Casting the Future

February 23, 2023

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

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

Scrip Code: 531147

Scrip Symbol: ALICON

Dear Sir/ Madam,

Sub: Transcript of Analysts Conference Call

We are enclosing herewith the transcript of conference call with analysts, which took place on 13th February 2023, after announcement of the unaudited Financial Results for quarter and nine months ended December 31, 2022. The said transcript is also uploaded on website of the Company.

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

Thanking you,

Yours faithfully,
For **Alicon Castalloy Ltd**

VEENA TUSHAR VAIDYA
Digitally signed by VEENA TUSHAR VAIDYA
Date: 2023.02.23 11:47:07 +05'30'

Veena Vaidya
Company Secretary

Alicon Castalloy Limited

Q3 FY23 Earnings Conference Call Transcript

February 13, 2023

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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Mayank Vaswani: Thank you, Tanvi. Good day, everyone, and thank you for joining us on Alicon Castalloy Limited's Q3 & 9M FY23 Earnings Conference Call. We have with us on the call today; Mr. Vimal Gupta, Group CFO; Mr. Veerababu, Group COO; Mr. Shyam Agarwal: Chief Marketing Officer at Alicon Castalloy; Mr. Andreas Heim: Managing Director of 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 the developments in both the global and domestic markets, Mr. Andreas Heim: and Mr. Rajiv Gupta: will provide insights on these areas. Following the comments from the team, our group COO, Mr. Veera Babu, will give us a brief summary of the quarter gone by and encapsulate the strategic imperatives. Thereafter, we shall open the call for the 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 documents that have been shared with all of you earlier.

I would now like to hand over the call to Mr. Vimal Gupta for his opening remarks. Over to you, sir.

Vimal Gupta: Good afternoon 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 were shared last Friday. We are delighted to share a strong set of results for the third quarter of financial year 2022-'23.

As we have indicated earlier, 2018-'19 was the best year in the last few years for the global auto industry. Thereafter, it was besieged by multiple challenges, as well as transition to EVs. Our assessment is that the domestic industry has reached a performance level of approximately 83% in the first 9 months of financial year 2023 of a level set in 2018-'19, while the international auto industry is at about 87% level in calendar 2022.

At Alicon, our revenue performance in the 9 months for the financial year 2023 is under 24% of the benchmark that we had set in 2018-'19, clearly showcasing a different trajectory of performance when compared to global and domestic auto industry.

This outperformance can be attributed to our transformation initiatives built up on our 5-pillar strategy. These include sustained:

- Focus on traditional ICE business
- Addressing the opportunities from carbon neutral technology, including battery electric vehicles, hybrid electric vehicles, plug-in hybrid vehicles, fuel cell and hydrogen cell technologies
- Opportunity from structural parts or technology-agnostic parts, which remain consistent, no matter which fuel technology is used to power the vehicle

- Nonauto business encompassing opportunities from sectors such as defense, energy, telecom to name a few, where our competencies can be leveraged
- Enhanced customer wallet shared through value-add and combining products to offer customer one-stop solution

The traction in the current performance can be attributed to the implementation of this growth strategy. We have invested a significant effort in transforming our business model to emerge as a more agile and diversified entity capitalizing on our core strengths.

Our global teams have been engaging customers in deeper conversations to leverage capabilities around design, research & development and value engineering, while our track record validates the strength of our processes as well as our reliability as a supplier. This is vindicated by the sustained rise in our order backlog and addition of marquee logos to our customer set.

In that backdrop, I will run through the highlights of our financial performance for Q3 FY23 year-on-year are: Revenues at Rs. 362 crores, which is higher by 29% year-on-year basis, EBITDA at Rs. 42.4 crores that is higher by 25% and post-tax profit of Rs. 15.6 crores, that is also higher by 28%. Our EBITDA margin in Q3 FY23 stood at 11.7% versus 12.1% in Q3 FY22.

The highlights of our financial performance for the 9 months ending December 2022, against the 9 months period ending December 2021 are: Revenues at Rs. 1,084 crores higher by 43% year-on-year basis, the EBITDA at Rs. 124 crores, higher by 61%, and post-tax profit at Rs. 42 crores, that is higher by 280% year-on-year basis. Our EBITDA margins for the 9 months ending December 2022 stood at 11.4% against 10.1% in the 9-month period ending December 2021.

The Q3 FY23 revenues are marginally lower than Q2 FY23 during which we posted total income of Rs. 378 crores. This was mainly due to higher volumes at OEMs to cater the festive season, demand in domestic volumes in Q2 FY23. In Q3 FY23, planned annual shutdown in domestic market and holiday seasons for overseas customers in end December led to the gap. As the transit shipping times have reduced post the impact of pandemic, overseas customers volumes have also started to reduce the higher inventory level maintained earlier when shipping times were disrupted.

During the quarter, we also witnessed some cooling off in the input prices, but these remain substantially higher than the corresponding period last year. While most of the input prices are a pass through for us, there is some time lag in getting the price adjusted for these increases. Some elements of pass-through impact from prior quarters, combined with the improved product mix have helped us to largely protect our gross margins, despite the sharp rise in metal prices on year-on-year basis.

In line with our strategy, the share of business from Passenger Vehicle, Commercial Vehicle, export, and carbon neutral technologies has grown enabling a richer product mix, also the focus on machined parts has enabled us to realize better margins. The initial benefit from this approach has added to the momentum this quarter.

We will look at the split of the fresh orders received during the first 9 months of financial year 2023, in terms of 5 pillars. EV represents 56%, ICE represents 28%, Structural 8% and Nonauto 8%. This is with the big order win of JLR eAxle in EV segment in Q2 FY23. This is in line with our strategy of higher share of business from EV and 4W. From the perspective of market segment in 9 months, the order book is represented by 4W at 89% and Nonauto is 8% and 2W is 3%.

While our endeavour to improve margins through rebalancing product mix is bearing fruit, we continue to face challenges. While we had shortlisted a '6C Framework' with the new challenge of a recessionary environment is emerging, we have now categorized the challenges facing us internally as the '7C Framework' - **C**OVID impact, the **C**hip shortages issues, **C**ost of new product & development, the **C**onflict between Russia & Ukraine, global **C**ost-based inflation, supply **C**hain challenges as well as the **C**hallenge from the recessionary environment.

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 expenses to power cost optimization, among others. We have seen a notable reduction in fixed expenses as well as streamlining of overhead due to these initiatives.

The improvement in EBITDA levels are indicative of the element of enhanced value addition and enriched product mix. As we have shared earlier, our 3 to 4 years target is to improve EBITDA margin to a level of 14% to 15% on the back of growth initiatives combined with cost efficiency measures.

On the capex front, we have deployed Rs. 27 crores during the quarter and have deployed a total of Rs. 66 crores during the 9-month period. This is in line with our plan to deploy around Rs. 90 crores in financial year 2023, which includes maintenance capex and new machining capacities. In Q3 FY23, our plants in India and Europe operated at a utilization level of 65% to 70%.

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 stronger and sustained growth in the quarter ahead.

On that note, I would now like 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 improved volumes during the quarter, with growth of 5% on Y-o-Y basis. And within this, Passenger Vehicles grew 21% on Y-o-Y basis. Commercial vehicle grew 12% on Y-o-Y basis. The improved growth was driven by the pent-up demand, improved availability of semiconductor, new product development and in case of Commercial Vehicles and Heavy Vehicles factors such as increased infrastructure spending, mining activities, logistics growth and assumptions of offices and schools added to the demand.

Two-wheeler volumes were flattish on a Y-o-Y basis. There has been impact on the domestic two-wheeler market due to the introduction of Onboard Diagnostic Norms (OBD) by the Government which are scheduled to take effect from 1st April

2023. Due to this, OEMs have slightly moderated their production schedule as they are implementing the changeover.

International trade had improved as global customers were able to adapt to challenges such as limited semiconductor availability and supply chain realignment. We have seen positive growth numbers from Japan, US, as well as parts of Asia. Europe remains under pressure due to higher energy prices and the volatile economic conditions over the last nine months.

Further, with some of our global customers, we have seen that reduced transit times have led to slight build-up inventory. Hence, we believe the immediate term demand from our international business will be slightly softer than was earlier anticipated. For the ensuing financial year, we have seen contribution from the new part and orders added over the last 2 to 3 years have entered SOP and will contribute to incremental revenue. The sharpening of focus for us with greater emphasis on value addition will enable us to drive this growth.

In the Auto business, we are seeking critical parts like 4-wheeler Cylinder Heads and to underline our commitment, we came up with automation cell to drive the differentiation in our offering. We had automated one line of 4-wheeler Cylinder Head for a global customer. Further, our portfolio has increased with the addition of two large domestic customers for 4-wheeler Cylinder Heads.

In Carbon neutral technology, 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 our portfolio of over 94 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 for carbon neutral technologies to 25% of our overall revenue by financial year 2025-26. Based on the order received, we are on track to achieve 20% to 22% from carbon neutral technology by financial year 2025-'26.

There are certain ongoing discussions with global customers, which hold potential to drive these targets higher. To achieve the share of carbon neutral revenues, our teams are working on executing the orders from Tata Motors and DANA in the domestic businesses. We also have continued traction in our project with JLR, Danfoss, Scania, Rimac and Bosch in the international business.

On that note, I would like now to hand it over to Mr. Andreas Heim to throw light on the 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 witnessed a soft performance during the quarter due to the prevailing macroeconomic situation due to the Ukraine war. This led to a disruption in the supply chain for manufacturers based in Europe. With gas reserves being carefully monitored, as well as higher energy costs, our customers have found it challenging to operate plants at high utilization levels.

Further, with the sharp price in inflationary pressure on household expenditure, there has been reduced volumes in the European market. Added to that has been the holiday season towards the end of the year. Despite this, the global business contributed to 21% and 22% of the total revenue during the quarter and 9 months in the financial year, respectively.

However, we believe that the customers are now poised for an improved performance after absorbing the multiple challenges of the prior year. Input prices have stabilized after peaking out. In recent weeks, we have seen prices of gas also easing out into slightly lower levels, leading to lower energy costs. The supply chain pressures and logistics challenges are easing and constraints from chip availability has also moderated.

Our customers are beginning to sound more optimistic about their production shareholders. In the backdrop of improved chip availability, Jaguar Land Rover has indicated better volumes for the calendar year 2023. Bosch has indicated an improvement in the full year offtake of the back of new additions in their customer set.

Further, we have added one new part in one logo with the addition of Aike, a premier manufacturer of e-scooters in Europe. With this order win, we have entered into a new segment in new market. We have also spoken of addition of Ducati to our customer who said earlier and there are indications that the SOP of the parts awarded will commence in September this year.

Overall, that we have entered 2023 with far more optimism. Customers are showing signs of having adjusted to a challenging system of the previous year and are indicating in the improved outlook of the months and the quarters ahead.

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 had a moderate growth of 5% year-on-year basis, impacted by the flattish growth in the 2-wheeler segment, which was impacted by the OBD regulations.

Fortunately, there was better traction in Passenger Vehicles and Commercial Vehicles due to increasing level of economic activity and higher level of infra spend. The contribution from our domestic business stood at 79% during the quarter. The momentum of 2-wheeler dipped this quarter as the OEMs offtake has moderated due to the introduction of Onboard Diagnostics (OBD) regulation by the Government.

The OBD systems provide self-diagnostic functionality incorporated into the engine control system, which can alert the vehicle system about potential problems that can impact the vehicle. These contribute to better emission management and also prevent potential long-term complications.

With this various OEMs were affected, especially 2-wheelers. And we noticed a decline in schedules towards the year-end to reduce inventories as the models without OBD will not be permitted to be sold post April 1, 2023. We are seeing good inquiries in the market for new technology applications and are optimistic that strengthening macroeconomic conditions will help us sustain this momentum.

More importantly, domestic customers are evaluating suppliers based on capacities and track record in the EV offering. Alicon is well placed in this regard with rich experience in this space and a compatible track record of 94 parts with 17 customers till now.

Our European subsidiary Illichmann, which has been supplying EV components as 2017 has been a key contributor to our growth competencies in this space.

In the Nonauto business, our order for a prestigious telecom project under Atmanirbhar Bharat is progressing well. In the Nonauto business, there is further traction as we are in discussion with the Department of Defense for the supply of further products catering to different requirements.

On this note, I would like now to request Group COO, Mr. Veera Babu, to share his perspective on the Alicon performance.

Veera Babu: Thank you, Rajiv. Good day, everyone. We have reported strong results during 9 months of the current financial year.

We have marked an uptick in client engagements and have demonstrated strong progress against new orders. The order intake momentum has substantially improved in recent years. By leveraging on research & development, design excellence and value engineering, we have demonstrated to customers of our deep value that we can provide them as a supplier of repute.

The onus is to now ensure robust execution of these orders to provide customer products that are delivered on time, aligned to their schedules, and add the quality standards and technical certification that they have specified.

An important element that we are focused on is the deeper footprint on technology. We have tried to automate certain processes of our operations.

Further, we are ensuring optimum utilization of our resources. By focusing on driving efficiencies by addressing costs across our business model and enhancing yields we further elevate our competitiveness.

We are actively working towards increasing our sustainability footprint and ensuring commissioning of our captive solar plant, which will meaningfully transform our energy mix.

On this note, I would now request to 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 Yash Dalal from Sushil Finance.

Yash Dalal: My question is, as we can see your revenues are up, but your interest costs have remained the same. So, we want to understand your efficiency of working capital, has it improved? Could just probably throw some light on that?

Vimal Gupta: Yes, definitely, we are focused on the improvement of capital efficiencies because you compare it for the 9 months, it is almost equal to the last year 9 months cost. So maybe some impact of the QIP, but we have the impact of the higher interest rates in this year. But, we are focused on the investment side as well as that on how to improve our balance sheet and especially on the negotiation of the interest rates with our bankers as well as to control debt.

Yash Dalal: And another question, your depreciation is high. As you can see, your profit has been low, but your cash profits are increasing. Do you think this trend will continue going forward?

Vimal Gupta: Yes. Definitely, we are more focused on improving profitability as well as how to improve cash profit because cash is the reality. So, like in the speech, we explained how we are improving and setting our goals, in the coming years. So along with the revenues, profitability, the main focus is how to improve our cash flows.

Yash Dalal: Another question was, would you give us some revenue guidance going forward for the next year?

Vimal Gupta: One more point I missed to address that based on like you have there is the issue of the question on the cash flow. We have the rating agency CRISIL. So, they have also improved our rating from ‘A Stable’ to ‘A Positive’. So, they have also identified the improvement in the cash flow management in Alicon.

So, it is a forward-looking statement, but like we are explaining that for the next year, we are expecting at this moment of 15% growth against the current year of 2022-'23.

So, let's see that how we will close because the base is also increasing. Continuous improvement in the quarterly performance of the current year. And at this moment, in the 9 months, there is an increase in the 43% in revenues. So definitely, we are putting up a higher base for the next year. So, we will have a clearer picture in the next call. But at this moment, we are estimating that approximately 15%, we should achieve our growth in the revenues in the next year.

Yash Dalal: Right. let me go by a 15% revenue growth, so I would assume that would be around Rs. 1,500-Rs. 1,650 crore would be your estimation for next year in revenue?

Vimal Gupta: That you can work out because we cannot give the numbers. So this is based on improving and continuously adding new order booking. And now like from the last two years, we are giving the new order books details. So those are converted into real numbers. And we are more focused on resourcing business, especially like where the ready business is available because the new orders generally, we go, then there is a development lead time of 1.5 to 2 years. So, to improve our numbers in the next year, so one focus area is resourcing business. So ready business is available, so how to shift to Alicon.

Yash Dalal: So that's good to hear because it just going by the numbers, in 9M FY23, your EBITDA has been at Rs. 124 crores. So just maintaining the same margin if we do at around 12%, then you say our EBITDA would increase quite a bit, maybe by 50% next year. Is that correct?

Vimal Gupta: I think you are forcing me to give some forward-looking statement. One aspect is revenue growth, another we are focused on improving our margins. So, our target for the next year is at least to improve 100 basis points in our margins. So, on that basis, you can work out. So maybe that you are good with numbers.

Yash Dalal: Okay. Just, sorry, one more last question. You spoke about your Onboard Diagnostics, the norms that are scheduled to take effect soon. So, what are the new opportunities and challenges that will throw, how will it affect an impact in the coming quarters next year onwards?

Vimal Gupta: I think I will ask Rajiv to explain this.

Rajiv Gupta: We are noticing volume reductions, especially 2-wheelers, the 2-wheeler OEMs on the account of OBD, which was clearly explained in our speech also. There is marginal or no change in our path with this drive by the Government, especially for the exhaust system. But we noticed the volume drop that is in late quarter 3 and also in quarter 4 is expected as OEMs need to curb the production numbers as post 1st April '23, they won't be able to sell the existing vehicles.

So one is, yes, there will be an effect in quarter 4 with this area. But if you talk about the opportunity, there is opportunities, especially in the quarter 1 in next financial year, because the OEMs will try to start building the stocks, which they have planned to deplete in quarter 4. We are working closely with OEMs, how to further build those inventories at their end. So that is what we could work out at this moment.

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

Raghunandhan N. L.: Welcoming Mr. Agarwal and Mr. Veera Babu for sharing thoughts for the investor community. Sir, my first question was on the order books, can you indicate what is the size of the order book to be executed by FY26? Last quarter, you had indicated around Rs. 3,400 crores.

Vimal Gupta: So, Raghu, I think a little bit one more explanation we would like to give, because all these order bookings what we are discussing explaining is realisation till FY 25-26, this is almost now in 2-3 years.

So, whatever the new orders are coming, those real volumes, we will be able to see post '26. So, I think now maybe some new numbers will start giving from this call. But definitely, we will link with the earlier numbers also, so it will not be some confusion for you to understand.

So, when we talk about like till FY2026, so we are at approximately Rs. 3,500 crores of the order book. And yearly average is coming around Rs. 750 crores. And like in

FY2022-23, we are expecting the execution of Rs. 500 crores to Rs. 530 crores in that range. And further jump because now, these orders were booked a year back or 2 years back. And in next year, our estimation is for the execution of around Rs. 700 crores to Rs. 750 crores in that range. So that is based on the old numbers.

But definitely, we would like to now give us some increase in the number of yes, because now we are talking about FY2025-26 in the last 2 years. So, we have converted our order books till FY2028-'29. So that give a real picture of the next 6 years.

So, if we go for that, so our order book stands at around Rs. 7,000 crores to Rs. 7,500 crores in that range. So, Rs. 7,400 crores, we can take a number on this. And yearly average sales is coming around Rs. 1,050 crores over the next 5 to 6 years. That is the incremental sale we are talking about.

And if you can add our regular sales, that is in the range of Rs. 1,200 crores to Rs. 1,300 crores, because this number what we are talking about, Rs. 7,400 crores, that is base year is FY2022-'23. So we are not including the orders already executed in the previous years. So I hope, Raghu, you are able to understand what we are explaining.

Raghunandhan N. L.: Yes. This was very helpful actually. And thanks so much for sharing the strong pipeline. So just one clarification. I missed the part when it was initially explained, the carbon neutral of the EV share in sales and order book. I think the earlier target was 36% by FY 2026. Did I have heard correctly that in the opening remarks that was mentioned, 20% to 22%.

Rajiv Gupta: Yes. Basically, if you see in this portfolio, we are having a close watch with our customers also what we can see. There are a lot of alternate fuels also coming apart from the pure EV when we talk about, like the hybrid solutions, which recently Toyota has come up with a model of Hyryder and even Hycross.

And also actively OEMs like Daimler. Ashok Leyland recently with Reliance is coming up with hydrogen cells. So, what we could understand very clearly. And also, like Maruti is aggressively working on the CNG hybrid. So what we can sense that this particular share will be supported by these alternate fuels also.

So nothing about our projections for FY25-'26 years, we were a bit confident of touching 36% share by FY26. And if you see with the current order booking and the orders in hand, they've already touched somewhere around 20% to 22% for the year FY26. With strong discussions with our customers going forward in next 18 to 20 months, we are a bit confident of touching this number.

Raghunandhan N. L.: That was very helpful. On the subsidiary side, the performance seems to be under pressure. It looks like a revenue growth of 9% and EBITDA margin at 8.1%, I'm taking subsidiary performance by deducting consol minus stand-alone, how do you see the performance ahead, especially should margin improve with the reduction in the gas prices?

Vimal Gupta: Yes, Raghu. So in this, definitely, there was a pressure on the subsidiary numbers. In the current year, you know that the reasons have been the increase in the input cost, especially on the energy side. And definitely, they also impacted the material cost.

But what we have seen just now from Q4 FY23, there is a good demand is coming up for the high margin parts. And in the next year, we are hoping that we will be able to deliver good numbers because the order book is increasing and on the other side.

One action being taken is that the renegotiation of the prices with the customers, especially on the energy and the increase in the input cost that we will see the result. And the other side, the cost has started going down. So that what we were expecting, so that is not going to happen.

And the third point is that the Government, especially the Slovakian government is supporting to subsidize the energy cost. So, all these actions are going to support the numbers of the next year.

Raghunandhan N. L.: On your captive solar plant, would that lead to power cost savings, what kind of savings are expected on an annual basis once that is commissioned?

Vimal Gupta: So, in the next month, we are hoping that we will start and expected yearly saving of Rs. 5 crores to Rs. 6 crores.

Raghunandhan N. L.: Got it, sir. And just a last question on the overseas business, what is the kind of growth expectations do you have for next year? And I'm just trying to understand, would you continue to see the share of overseas business going up?

Rajiv Gupta: Yes, definitely, as you mentioned, we noticed very clearly, the global numbers would definitely hit in the next year. If you see the market numbers, this year, the global numbers have hit an increase of 6%. If we see region-wise, except Europe, all the segments have noticed good numbers, especially if we talk about U.S., it was a double-digit number.

We have noticed the impact in Europe because of the energy cost and other Ukraine war, the supply chain was just upped. But next year it's promising, the total industry is expected to grow somewhere around 5% to 6%. And the good thing is Europe, we are anticipating an increase of roughly around 6% to 8%. With this and with the penetration more towards the global orders, we are quite confident to increase in the next year with the global share over the total sales.

Raghunandhan N. L.: On the working capital side, now that the supply chain situation is improving, would that help in reducing our working capital requirements? That was one. And secondly, like the Company had an aspiration to turn net cash. How are you seeing progress towards that target? Thank you, sir.

Vimal Gupta: We have seen that improvement like in the first question, we have also explained how we are focused on this. And hopefully, you will see the numbers in March, the impact of the improvements in the working capital management.

And now like we have explained in our speech about the reduction in the transit period for Europe and the US that has actually gone down from 100 days to 125 days to 70 days in that range. So that is also going to impact on the working capital management, and we will be able to improve that.

And further negotiations are also going on with some customers to improve. So, we are focused on this and especially on the cash flow management, like on the plus side of the cash to maybe see in the next year.

Moderator: The next question is from the line of Apurva Mehta from AM Investments.

Apurva Mehta: So, the new order execution of Rs. 700 to Rs. 750 crores for FY2023-24. Is it true that we will be executing around new orders of Rs. 700 crores or Rs. 750 crores in FY2023-24?

Vimal Gupta: Yes, in FY2023-24, approximately Rs. 750 crores, we are expecting to execute it.

Apurva Mehta: And your steady state turnover will be around Rs. 1,200 crores, that is true that, that will continue?

Vimal Gupta: Same thing I was explaining that this includes already executed orders from the last 2 years. So, there will be additional approximately what we said Rs. 250 crores from the new business in the next year.

Rajiv Gupta: Because this order booking, what we are talking is roughly around 327 parts. And we are tracking since FY2018-19. Very few parts have come into regular production. But with these set of parts, definitely, we are confident to make around Rs. 750 crores of sales for the next year.

Vimal Gupta: So, in the current year is approximately I told you that Rs. 500 crores-Rs. 530 crores. So, whatever the difference is there. So that will be further addition to the numbers of, we can say, base year of FY2022-23.

Apurva Mehta: And with this new order of Rs. 700 crores-Rs. 750 crores will have definitely better margins where you had lower margins. Overall, the margins will expand?

Rajiv Gupta: Yes, definitely. If you see the total contribution of what we are talking about new business. Around 79% is from my 4-wheeler components, which you have noticed very clearly. We get good margins because we have good scope of giving them a value-add part. And if we see in terms of exports, near about 47% is the export parts what we are talking in this part.

Apurva Mehta: And because of this currency movement which has happened on the positive side for us, that will also add up to our profitability?

Vimal Gupta: Up to certain extent not so much, because generally, when we negotiate the business for the exports, we also hedge the currency with the customers.

Apurva Mehta: Any new order pipeline, which we would like to highlight that we are negotiating, or we are having some good visibility for that on the Nonauto and the Auto part, both?

Rajiv Gupta: Yes. At this moment, if you see massive developments are in discussion, because this is a junction where the OEMs or a tier 1 are working on new platforms like from ICE to EV or some initiative of light weighting of parts. So, this is a great opportunity for us even to grab this opportunity and give them an early solution. And that's the reason we are actively working on this area with participation of more in conferences or exhibitions, visiting our customers on a frequent basis, along with our global visits.

So, we are under strong discussion because if we talk about EV, even this is actually a rate where our OEM knows very clearly. If they are able to get a product in a quick period of time, they have an opportunity to grab more share. And in that junction, even the OEMs are looking for a supplier who have got rich experience on this domain.

And this is a good opportunity for us where we have already are in this platform, be a 2-wheeler scooter, be a motorbike, be a passenger or a commercial. So, this is giving us an edge over competitors. So going forward, yes, we are in strong discussions with our existing and upcoming customers, which definitely in the coming quarters 1 or 2, you will see a good momentum on that ground also.

Apurva Mehta: And our aspiration to have 15% plus margin on an overall basis, is it possible to get on next year or maybe post next year or there is a back end of the next year, is it possible to us to achieve that number?

Vimal Gupta: So immediately, approval is not possible, like in previous question I was explained to you, because it will happen phase-wise, step-by-step. Immediately, a big jump, we can't see because we have a strong existing base of business. So, in this first year, like in FY2023-24, our target is to improve by 100 bps. So, we see that. And as already we have explained in our commentary that in next 3 to 4 years, our target is 14% to 15%.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Vimal Gupta: Thank you. I hope we have been able to answer all your questions satisfactorily. Should you need any further clarifications or would like to know more about the company, please feel free to contact our team of CDR India. Thank you once again for taking the time to join us on this call, and we look forward to interacting in the next quarter.

Moderator: Thank you very much. On behalf of Alicon Castalloy Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
