

# CREATING LONG-TERM



AS ONE COMMITTED TEAM. WITH ONE GOAL. GUIDED BY OUR TECHNOLOGY EDGE.

ANNUAL REPORT

## 2013-14

ALICON CASTALLOY LIMITED

TS 16949 | ISO 9001 | ISO 14001 | OHSAS 18001 Certified

# CONTENTS

01	Corporate Information
02	Message from the MD
04	Creating long-term value
06	An entity built on value proposition
08	Value creation through a committed team
09	Creating long-term value through one goal
10	Creating long-term value through focussed R&D
12	Creating long-term value aided by technology
13	Value creation through stringent quality principles
14	Customer centricity driving value in difficult times
15	Delivering value through numbers
16	Awards and accolades
17	CSR - The Alicon way to sustainable empowerment
19	Notice
25	Management Discussion and Analysis
32	Directors' Report
37	Corporate Governance Report
44	Financial Statements
70	Consolidated Financial Statements
	Proxy Form

## Forward-looking statements:

Certain Statements made in this Annual Report & the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make a significant difference to the Company's operations. These include climatic conditions and macroeconomic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on, over which the Company does not have any direct control.

## Corporate Information

### BOARD OF DIRECTORS

Mr. S. Rai  
Managing Director

Mr. Junichi Suzuki

Mr. A. D. Harollikar

Mr. Maskatsu Uchiyama  
(Alternate to Mr. J. Suzuki)

Mr. Vinay Panjabi

### AUDITORS

M/s. Asit Mehta & Associates

### BANKERS

Bank of Maharashtra

ING Vysya Bank Ltd.

State Bank of India

### REGISTERED OFFICE & WORKS

#### Registered Office

Gat No. 1426, Village - Shikrapur,  
Taluka - Shirur, District - Pune 412 208,  
Maharashtra INDIA  
T: +91 2137 677100  
F: +91 2137 677130  
Email: [marketing@alicongroup.co.in](mailto:marketing@alicongroup.co.in)

#### WORKS

57-58 km. Mile Stone, Delhi Jaipur,  
NH 8, Industrial Area, Village - Binola,  
District - Gurgaon, Haryana INDIA

### CIN

L99999PN1990PLC059487

### SHARE TRANSFER AGENT

M/s. Universal Capital Securities Pvt. Ltd.  
21 Shakil Niwas, Opp. Sai Baba Temple,  
Mahakali Caves Road, Andheri (E),  
Mumbai - 400 093.



## MESSAGE FROM THE MD

“

In our aim to create long-term value, we want to emerge as a solutions provider, rather than being a mere supplier of components. Our R&D capabilities will play a pivotal part in achieving this ”

Dear Shareholders,

For the Indian economy this was another year of less than 5 per cent growth. The slowdown was exacerbated by domestic structural constraints and inflationary pressures. The industrial sector recorded a marginal 0.4 per cent growth. This was even lower than the disappointing 1 per cent growth achieved in 2012-13.

During the year, we recorded a turnover of ₹ 4,441 million, representing a growth of 2.1 per cent over the previous year. Profit after Tax for the year stood at ₹ 161.32 million as compared to ₹ 212.37 million in

the previous year. However, due to sustained efforts in our European operations, we were able to maintain our consolidated Profit after Tax at ₹ 191.57 million. Despite the tough market situation, in keeping with our commitment towards shareholder value, we have declared a dividend of 50 per cent.

To combat these tough market conditions, last year we instituted our “Challenge the Now” initiatives. We are pleased to report that these initiatives are now bearing fruit. We have made significant improvements in our operational efficiencies. These improvements have helped keep our head above water, despite the tremendous inflationary pressures faced by us. Our efforts in creating world-class product development capabilities have resulted in very significant new orders, and a broadening of our customer base. All these developments augur well for the future of our Company.

### Long-Term Value

We have faced challenges in the past, and continue to do so in the present. However, I have full confidence in our team's ability to overcome these and achieve the desired results. We should now look to the future. We are now looking at creating long-term value. Value is created when we are able to continuously improve our competitiveness and achieve sustained growth.

Excellence is never achieved by the efforts of any single individual. It is only a highly dedicated and competent team that can ensure that we deliver results and create sustainable value. To improve our competitiveness, we must be a faster learning organization than others. We understand that our employees are our ‘appreciating assets’. We are continually pursuing efforts to develop our people and to adapt to industry benchmarks in quality of production and innovation. Our aim is to develop an organization that is an amalgamation of European technology, Japanese quality and Indian ingenuity.

In our commitment, we are driven by our vision of being the globally preferred supplier for Light Alloy Casting Solutions. Our ability to manufacture and supply from multiple locations has made us an important supplier for many critical engine parts for some of the leading OEM's in the two and four wheeler sectors. I also see immense opportunities emerging for us in sectors like defence, locomotive, medical and agriculture.

### Creating sustainable value in the future

With economic sentiment on the rise, and glimmers of growth becoming visible, the Indian automobile sector is expected to grow aggressively. According to the Society of Indian Automobile Manufacturers (SIAM), the automobile market in India is expected to





increase its share in the global automotive market from 4 per cent in 2010-11 to 8 per cent in 2020.

Global and local automobile companies are also ready with large scale expansion plans in India. One of our largest customers, Honda Cars India Ltd. has set a challenging sales target of 300,000 units annually by 2017 and is in the midst of expanding their production capacity. All of these represent a huge market opportunity. With India emerging as one of the largest potential markets, we are well placed to actualize our vision of becoming the globally preferred supplier of Light Alloy Casting solutions.

We are expanding our manufacturing capacity accordingly. During the year, we have already incurred a capital expenditure of ₹ 228.82 million. We are working on a 3-year plan to assess the requirements of the market and are scheduling our capacity ramp up accordingly.

The turnaround for our European subsidiary Illichmann Castalloy, is complete, and today they work as our gateway to a higher value European market. Our presence in Europe is strategic, as our European team members have the capability of opening up markets for us. During the year, we have already tied up with a few major overseas customers – mainly OEMs' from Germany. This is not only good news in terms of revenue, but it is also an endorsement of our quality and manufacturing capabilities. In the coming years, the Company will leverage every opportunity to expand overseas markets.

In our aim to create long-term value, we want to emerge as a solutions provider, rather than being a mere supplier of components. Our R&D capabilities will play a pivotal part in achieving this. Our efforts in R&D are directed towards developing light aluminium castings for a green and clean environment, developing the best technology for Low Pressure and Gravity Die Castings, and improving productivity. We are targeting the development of products that require higher levels of accuracy and technology. Our capability to handle the prototyping and manufacture of such products will pave the way to sustainable growth.

During the year, our R&D efforts have helped our customers in the Heavy Vehicle Segment and Passenger Car Segment to develop innovative components, and also in the introduction of Automated Manual Transmission. Our success in the introduction of castings for Automated Manual transmission was a consequence of our foreseeing this trend and developing the processes required well in time for its introduction. Backed by the new government's focus on growth, especially in manufacturing, we expect 2014-15 to be significantly better. Already there are distinct signs of an economic revival. Our "Challenge the Now" initiatives are bearing fruit and we are confident that we will be able to deliver sustainable value in the future.

I would like to take this opportunity to thank members of our Board, our senior management team and our people across all levels, for their valuable contributions.

Last but not the least, I would like to thank our customers, business associates, bankers and all stakeholders for the trust that they have reposed in Alicon.

I would like to end by reiterating our continued commitment towards excellence.

Thank You,



**Shailendrajit Rai**  
Managing Director





## Creating long-term value

As one committed team.  
With one goal. Guided by  
our technology edge.

Value that is not an abstract concept but a tangible, concrete business proposition for our customers and all stakeholders at large.

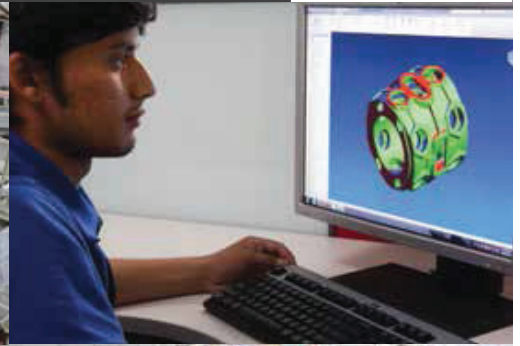
Value that is generated by looking far beyond the immediate requirements and mere continuous, iterative improvement of our product offerings.

Value that is seeded in our deep understanding of the industries we serve and of what will potentially drive value for our customers today, tomorrow and always.

Value that is entailed to partner our customers, not merely in their onward journey to sharpen their own competitive edge, but more importantly, aligned to their evolutionary efforts to develop sustainable solutions in the future.

We are committed to create value that we are confident that our customers will find compelling, as it is underpinned by our three-pronged growth enablers of a committed team aligned to our vision as well as our R&D and technology. And that is carved out of our coherent, well crafted strategy dedicated to imbuing higher level of performance, agility and flexibility to harness new opportunities as we confidently embrace the future.







## An entity built on value proposition

Alicon Group is a global consortium of companies involved in Design, Engineering, Casting, Machining, Painting and Surface Treatment of Aluminium Components. Alicon Castalloy is the Group's flagship Company and one of India's largest integrated aluminium casting manufacturing units.



We amalgamate the best of European engineering, Japanese quality and Indian ingenuity to produce exceptional and innovative aluminium casting products to offer end-to-end solutions across the entire value chain to diverse industries.

We have been casting the future in Aluminium since 25 years and are India's pioneers in Low Pressure Die Casting (LPDC) and Gravity Die Casting (GDC). We are also the pioneer users of Pro-Cast and Magma in India, with capabilities of handling both low and high volumes. Our European subsidiary, ILLICHMANN Castalloy, enjoys nearly 73 years of proven global track record in Aluminium Castings.

### Core competence

Our core competence lies in Rapid Prototyping, Designing (CAD/CAM/CAE/Simulation), In-house Tool Manufacturing, Die Casting (Sand Casting/GDC/LPDC), Testing, Machining and Painting.

The European facilities bring to the Company the strengths in Magma & Pro-cast soft casting simulation, enabling us to enjoy an edge in handling low volume and intricate castings.

### Our infrastructure

At Alicon, we have a state-of-the-art, world-class infrastructure with modern facilities such as technology centers, globally competent tool rooms, quality testing labs and full-fledged machine shops.

Our infrastructure is designed to facilitate innovation and includes one-of-its-kind research and development laboratories, design centers, tool improvement labs and two facilities for pilot testing. These centers are well-equipped with modern international machinery and equipment for testing (with the latest engineering software) & simulation facilities. We have also invested in building a dedicated team of domain experts and experienced engineers for developing innovative solutions.







#### Catering to an integrated value chain

Prototype, Die Design, Manufacturing

Tool Design and Simulation

Tool Manufacturing

Fixture Design & Manufacturing

Casting Manufacturing

Machining

Painting

#### Industries catered to

- Automotive
- Aerospace
- Defence
- Locomotive
- Medical
- Energy
- Agricultural segments

## Value creation through a committed team



From a people-engineered business model, organizations are fast moving towards people-centric systems. As customer needs are evolving in today's highly competitive market place, the traditional HR model is getting transformed into a more contemporary one. It is not enough, however, for an organization to transform itself in line with evolving demands. It is equally important for its people or employees, to adapt to that change.

At an inflection point, stretched by demand constraints and spiralling costs on one hand and the changing requirements of customers on the other, our industry is also currently in an evolutionary phase, where an organization's future is increasingly being mapped by its people.

In this transforming business environment, we firmly believe that it is our people who are the cornerstones of our plans and the implementers and enablers of our future plans. We believe in strong mentorship to enhance our people capabilities and to help people grow as one team and emerge as an important pillar in our long-term value creation strategy.

We believe that our people are our most valuable asset. It is our constant endeavor, therefore, to groom them through regular learning sessions. The programmes are aimed at enhancing their knowledge base and outlook. They encompass a wide range of activities, including community service and ecology. These programmes and activities lead to greater bonding among the team members.