Sector: Auto Comp. & Equipments **RESULT REVIEW Q4&FY25** **Declared On: 12 May 2025**

Alicon Castalloy Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs781	12.71	Accumulate	Rs1000	28%

as on 19th May, 2025

About the Company:

Alicon Castalloy Limited (Alicon) is an established aluminium foundry involved in the manufacturing of very complex aluminium castings for automotive and non-automotive customers, in the domestic and international markets. It is a global company involved in design, engineering, casting, machining, painting and surface treatment of aluminium components. The company amalgamates the best of European engineering, Japanese quality and Indian ingenuity to produce exceptional and innovative aluminium casting products. Thus, is aptly placed to offer end-to-end solutions across the entire value chain to diverse industries.

Results: Quick Glance:

- The net sales for the quarter reported a drop of 1.2% to Rs4,245mn as compared to Rs4,193mn in the same quarter last year
- The Ebitda margins for the quarter stood at 10.9% as compared to 13.7% in the comparative quarter last year
- The company reported profit of Rs94mn as compared to Rs205mn in the same quarter last year
- The EPS for the quarter stood at Rs5.8 as compared to Rs12.7 in the corresponding period of last year
- For the full year, the revenues grew by 10.3% while PAT de-grew by 25.0%, Ebitda margins stood at 11.3%

Conference Call Highlights:

- The company witnessed a strong rebound in Q4FY25, recovering from the subdued performance seen in Q3FY25. This quarter marked a return to its consistent quarterly revenue run rate of ~Rs4,000mn. However, **export market challenges** and sustained weakness in the CV segment continues. Despite these headwinds, the company closed the year with a notable y-o-y revenue growth. The improvement in gross margin was mainly driven by a higher share of PV components, which enabled better value addition. Additionally, rising raw material costs and import duties had no impact on margins, as these increases were fully passed on to customers
- As per the Management commentary, the **global automotive industry** saw modest volume growth in Q4FY25, though regional trends remained divergent. Europe and North America recorded volume declines of ~7% and 5%, respectively. In contrast, the **Indian automotive** sector delivered a healthy 6% volume growth during the quarter, driven by robust performance in the 2W segment. Specifically, 2W volumes grew by ~6%, PV by ~5%, and CV by ~3%
- The **exports** accounted for ~22% of the total revenue, with the US contributing ~8% and the rest coming from Europe and the UK. The export revenue mix comprised ~60% from CV and ~40% from PV, while 2W contributed marginally.
- In FY25, the **automotive segment** accounted for ~94% of the total revenue. Within the automotive segment, 2W contributed around 35%, followed by PV 39%, and CV 21%. Notably, the revenue contribution from EV (including hybrids) increased from ~12% in FY24 to ~19% in FY25, while the contribution from ICE vehicles declined from ~73% to 69%
- On the **segmental front,** 2W posted a strong y-o-y growth of ~19%, followed by PV, which grew around 17%. However, CV volumes declined by over 21%, mainly due to the deferment of a key bus supply tender postponed because of the election year. To streamline operations and prioritize capacity for strategic clients, the company discontinued orders from low-volume customers, resulting in a reduction in the number of active parts and a sharper focus on higher-value business opportunities
- In the **domestic market**, the company successfully ramped up the supply of 4W cylinder heads to a Japanese OEM and has fulfilled a follow-up order, with further ramp-up planned for FY26. Volumes to the India plant of a major European OEM remained stable, with an increase expected by FY26. Additionally, a leading Japanese OEM has fully resumed production at its facility, and the company is now delivering at full capacity on the dedicated production line. Efforts are underway to enhance productivity and further boost output, with monthly cylinder head supplies to this customer projected to rise in FY26.
- Beyond cylinder heads, the company has **developed multiple components** for hybrid and EVs. Hybrid models, particularly from Toyota and Suzuki, are gaining traction in India, and the company is the sole supplier of cylinder heads for these hybrid models. In addition to that, initial volumes for the European OEM were completed at the company's European facility before production was transitioned to its Indian plant. Management emphasized that the business from these key customers including 2 Japanese and 2 European OEMs provides strong visibility for growth in the PV segment

Conference Call Highlights (contd.):

- In terms of **new business wins**, the company secured a significant contract with a European OEM for structural parts, marking both a new customer and product entry in the European market and enabling access to the premium segment. In India, the company **added four new parts** to its portfolio, primarily targeting ICE vehicles
- The **current order book** stands at ~Rs90bn, scheduled for execution from FY24 to FY29, with the majority concentrated in PV and CV categories about 50% from PV and 32% from CV. The company's sustainability initiatives continued to yield positive results, with about 30% of its electricity consumption now met through solar power. Additionally, the management's strategic investment in technologically advanced facilities featuring robotics and automation has begun to positively impact operational performance
- The **capex** for FY25 stood in the range of ~Rs1,650-1,700mn, along with a maintenance capex of ~Rs200-300mn. This represented one of the company's largest capital outlays in the past two decades, strategically focused on developing critical components for both ICE and EV platforms. Going forward, the company anticipates to incur a capex of ~Rs1,700mn in FY26, primarily funded through internal accruals. The investments are aimed at enhancing capabilities and supporting a growing business pipeline, including capacity expansions for key customer programs. This includes projects for **JLR,** such as eAxle components, in addition to the ~10-12 other components already being supplied to JLR, many of which have been in series production for the past 4-5 years and are now entering the replacement cycle. The company is also producing battery housing components for JLR from its European facility. The Management anticipates an improvement in the US and UK markets, with JLR volumes expected to rise
- In Q4FY25, the company operated at ~75% **capacity utilization**, a level consistent with the full-year average for FY25. Going forward, the Management anticipates the blended capacity utilization to improve to ~80%. However, due to recent geopolitical developments, the earlier revenue guidance of ~Rs22bn for FY26 has been revised. The company now expects revenue in the range of Rs19-19.5bn, implying a projected y-o-y growth of 12-14%. This growth is expected to be driven primarily by execution ramp-ups for orders from 2 Japanese and 2 European OEMs, which are likely to be the key contributors to both revenue and profitability in FY26

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	**Mar-25**	**Mar-24**	**y-o-y**	**Dec-24**	**q-o-q**	**FY25**	**FY24**	**y-o-y**	**FY26E**
Total Revenue	4245	4193	1.2%	3921	8.3%	17204	15594	10.3%	19010
EBITDA	467	576	(19.0%)	343	36.2%	1945	1953	(0.4%)	2224
Other Income	11	15	(26.6%)	8	29.4%	34	38	(9.8%)	36
Interest	123	108	13.8%	105	17.0%	445	407	9.4%	494
Depreciation	223	208	7.1%	235	(5.0%)	913	775	17.7%	979
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	36	68	(46.9%)	3	-	161	195	(17.8%)	197
Net Profit	**94.3**	**205.4**	**(54.1%)**	**8**	-	**460.5**	**613.7**	**(25.0%)**	**590**

Outlook and Recommendations (contd.):

The company delivered a decent performance for the quarter under review, marking a steady wrap-up to FY25. Despite the global market headwinds, particularly in export markets and the CV segment, the company has demonstrated resilience through a strong recovery in Q4FY25 and consistent revenue momentum. The PV & CV segment is expected to be the primary growth driver in FY26, backed by the robust order execution for 2 Japanese and 2 European OEMs. These relationships provide clear revenue visibility, especially as ramp-up for cylinder head supplies and EV-related components gain traction. In particular, the company is benefiting from being a single source supplier for hybrid models by Toyota and Suzuki, and is extending its role in the EV ecosystem through components such as eAxles and battery housings for JLR, with expectation of volume growth in the US and UK markets. Furthermore, with a ~Rs90bn order book largely concentrated in PV and CV categories, and additional wins like structural part supply to a European OEM, the business pipeline is well-stocked for the medium term. Operationally, the company's decision to exit low-volume businesses and focus on high-value, strategic customers is expected to improve the overall efficiency and profitability.

Outlook and Recommendations:

profitability Investments in automation, robotics, and solar energy are starting to yield results in terms of both cost control and margin stability. While geopolitical issues have led to a downward revision in FY26 revenue guidance to ~Rs19-19.5bn, the projected 12-14% y-o-y growth remains healthy and achievable. Capacity utilization is also projected to improve from ~75% to 80%, supported by incremental volume from existing programs and new product additions. Capex plans of ~Rs1,700mn for FY26, largely through internal accruals, are focused on enhancing manufacturing capability and meeting demand from high-potential programs, particularly in the fast-growing EV and hybrid segments. Overall, the company is positioning itself for sustained growth through focused execution, customer-centric investments, and a sharper strategic alignment with future automotive trends. However, we have toned down our numbers in accordance to the guidance reduced for FY26, and recommend an accumulate for revised target of Rs1000.

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