

Where **Talent**
Meets **Technology**



ALICON CASTALLOY LIMITED

2018-19
Annual Report

Corporate Information

BOARD OF DIRECTORS

Mr. S. Rai, *Managing Director*

Mrs. Pamela Rai, *Director*

Mr. Junichi Suzuki, *Director*

Mr. A. D. Harolikar, *Independent Director*

Mr. Vinay Panjabi, *Independent Director*

Mr. Ajay Nanavati, *Independent Director*

STATUTORY AUDITORS

M/s. Kirtane & Pandit LLP

GROUP CEO

Mr. Rajeev Sikand

GROUP CFO

Mr. Vimal Gupta

BANKERS

State Bank of India

Bank of Maharashtra

Kotak Mahindra Bank

IDFC Bank

REGISTERED OFFICE

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District - Pune - 412 208, Maharashtra, India

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CORPORATE IDENTIFICATION NUMBER

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SHARE TRANSFER AGENT

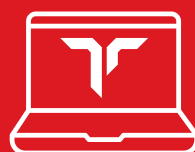
M/s. Universal Capital Securities Pvt. Ltd.
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Mumbai - 400 093

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WORKS

- Gat No. 1426, Village - Shikrapur,
Taluka - Shirur, District - Pune - 412 208,
Maharashtra, India
- Plot No. 58/59, Block D II, MIDC Chinchwad,
Pune - 411 019
- 57-58 KM Milestone, Delhi - Jaipur,
NH 8, Industrial Area, Village - Binola,
District - Gurugram, Haryana - 122 051
- Illichmann Castalloy s.r.o. Partizanska 81,
966 81, Zarnovica, Slovakia



Find this report online at
www.alicongroup.co.in

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Where Talent Meets Technology

The blend of two powerful forces can unleash the power to transform businesses and industries. At Alicon Castalloy Limited (Alicon), we have identified these two forces as Talent and Technology. Partnering each other, they harness their collective strengths to catalyse a new wave of progress, across sectors and geographies. We truly believe that the meeting of talent with technology triggers sustainable and all-encompassing growth.

Led by this belief, we have chartered our strategic course to bring our People and Technological prowess synergistically together, to leverage their strengths for the realisation of our long-term vision. We are continuously investing in the empowerment of our Talent and augmentation of our Technological edge to steer impactful innovation and manufacturing excellence. We remain consistently focussed on engineering breakthrough products and solutions, designed to boost efficiencies and enable progress for our clients, and all our stakeholders.

We, at Alicon, believe that the growth trajectory on which we have embarked will lead us to a new phase of futuristic growth. The combination of our Talent and Technology prowess will help catalyse greater expansion and increased value delivery.





Chinchwad Factory

From the MD's Desk



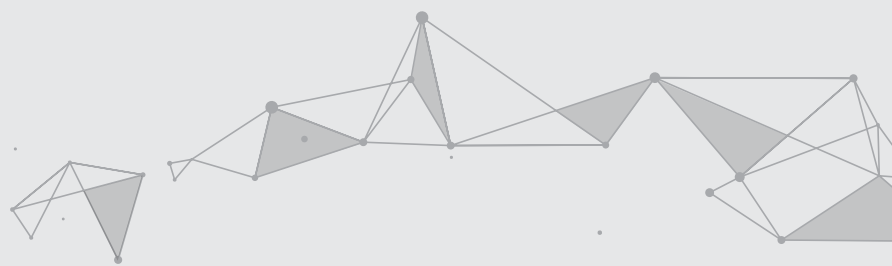
“Our high level of performance in the face of a challenging year for the economy is a testament to the Company’s mission to continuously diversify its customer and product base”

Dear Members,

It gives me immense pleasure to share with you the overall performance of your Company in FY 2018-19.

FY 2018-19 began with an expectation of higher growth as the economy moved past the teething troubles of the Goods and Services Tax (GST) roll-out. The second advanced estimates of national income for FY 2018-19, released by the Central Statistics Office (CSO) on February 28, 2019, indicate that the economy could not continue the expected growth momentum with 6.6% GDP growth in the third quarter of FY 2018-19, down from 8.0% and 7.0% growth in the first and second quarter of FY 2018-19 respectively. The CSO estimates overall GDP growth in FY 2018-19 at 7.0%, as compared to 7.2% in FY 2017-18.

This drop in GDP growth for FY 2018-19 was on account of multiple factors such as a rising Current Account Deficit (CAD), fluctuating systemic liquidity with a consequential impact on interest rates, sticky NPAs and a slowdown in the financing sector. The stress in liquidity was compounded on account of a debt default by a systemically important NBFC. The default resulted in money markets virtually drying up, impeding access to funds for borrowers such as NBFCs and Housing Finance Companies (HFCs) in the third quarter of FY 2018-19. This had an adverse impact on sales in the automobile sector, which was already grappling with rising fuel prices and a steep increase in the price of new vehicles as a result of new insurance regulations.



Since August 2018, CPI-based inflation has remained below the Reserve Bank of India's (RBI's) medium-term target of 4%, reaching a 19-month low of 1.9% in January 2019. This prompted the RBI to reduce interest rates in February and April 2019. Coupled with interventions by the RBI to increase liquidity, this has resulted in restoring credit flow and should have a positive impact this year.

Despite these challenges, your Company recorded a topline growth of 17% as compared to the automobile industry growth for FY 2018-19 estimated at 9%. This was coupled with a healthy growth of 27% EBITDA, which grew to 13% of sales. This high level of performance in the face of a challenging year for the economy is a testament to your Company's mission to continuously diversify its customer and product base. This is a result of our G5 2020-21 vision which emphasised adopting a holistic approach in unifying the underlying strengths of our European engineering skills, Japanese quality and inherent creativity, backed by a focus on R&D and new technologies like 3D printing and scanning. This sharpened our edge over others, enabling us to engage with our customers at a very early stage in component development.

We believe that FY 2019-20 will be a challenging year, given (i) recent increases in international crude prices, (ii) that some high frequency indicators such as growth in manufacturing and capital goods, IIP and auto sales point to significant moderation in activity, amid a slowing global economy, (iii) that the possibility of El Niño and its impact on the monsoon poses a risk to food prices, (iv) that the budgetary and political announcements (income support for the poor), if implemented properly, would add an upside to inflation, and (v) the challenges likely to be faced by the Indian automobile industry as it transitions to the new emission norms BS-VI effective April 1, 2020.

On the International front, we note that the International Monetary Fund (IMF) has cut its global growth forecast to the lowest level since the financial crisis, warning of significant downside risks to the world economy, including trade tensions, pockets of political instability, mounting debt levels and increasing inequality.

In the previous year, we had shared with you our desire to augment our capacities through expansion of our production facilities with a new greenfield project at Khed, Pune. Even though your Company has taken significant steps in the face of a challenging FY 2018-19 (including "Shrink Balance") to control operational costs and ensure

the optimal utilisation of resources, given the uncertain environment we foresee in FY 2019-20, we have decided to postpone this investment for the time being.

We, at Aicon, managed to outperform the industry in FY 2018-19 despite difficult market conditions. We are cognisant of the hurdles we are likely to face in FY 2019-20, including changes in regulatory norms, but are confident that our efforts in building capacities and capabilities over the past few years will help us overcome these challenges.

We will continue to deepen our capabilities by (i) adopting best-in-class human resource policies, enabling us to attract talent, (ii) achieving higher levels of automation on the shop floor, (iii) aiding the development of vendor skills by helping with technical developments and resolving their financial structuring, (iv) enhancing our customer-centric off-road by integrating internal information systems to provide customers with a web-enabled bird's-eye view of their orders at each stage within your Company, and lastly (v) adopting a robust review mechanism to monitor every performance-metric on a monthly basis.

Last year, we had shared with you our goal to remain ahead of the emerging disruptive technologies by exposing our key managers to the following areas: (i) additive manufacturing; (ii) augmented and virtual realities; (iii) development of advanced materials – to develop alloys that aid in optimising weight and mechanical properties and (iv) the use of machine learning and artificial intelligence in design capabilities. Our key employees' engagement at international forums in these areas over the past year continues to keep us "future-ready" and sharply focussed on emerging technologies.

The current sombre environment does not dampen our spirits. It only furthers our resolve to achieve exponential levels of growth.

I take this opportunity to thank my colleagues on the Board and the Management team for their commitment and focus. Let me also thank all members of the Aicon family for aligning themselves to our North Star philosophy and working with dedication to translate our vision into a reality. In conclusion, I would also like to thank our business associates, bankers, members and all stakeholders for their constant support and cooperation.

Shailendrajit Rai
Managing Director

Alicon – An Evolving Core of Talent & Technology

A futuristic organisation with its strategic focus on thinking ahead to pre-empt tomorrow's needs, Alicon offers total engineering solutions to address the aluminium casting needs of customers worldwide. One of the largest Aluminium foundries in India with presence in Austria and Slovakia, Alicon is a continuously evolving core of intrinsic strengths, led by its Talent and Technology advantage.

With its Talented team to steer its vision, and Technology powering the realisation of its vision, the Company continues to evolve and grow into a powerful entity designed to deliver to the future.

The Alicon Group is a global consortium of companies engaged in Rapid Prototyping, Designing, In-house Tool Manufacturing, Engineering, Die Casting, Machining and Assembly, Painting and Surface Treatment of Aluminium

Components. It is a single-window engineering solutions provider for aluminium alloy castings, providing total solutions under one roof.

The Company, which has been casting the future of Aluminium in India for the past several decades, brings together European engineering expertise with Japanese quality and Indian ingenuity to deliver innovative products and solutions across the aluminium casting value chain. Led by a strong nucleus of competencies and capabilities, Alicon is credited with being a pioneer in India in Low Pressure Die Casting (LPDC) and Gravity Die Casting (GDC). As the forerunner in the development of Pro-Cast and Magma in India, Alicon stands tall as the preferred manufacturer for all the major local and many international OEMs. It also serves clients in Europe and the US through its European subsidiary Illichmann Castalloy.



Alicon's end-to-end, quality solutions are designed to meet the complete spectrum of aluminium casting needs of clients across industries, through its strategic focus on leveraging its Talent and Technology strengths to cater to the diverse and evolving requirements of its domestic and global customers.



Quality inspection

Strong DNA rooted in Vision and Values

The strategic charter of Alicon is led by a strong visionary focus, coupled with a holistic vision encompassing all stakeholders. Our business philosophy is rooted in our values and DNA, which enables us to deliver inclusive growth, in every step of our progressive journey.



Our Vision

Become the globally preferred supplier for Light Alloy Casting Solutions.



Our Mission

- Grow the employees, associates and suppliers
- Ensure total customer satisfaction
- Increase shareholder value



Our Values

- Quality, Integrity and Respect
- Encourage Entrepreneurship
- Ownership and Accountability
- Commitment to the Environment and Community



Our Business Philosophy

FEWER, BIGGER & BOLDER



THE ALICON DNA

- We Encourage Decisive Leaders at All Levels
- We Encourage Leaders to Nurture Their Teams
- We Empower Our People and Always Maintain Positive Environment
- We Approach Everything We Do with Sincerity and Integrity
- We Greet Everyone with a Smile and in High Spirit
- We Follow the Alicon Vector
- We Practice LDD (Light, Direct and Deep Communication)
- We Believe in Continuous Improvement and Benchmarking.
- We Aim at Delighting Our Customers with Innovation
- We are Flexible and Adapt to Shifts in the Market
- We are Visionary and Set High Targets for Ourselves
- We use DES – BEP to Establish Lucrative Goals and Practices
- We Create an Organic Environment and Give Back to our Society
- We Imbibe 5S As a Way of Life
- We are Agile, Disciplined and Decisive in Our Work
- We Advocate Ownership and Accountability
- We Encourage Perseverance in Case of Failures
- We Stay True to Our Purpose

Alicon – An Evolving Core of Talent & Technology

Our Power Drivers

The engine of Alicon's growth journey is our experienced Management team, backed by our people and technological edge, our unwavering focus on innovation, our unequivocal quality thrust and our manufacturing prowess. Robust and streamlined systems and processes further strengthen our value proposition.



Strong Quality Credentials

At Alicon, we have committed ourselves to building a strong quality edge into all our products and solutions, which are benchmarked to the highest global standards. Our products find minimal rejection as the entire manufacturing process is designed to ensure high level of excellence, with our experienced engineers equipped with the expertise to deliver distinctive quality. Our Quality & Testing Laboratories have the most advanced Quality Assurance machinery (CMM, FARO ARM) and a Bench Flow Testing Machine to maintain continuous checks on the intake and exhaust ports of Cylinder Heads.

