

ALICON CASTALLOY LIMITED



Overcoming Adversity, Building Trust.

ANNUAL REPORT
2020-21

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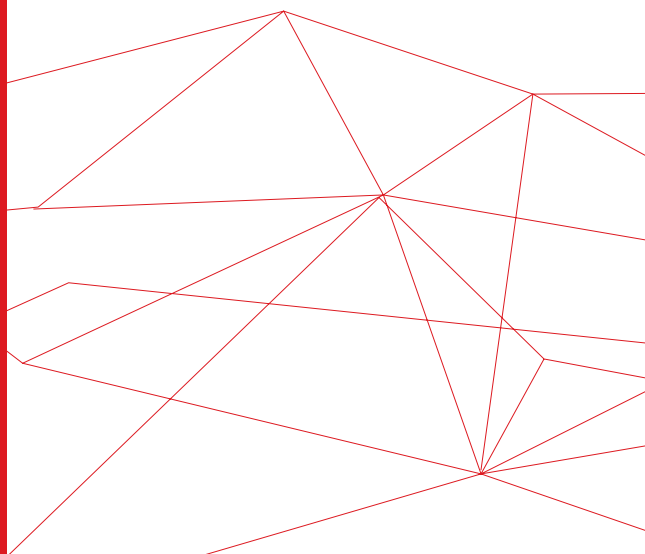
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Corporate Information

BOARD OF DIRECTORS

Mr. S. Rai
Managing Director

Mrs. Pamela Rai
Director

Mr. Junichi Suzuki
Director

Mr. A. D. Haroliker
Independent Director

Mr. Vinay Panjabi
Independent Director

Mr. Ajay Nanavati
Independent Director

Mrs. Veena Mankar
Independent Director

Statutory Auditors
M/s. Kirtane & Pandit LLP

Group CEO
Mr. Rajeev Sikand

Group CFO
Mr. Vimal Gupta

BANKERS

Bank of Maharashtra
State Bank of India
Kotak Mahindra Bank
IDFC First Bank
Bajaj Finance Ltd
HDFC Bank
Citi Bank

REGISTERED OFFICE

Gat No. 1426, Village - Shikrapur,
Taluka - Shirur,
District Pune - 412 208,
Maharashtra, India
Tel: +91 02137 677100
Email: investor.relations@alicongroup.co.in
Website: www.alicongroup.co.in

CORPORATE IDENTIFICATION NUMBER

L99999PN1990PLC059487

SHARE TRANSFER AGENT

Universal Capital Securities Pvt Ltd.
(100% subsidiary of Link Intime India Pvt. Ltd.)
C-101, 247 Park, 1st Floor, LBS Road,
Gandhi Nagar, Vikhroli (West),
Mumbai – 400 083.
Tel: +91 (22) 2820 7203-05 / 4918 6178-79
Email: gamare@unisec.in

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



Chinchwad LPDC Plant



Overcoming Adversity, Building Trust.

The reverberations of COVID-19 began to be felt from March 2020 onwards, causing widespread restrictions on economic activity. In face of these unprecedented developments, our Company's performance has been remarkably resilient, and we continued to build trust and foster strong relationships – due to our actions over the past few years to make ourselves future-ready, our response to the pandemic and the work of our people.

In such a challenging year it is especially important to reflect on what we did well. We had a very positive year in terms of customer retention and new business wins. We also expanded our product portfolio to serve the needs of our customers both in the domestic and export markets. We took several measures to improve our liquidity, including tight control of working capital and cost optimisation. As a result, we were able to maintain a very strong balance sheet through a period of extreme uncertainty. For our people, we invested in growing talent and delivering a range of health and wellbeing initiatives. And for our communities, we played our part in the fight against COVID-19 by contributing essentials and providing support to those in distress.

At the Company level, our impetus has been on encouraging the adoption of the '3R Mindset', which stands for Reflection, Resilience and Re-imagine. This approach has enabled us as an organisation to not only adapt to the new normal

but also build a stronger entity, ready to drive new possibilities. Our people have been our inspiration and pride as, despite the many challenges, they have been committed to being a reliable partner to our customers, looking after each other and serving the communities in which we live and work.

The pandemic has only accelerated the structural changes in our industry, from the shift to ICE to EV mobility platform. There are significant new growth opportunities in sectors beyond automotive as well, as customers demand innovative, lightweight and value-added solutions. They also need trusted partners more than ever to help them transform and succeed. Our robust R&D capabilities, agile manufacturing prowess and proven track record have positioned us well to meet emerging needs in the automotive segment, including e-mobility, and other core sectors. As we look ahead, we are confident that our learnings and experiences from this difficult year and the trust we have built with all our stakeholders will help us power a stronger tomorrow.



Letter from the Chairman & Managing Director

Overcoming Adversity. Building Trust.

Dear Members,

The financial year 2020-21 began with the COVID-19 pandemic, an unprecedented crisis that brought the world to a standstill.

Before I begin to share with you my perceptions on Alicon's performance in the year gone by, I would like to extend my heartfelt gratitude to each and every employee for their hard work and dedication during this extremely challenging year. Sadly, thousands across the country have succumbed to the virus. On behalf of the Alicon Board, I offer my deepest condolences to all those who have lost loved ones. I also laud the commitment of our team to our customers, their support for one another and their contribution to the communities that we serve. This exemplary behaviour has been a constant source of inspiration and pride.

Compounded by the crippling effect of strict nationwide lockdowns, it was expected that the global economy would contract significantly and that this pandemic-induced stress would have a lasting impact. In order to alleviate the stress, policymakers around the world unleashed unprecedented fiscal and monetary measures. In India too, the Government announced a ₹ 20.9 lakh crore economic package, amounting to about 10% of Gross Domestic Product or GDP.

In the midst of these trying times, it was heartening to note the speedy development of multiple vaccines with impressive efficacy results – an incredible and laudable scientific achievement. While news of such vaccines seemed to lift

spirits around the world, the task of vaccinating the world's second most populous country of 1.4 billion people would naturally prove to be an enormous challenge. Even as large-scale vaccination drives are conducted, the race between vaccination and new variants of the virus continues.

The pandemic unleashed the largest economic shock the world has experienced in decades, with an estimated global contraction of 3.3% in CY 2020. Like several other countries, India was hit hard by the pandemic, especially in the first quarter of FY 2021 with socio-economic activity being significantly impacted by the nationwide lockdown. For the full year, GDP is estimated to have contracted by 7.3% as consumer spending, private investments and exports plummeted sharply. As restrictions were eased, the Indian economy began slowly recovering from the third quarter of FY 2021. Strong festive sales and pent-up demand also contributed to growth.

India's automobile industry, which was already reeling under the impact of an economic slowdown, faced one of the toughest years due to the COVID-19 outbreak. For the first time in its history, the industry recorded a month of zero domestic sales (in April 2020). The deep structural slowdown in the industry even before the start of the pandemic further accentuated challenges.

Entering FY 2021, we knew that we were in for a tough year as the nationwide lockdown resulted in immediate suspension of our production and deliveries across domestic

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Alicon Castalloy, Shikrapur Pune

and export markets till mid-May 2020. Further, the Chinchwad facility, being in a containment zone, only commenced partial operations from the second week of June. The unprecedented impact of COVID-19 and subsequent lockdown of business activities resulted in total revenue and EBITDA declining by 11% and 21% respectively when compared with the previous year.

Despite the loss of business volumes in the first half of the fiscal, I am pleased to share that we were able to record growth in the second half. In the fourth quarter, we delivered the highest-ever revenues on a quarterly basis and also returned a strong Profit After Tax. Our performance in the second half helped us to overcome the effects of the deep recession in the first half, enabling us to report positive profitability for the year. The recovery was driven by improved volume growth, healthy realisations and a richer product mix. Strong performance in our domestic auto business, robust pick up in international business and improving contribution from the electric vehicle segment contributed to our volume growth. During the year, we have recorded significant order wins with multiple OEMs across domestic and international markets, which we are confident will provide us with healthy growth in the years to come.

What I find particularly gratifying is that our strong rebound in the second half of the fiscal demonstrates that the strategic growth pillars we had identified and worked towards over the past few years have enabled us to bounce back strongly and hopefully positioned us well to capitalise on new opportunities as economic activity begins to recover. We continue to focus on our strategic growth pillars of legacy auto business, electric vehicles, technology agnostic solutions, non-auto segment and value-added solutions.

Our quick recovery was also a reflection of our ability to adapt to the new normal. Plans were formulated for various possible business scenarios to ensure an agile response to the fluid situation and maintain robust cash flows. Further, supporting and connecting with our people, as we maintained continued focus on their health and safety, has been central to our way of managing the crisis. In this regard, our 'Guardian System', wherein twenty people were enlisted under a single head to provide them with all forms of assistance, has been highly effective in helping our people navigate through these tough times and maintain a positive outlook. At the Company level, our impetus has been to encourage the adoption of the '3R Mindset', which stands for Reflection, Resilience and Reimagination to adapt to the new normal.

Looking forward in the auto segment, personal mobility is steadily gaining preference following the pandemic-induced social distancing. Additionally, the announcement of favourable policies such as the Performance-Linked Incentive Scheme (PLI) and Vehicle Scrappage Policy will usher in long-term benefits and growth opportunities for the auto industry. The improved allocation towards road infrastructure will also help in boosting demand for new vehicles. These developments augur well for us, and we are ready and determined to make the most of these unfolding prospects.

We are continually expanding our portfolio to include value-add categories to serve the needs of our customers. With the adoption of electric vehicles in international and domestic markets, our target is to increase our share of business from EVs. We believe our experience in thermal engineered aluminium castings will provide us with an opportunity to become one of the frontrunners in this segment. This niche solution is a significant value-add and requires a high level of engineering. During the year, we have received orders from several leading OEMs for their EV platforms, reaffirming our growing capabilities in this area. Armed with our technical know-how and significant exposure in the European markets, we look forward to adding new customers for our thermal engineering solutions in the electric vehicle space. Further, we are also adding more technology-agnostic, i.e. used both in conventional and EV vehicle components, to our portfolio.

While many things have changed during COVID-19, one constant is the necessity for strong customer relationships. The appointment of representatives in the US and European markets has helped us to get closer to existing customers and make valuable inroads with potential customers. We are also looking at growing our global footprint by establishing partnerships with leading mobility providers and tapping emerging niche opportunities in newer markets.

As I write this, the nation is currently emerging from the easing of state level lockdowns imposed after a brutal second wave of the pandemic began in March 2021. While the economic impact in the first quarter of the financial year 2021-22 is not expected to be as severe as in the prior fiscal, we hope that there are no further disruptions to economic activity and loss of life on account of the much feared third wave.

As the market environment remains challenging, we are consciously following a measured and calibrated capital allocation strategy. The guiding principle will be to undertake investments that generate healthy value accretion in the longer run while always fulfilling our financial discipline criteria.

In line with this strategy, our capex spend stood at ₹ 46 crore during FY 2021. We had sought and obtained your approval for proposed equity raise, which has been successfully concluded. This brings on Board marquee investors who have demonstrated their belief in the Alicon Story. The funds from these proceeds will augment our long-term resources to balance our working capital requirements and also support our growth initiatives. This capital raise also serves to enhance our liquidity and balance sheet position.

With the economy slated to grow in the second half of FY 2022, we hope that the pent up demand would enable a robust pickup in business and economic activities. Further, a growth-centric and expansionary Union Budget announced for FY 2021-22 bodes well for infrastructure growth over the next few years. The Indian automobile sector is recognised for its competitiveness and is being viewed favourably as a manufacturing destination globally, auguring well for focussed and specialised companies like us. Backed by our comprehensive product portfolio, deep innovation and R&D capabilities, agile manufacturing abilities and a robust financial framework, we hope to emerge stronger as the economy gathers steam.

As we look towards an exciting journey ahead of us, we continue to stay focussed on our objective of being future-ready while also being a consistent, trustworthy and reliable partner to our strong and growing customer base. We also aim to be a trusted partner to all our stakeholders, including our employees, suppliers, contract workers and our local communities. I take this opportunity to extend my gratitude to the Board and the Management team for their constant support and guidance. I would also like to thank all members of the Alicon family, our customers, business associates, bankers and all stakeholders. We are grateful for your support and loyalty during these challenging times.

Stay safe, stay healthy.

S. Rai

Chairman & Managing Director

About Us



Alicon Castalloy is a leading provider of end-to-end aluminium casting solutions across multiple user industries. We operate one of the largest aluminium foundries in India. We are also credited for pioneering the processes of Low-Pressure Die Casting (LPDC) and Gravity Die Casting (GDC) in India. Our high-quality total engineering solutions, consistently delivered over the past five decades, have earned us the trust of our marquee customer base across automotive and other core sectors in India as well as in international markets.

We continue to invest in our talent and technology to devise innovative solutions. Our future readiness is reflected in our successful foray into the electric vehicle segment, where we are developing several components and solutions to meet emerging needs.

PART OF THE ALICON GROUP

We are part of the Alicon Group, 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. The Group is one of the largest integrated aluminium casting manufacturers globally.

True to the origins of its name (Aluminium + Icon), the Alicon Group is helping cast the most iconic lightweight alloy solutions for customers across the world by amalgamating European engineering, Japanese quality and Indian innovation.

FAST FACTS

88

Customers
with 744 Live Parts

4

Manufacturing
units

81

Product innovations
during FY 2021

18

Countries

820

Employees

Quality Certifications

TS 16949:2009

ISO 9001:2008

ISO 14001:2004

BS OHSAS 18001:2007

CAPABILITIES AND EXPERIENCE THAT BUILD TRUST

ALICON GROUP COMPANIES



ALICON CASTALLOY

Operating largest foundry in India and offering ingenious yet cost-efficient engineering solutions



ILLICHMANN CASTALLOY

Our European subsidiary, improving Alicon's presence in the US and European markets



ATLAS CASTALLOY

Providing support in engineering, tool designing and manufacturing