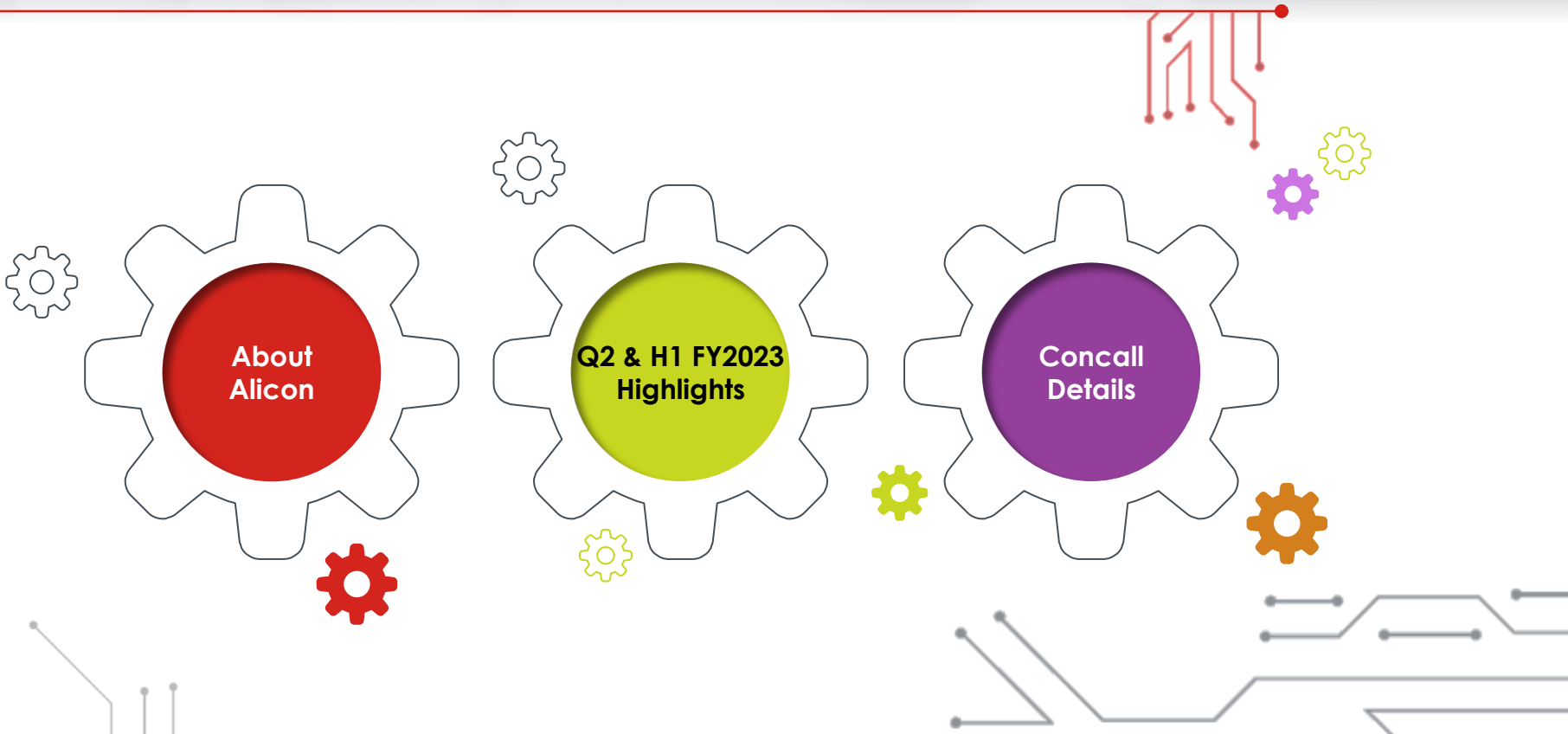
Q2 & H1 FY23 Results Presentation

November 15, 2022

Disclaimer

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Contents





About Alicon Castalloy

Alicon Castalloy - Overview

Offers end-to-end solutions spanning the entire spectrum of aluminum casting needs across multiple user industries

Offers - Design, Engineering, Casting, Machining and Assembly, Painting and Surface Treatment of Aluminum Components

Pioneer in India for processes of Low Pressure Die Casting (LPDC) and Gravity Die Casting (GDC)

Operates one of the largest Aluminum foundries in India

Leaders in the development of Pro-Cast and Magma space in India

Diversified marquee Customer base across core sectors in India coupled with steady rise in International presence

Robust track record of 49 years, further enriched by 89 year legacy of Illichmann Castalloy



Alicon Castalloy - At a Glance



1,081

INR crore of Total
Income in FY22



116

INR crore of
EBITDA in FY22



92

customers with..

809

Live Parts



4

Manufacturing
Units



131

No. of product
innovations FY20-22



18

Presence in
countries

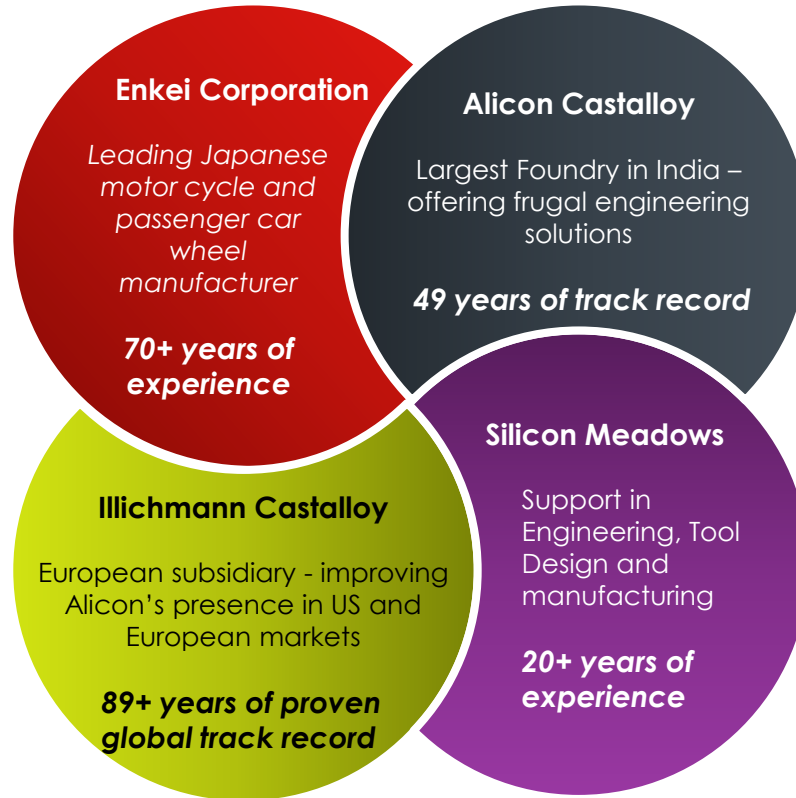


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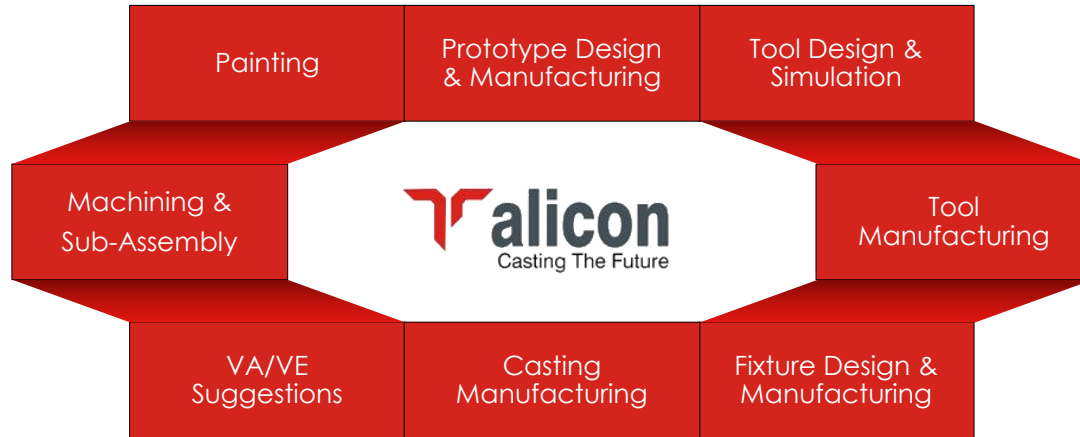
No. of permanent
employees

Alicon Castalloy – Blending the best attributes

*A blend of
European
engineering skills,
Japanese quality
and inherent
Indian ingenuity
and frugality*



One-stop shop for all engineering solutions related to aluminum alloy castings



Catering to key sectors of the Indian economy



Automobile



Infrastructure



Aerospace



Medical



Energy



Agriculture

Global Presence : Close-to-Demand

Strategic locations enable shorter time-to-market and enhanced cost optimization



4 modern plants
(1 international)

High-end machines

Advanced Technology Centre

Globally competent Tool
Rooms (20 tools/ a month)

Full-edged Machine Shop
(including assembly facility)

USA
Marketing Franchise

France
Marketing Franchise

Austria

International Marketing
Office

Slovakia

- * Manufacturing Plant
- * Tool Room
- * Product Validation Lab

Chinchwad, Pune Maharashtra

- * Manufacturing Plant
- * Tool Room
- * Product Validation Lab
- * Machine Shop

Shikrapur, Pune Maharashtra

- * Manufacturing Plant
- * Technology Centre
- * Product Validation Lab
- * Machine Shop

Binola, Haryana

- * Manufacturing Plant
- * Product Validation Lab

Diversified base of marquee customers

Diversity across markets and industries provides a natural hedge

TWO WHEELER OEM



Not reliant on a single 'anchor' customer

None of the customers contribute >15% of turnover


FOUR WHEELER OEM



TIER 1 & NON AUTO



AND MANY MORE...

The background is split into two main sections. The top right section is white and contains a faint, light grey graphic of a circuit board with various lines and dots. The bottom left section is a solid dark red color, which serves as the background for the main title text.

Q2 & H1 FY2023 Operational & Financial Highlights

Q2 & H1 FY23: Overview of Auto Operating Environment

Business & Macro-demand Highlights:

- Indian Automotive market as a whole reported growth of 13% YoY. Within this, PVs reported growth of 38% YoY and CVs witnessed growth of 36% YoY while 2Ws grew 8% YoY
- This was the first normal festive season after 2 years - Dealers indicated very strong response from the customers across the segments validated by a healthy double-digit growth in retail sales and liquidation of inventory across the categories
- Demand for PVs being led by favourable response to the newly launched models across the OEMs. CVs have reported healthy growth due to infrastructure spend, back to school and office trends and improved freight movement. Demand for 2Ws have revived slightly better than anticipated
- Supply chain challenges also seem to have abated to an extent
- On the international front, key export locations such as the United States and Europe reported steady auto sales despite concerns around recessionary headwinds



Q2 & H1 FY23: Overview of EV / Carbon Neutral Operating Environment

Key Highlights for the EV industry:

- The domestic EV industry continues to boom fueled by festival demand, subsidies, expanding product options, and closing gap in total cost of ownership vs ICE vehicles
- Cumulative Retail EV sales in Q2 FY23 in India were 257,258 units which is higher by 183% YoY compared to 90,831 units sold in Q2 FY22
- Of this, Electric 2 wheelers (E2W) were 148,167 units, a 224% YoY growth compared to 45,675 units sold in Q2 FY22
- Sales of Electric 4 wheelers (E4W) were 8,883 units in Q2 FY23, higher by 179% YoY compared to 3,180 units sold in Q2 FY22
- Going forward, by 2030, 80% of two and three-wheelers, 40% of buses, and 30% of cars in India will be electric vehicles, says the NITI Aayog

Source: Ministry of Road Transport and Highways – Vahan



Q2 & H1 FY23 - Operational Resilience

- Lower fixed expenses
- Lean and Agile manufacturing processes
- Focus on reducing overheads
- Program to reduce interest cost
- Plan to diversify energy mix

- Manufacturing facilities operating at utilization levels of 70-75%
- The Company continues to undertake all the mandatory protocols and safety measures for all its employees across plants as per the guidelines stipulated by the Ministry of Home Affairs of the Government of India

Sustainable Cost-optimisation

New Business Wins:

Key Motto for FY 23: 3R



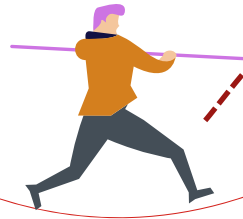
Manufacturing processes

Future Ready

- In Q2 FY23, the Company has booked 10 new parts from 4 customers
- This includes 9 parts for PV and 1 part for 2W
- Of these 10 parts, 7 parts are added in the EV / Carbon Neutral segment and 2 in ICE with 1 part in Tech Agnostic
- 8 parts are for international business and 2 parts are for domestic business
- Alicon, as an organization is Future Ready to tap opportunities arising from:
 - Preference for Carbon Neutral tech such as hybrid, EV, fuel cells and hydrogen cells
 - Staggered introduction of vehicle scrappage policy
 - Thrust on higher fuel efficiency
 - Cost-optimisation & light-weighting of products

Alicon continues to combat the 6Cs

Auto Industry has been facing six key challenges impacting demand & consumer sentiments



1. COVID pandemic-related disruptions

- Demand slowdown and weak sentiments due to lockdowns, job losses, reduced household income impacted auto sales

3. Cost-based inflation

- Increase in costs of vehicle fuels, aluminium, elements, energy, logistic and other logistic costs resulted in higher production expenses. This, in addition to higher selling price of vehicles impacted demand

5. Conflict between Russia and Ukraine

- Production and sales stop in Russia in addition to shortages of RMs and subcomponents will impact Europe auto production

2. Chip (semiconductor) shortages

- Chip shortages due to lockdowns impacted production across OEMs, resulting in loss in sales volumes and loss in customer schedules

4. Cost of new product development

- Increase NPD cycle due to complex parts led by EV evolution. Also, more trials required for reaching normal efficiency and rejection levels

6. Supply Chain Crisis in Global Auto Industry

- Constraints in container availability and congestion at ports led to extended transit times. Customers are shifting to larger inventory days in response.

Alicon combated these 6Cs through:

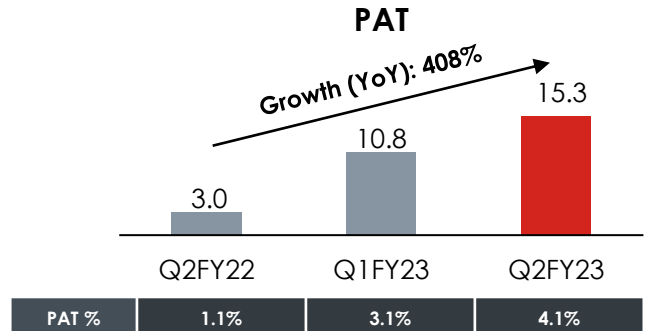
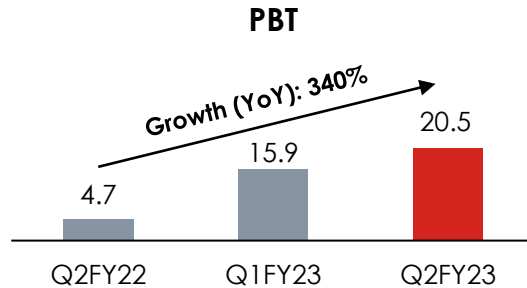
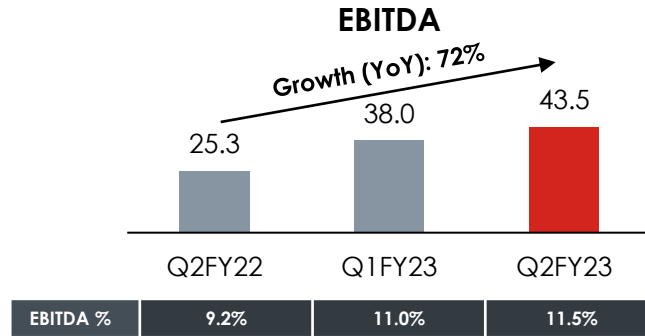
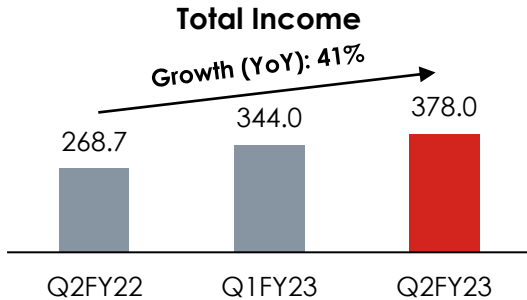
Focus on enriched product mix and driving improved volumes of higher margin products

Collaboratively working with customers to undertake price hikes

Sustained cost reduction initiatives using Kaizen principles that enabled cost reduction at a micro-level across operations

Driving higher operational efficiencies across business model

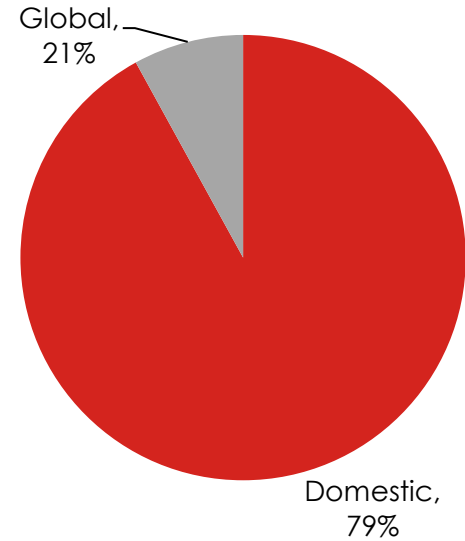
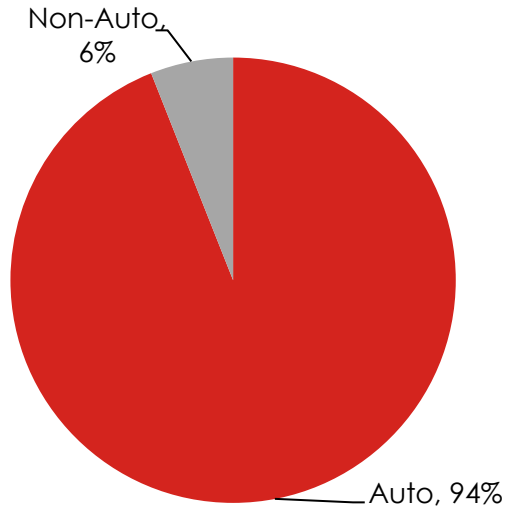
Q2 FY23 Highlights – Consolidated



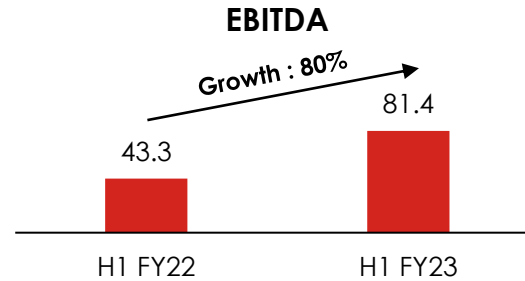
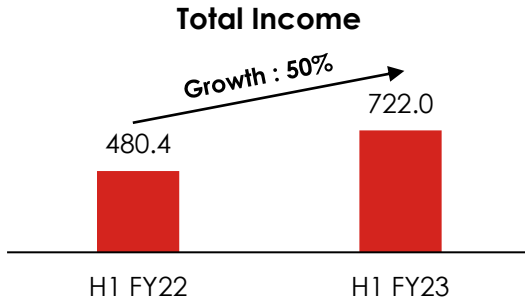
- In Q2, Alicon delivered strong growth with total Income higher by 41% on a YoY basis due to normalizing production schedules of customers accompanied by commencement of orders won in recent quarters
- Other income stood at Rs. 0.70 crore
- Gross profit was Rs. 183.52 crore, with the gross margin at 49%
- EBITDA margin improved to 11.5%. Focus on higher value parts, cost cutting measures and operating leverage helped the Company to increase EBITDA margin by 210 basis points on a YoY basis and by 47 basis points on a QoQ basis
- Reported PAT of Rs. 15.34 crore, which is higher by 4x on a YoY basis and by 43% on a QoQ basis

Figures in Rs. Crore

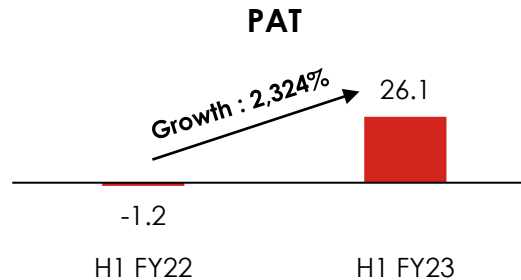
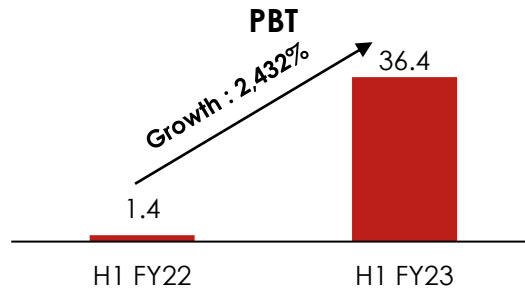
Revenue Mix – Q2FY23



H1 FY23 Highlights – Consolidated



| EBITDA % | 9.0% | 11.3% |
|----------|------|-------|
|----------|------|-------|

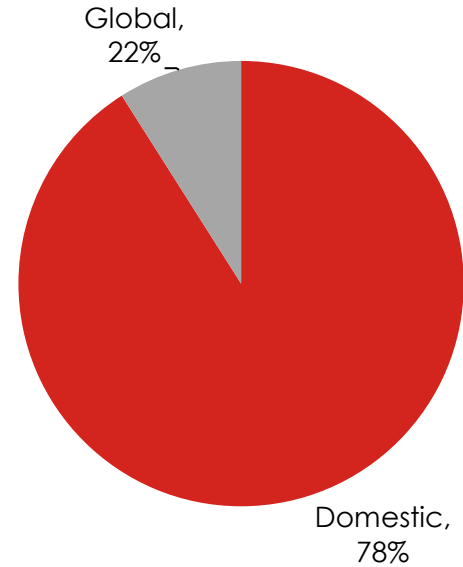
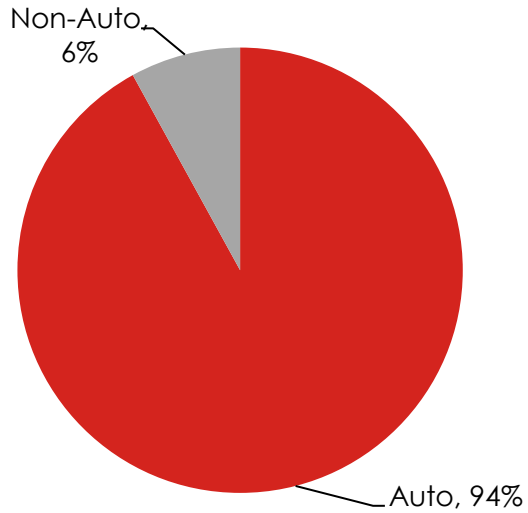


| PAT % | NM | 3.6% |
|-------|----|------|
|-------|----|------|

- Alicon outperformed the industry with robust revenue growth of 50% YoY in H1FY23. This is despite recessionary headwinds in global markets and gradual normalisation in domestic market post 2 years of pandemic.
- Start of Production of large orders awarded in recent quarters has driven this performance. Further supported by improved contribution from international subsidiary – Illichman
- Gross profit of Rs. 346.54 crore, with margin at 48.1%
- Reported an EBITDA margin of 11.3% in H1FY23, higher by 226 basis points YoY
- PBT and PAT improved manifold on a YoY basis

Figures in Rs. Crore

Revenue Mix – H1 FY23



Abridged P&L – Consolidated

| Particulars (Rs. crore) | Q2 FY23 | Q2 FY22 | Y-o-Y Shift | H1 FY23 | H1 FY22 | Y-o-Y Shift |
|-------------------------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| Net Revenue from Operations | 377.26 | 267.80 | 41% | 720.60 | 478.55 | 51% |
| Other Income | 0.70 | 0.93 | -25% | 1.36 | 1.87 | -27% |
| Total Income | 377.96 | 268.73 | 41% | 721.96 | 480.41 | 50% |
| Total Expenditure | 334.50 | 243.47 | 37% | 640.54 | 437.12 | 47% |
| Raw Material expenses | 193.74 | 140.84 | 38% | 374.05 | 245.86 | 52% |
| Employee benefits expense | 41.92 | 31.86 | 32% | 81.44 | 63.87 | 28% |
| Other expenses | 98.84 | 70.76 | 40% | 185.05 | 127.39 | 45% |
| EBITDA | 43.46 | 25.26 | 72% | 81.42 | 43.30 | 88% |
| EBITDA margin (%) | 11.5% | 9.4% | +210 Bps | 11% | 9% | +226 Bps |
| Finance Costs | 7.33 | 7.48 | -2% | 14.41 | 16.05 | -10% |
| Depreciation and Amortization | 15.63 | 13.12 | 19% | 30.59 | 25.81 | 19% |
| PBT | 20.50 | 4.66 | 340% | 36.41 | 1.44 | 2,432% |
| Tax Expenses | 5.16 | 1.64 | 215% | 10.30 | 2.61 | 294% |
| PAT | 15.34 | 3.02 | 408% | 26.11 | (1.17) | NA |
| PAT Margin (%) | 4.1% | 1.1% | +293 Bps | 4% | NM | NA |

Abridged Balance Sheet – Consolidated

| Liabilities (Rs. Crore) | As on September 30, 2022 | As on March 31, 2022 |
|---|--------------------------|----------------------|
| a) Shareholders' Funds | 473.24 | 449.07 |
| b) Non-current Liabilities (NCL) | 165.62 | 152.15 |
| - Long-term Borrowings | 129.28 | 114.90 |
| - Other NCL | 36.35 | 37.25 |
| c) Current Liabilities (CL) | 439.62 | 401.14 |
| - Short-term Borrowings | 143.93 | 146.17 |
| - Trade Payables | 244.51 | 211.74 |
| - Other CL | 51.17 | 43.24 |
| Total | 1,078.48 | 1,002.36 |

| Assets (Rs. Crore) | As on September 30, 2022 | As on March 31, 2022 |
|------------------------------|--------------------------|----------------------|
| a) Non-current Assets | 448.43 | 441.98 |
| a) Current Assets | 630.06 | 560.38 |
| - Inventories | 147.91 | 131.00 |
| - Trade Receivables | 455.96 | 396.33 |
| - Cash & Bank balance | 10.60 | 15.51 |
| - Others | 15.58 | 17.53 |
| Total | 1,078.48 | 1,002.36 |

Management Message

Commenting on the performance, Mr. Rajeev Sikand, Group CEO , Alicon Castalloy said,

"I am pleased to share that we have delivered a strong set of results on the back of initiatives undertaken in the last 24 months which have helped us to emerge as a preferred partner for global OEMs enabling us to scale our order book. Even with the headwind of recessionary trends in global markets, this had led to consolidated total income of Rs. 378 crore in Q2 FY23, higher by 41% YoY and by 10% QoQ, significantly outperforming industry growth.

Profitability growth has outpaced revenue growth and our focus on increasing the share of value addition supported by efforts to optimize costs across the business, has enabled us to deliver an improved EBITDA margin this quarter.

In the backdrop of multiple challenges in recent years, for the global economy in general and the auto industry in particular, we maintained an unwavering focus on transforming our business model to be better positioned to capitalize on emerging trends. We can now see multiple engines of the business contributing and our journey towards new benchmarks in revenue, profitability and performance has only just begun."



Concall Details

Conference Call Details

Alicon Castalloy's Q2 & H1 FY23 Earnings Conference Call

Time & Date

- 11:30 AM IST on Wednesday, November 16, 2022
-

Local dial-in numbers

- +91 22 6280 1141
 - +91 22 7115 8042
-

International Toll Free Number

- Hong Kong: 800 964 448
 - Singapore: 800 101 2045
 - UK: 0 808 101 1573
 - USA: 1 866 746 2133
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Thank You

For further information, please contact:

Gaurav Agrawal

Alicon Castalloy Ltd

Tel: +91 95119 11290

E-mail: gaurav.agrawal@alicongroup.co.in

Mayank Vaswani / Mit Shah

CDR, India

Tel: +91 22 98209 40953 / 99201 68314

Email: mayank@cdr-india.com

mit@cdr-india.com

For more information, visit www.alicongroup.co.in