

Market Cap.
Rs.1,334 Cr.
52 Week H/L
Rs.1,111 /645
CMP
Rs.828
Target Price
Rs.1,243

AUTO ANCILLARY

STOCK DATA

BUY

Reuters Code	ALIO.BO
Bloomberg Code	ALIC IN
BSE Code	531147
NSE Symbol	ALICON

Face Value	Rs.5
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Shares Outstanding	1.6 Cr.
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Avg. Daily Volume (6m)	26,063 Shares
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Price Performance (%)

1M	3M	6M
(3)	(4)	4

200 days EMA Rs.828

SHARE HOLDING (%)

Promoters	55.7
FII	0.1
FI / MF	8.8
Bodies Corporate	0.8
Public & Others	34.6

Alicon Castalloy Ltd has recently announced its performance for the quarter ended September 30, 2023. Following are the key financial highlights:

Particulars	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ
Net Sales	381.8	377.9	1.1%	354.9	7.6%
EBITDA	47.0	43.4	8.3%	40.0	17.5%
EBITDA Margin	12.3%	11.5%	80 bps	11.3%	100 bps
Profit before Tax	18.7	20.5	(8.7%)	12.2	53.3%
Profit (loss) after Tax	14.5	15.3	(5.2%)	9.5	52.6%
PAT Margin	3.8%	4.0%	(20 bps)	2.6%	120 bps
EPS	9.0	9.5	(5.2%)	5.9	52.5%

Highlights from the Quarter (Q2FY24):

Alicon Castalloy Ltd (ACL) reported a quarterly revenue of Rs. 381.8 cr for Q2FY24, up marginally 1.1% YoY and 7.6% on a QoQ basis. Despite a fall in realization, ACL reported higher revenues driven by the commencement of supply for new parts. Further, margins were enhanced due to an improvement in product mix and a cooling of input prices.

ACL reported an EBITDA of Rs.47 cr for the quarter vs Rs.43.4 cr for the same quarter in the previous year (up 8.3% YoY) and Rs.40 cr in the preceding quarter (up 17.5% QoQ). The EBITDA margin for the quarter stood at 12.3%, up 100 bps from the previous quarter. The EBITDA margin has improved to 12.3%, after accounting for non-cash charge of Rs.3.66 crore on account of the ESOP Scheme, adjusting for which the EBITDA margin would be 13.3%, which is a massive jump for the company. The company delivered a net profit of Rs.14.5 cr for the quarter at a net margin of 3.8%.

The management mentioned that the focus of the organization is to continue to enrich the revenue mix as new products are primarily from focus categories of 4-wheeler and EV, thereby, capturing higher value addition. New orders booked in the quarter were ~Rs.186 cr, with a total order book of Rs.8667 cr executable over 6 years until FY29. Additionally, the management also mentioned that there has been a significant ramp up in volumes with Toyota as well as Maruti, and is expected to gain further traction in the second half of the year.

Recently, ACL won an order amounting to approximately Rs.90 cr from a European EV customer requiring the application of the company's new technology called 'Friction Stir Welding'. According to the management, this technology can be a key enabler for them to increase their EV business two-fold by FY26.

OUTLOOK AND VALUATION

Alicon Castalloy Ltd posted a robust quarter in terms of margin growth. We expect FY26E revenue at Rs.1901.4 cr, EBITDA of Rs.248.6 cr at an EBITDA margin of 13.1% and PAT of Rs.111.3 cr. We estimate FY26E EPS at Rs.69.1, and assign a PE multiple of 18x, maintaining the target price of Rs.1243 (upside ~50%) from the current market price of Rs.828. We keep our BUY Rating for Alicon Castalloy Ltd over an investment horizon of 24-30 months.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY23	1,404.7	156.9	11.2%	51.4	3.7%	31.9	26.0	10.4	2.4
FY24 E	1,600.5	184.8	11.5%	67.6	4.2%	42.0	19.8	8.8	2.4
FY25 E	1,760.6	212.6	12.1%	86.1	4.9%	53.4	15.5	7.6	2.1
FY26 E	1,901.4	248.6	13.1%	111.3	5.9%	69.1	12.0	6.5	1.8



Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
03 July 2023	Re-Instating Coverage	Buy	855	1243

PROFIT & LOSS STATEMENT

(Rs. Cr)

Y/E Mar.	FY23	FY24E	FY25E	FY26E
Revenue	1,405	1,601	1,761	1,901
Raw Material Cost	712	804	875	936
Employee Cost	165	192	211	224
Other Expenses	371	420	462	493
EBITDA	157	185	213	249
<i>EBITDA Margin (%)</i>	<i>11.2%</i>	<i>11.5%</i>	<i>12.1%</i>	<i>13.1%</i>
Depreciation	64	64	68	71
EBIT	93	121	145	177
<i>EBIT Margin (%)</i>	<i>6.6%</i>	<i>7.6%</i>	<i>8.2%</i>	<i>9.3%</i>
Finance Costs	31	31	30	29
Other Income	0	0	0	0
Profit before Tax	62	90	115	148
Tax Expense	11	23	29	37
Adjusted PAT	51	68	86	111
<i>Net Margin (%)</i>	<i>3.7%</i>	<i>4.2%</i>	<i>4.9%</i>	<i>5.9%</i>
Adjusted EPS	31.9	42.0	53.4	69.1

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY23	FY24E	FY25E	FY26E
<u>Growth (%)</u>				
Revenue	29.9%	13.9%	10.0%	8.0%
EBITDA	35.5%	17.8%	15.0%	16.9%
Net Profit	112.6%	31.5%	27.3%	29.3%
<u>Profitability (%)</u>				
EBITDA Margin	11.2%	11.5%	12.1%	13.1%
Net Profit Margin	3.7%	4.2%	4.9%	5.9%
ROCE	11.8%	14.2%	15.7%	17.5%
ROE	10.5%	12.3%	13.6%	15.1%
<u>Per Share Data (Rs.)</u>				
EPS	31.9	42.0	53.4	69.1
BVPS	302.8	341.9	392.4	458.6
DPS	2.5	2.5	2.5	2.5
CEPS	71.4	81.5	95.5	113.2
<u>Valuation (x)</u>				
P/E	26.0	19.8	15.5	12.0
P/BV	2.7	2.4	2.1	1.8
EV/EBITDA	10.4	8.8	7.6	6.5
P/Sales	1.0	0.8	0.8	0.7
<u>Turnover</u>				
Inventory days	40	77	77	81
Debtor days	115	106	102	101
Creditor days	57	51	47	45
<u>Gearing (x)</u>				
D/E	0.6	0.5	0.5	0.4

Source: Company, Sushil Finance Research

BALANCE SHEET

(Rs. Cr)

Y/E Mar.	FY23	FY24E	FY25E	FY26E
PP&E (incl. CWIP)	383	408	429	452
Right of Use Assets	2	2	2	2
Other Non-Current	74	76	79	82
Goodwill	-	-	-	-
Inventories	153	170	185	208
Trade Receivables	441	464	491	525
Cash and Bank Balances	12	7	15	26
Other Current Assets	23	26	29	31
Total Assets	1,088	1,153	1,229	1,326
Equity Share Capital	8	8	8	8
Reserves & Surplus	480	543	624	731
Non-Controlling Interests	-	-	-	-
Borrowings	109	108	105	98
Other Non-Current	26	26	26	26
Liabilities				
Trade Payables	220	223	226	234
Other Financial Liabilities	31	30	30	28
Current Borrowings	192	192	186	175
Other Current Tax Liab & Provisions	23	23	25	26
Total Liabilities	1,088	1,153	1,230	1,326

CASH FLOW STATEMENT

(Rs. Cr)

Y/E Mar.	FY23	FY24E	FY25E	FY26E
PBT	62	90	115	148
Depreciation	64	64	68	71
Interest	31	31	30	29
CFO before Working Cap chg	157	185	213	249
Chg in Inventories	(22)	(17)	(15)	(23)
Chg in Trade Receivables	(38)	(23)	(27)	(34)
Chg in Trade Payables	3	3	3	8
Chg in Current Assets & Liabilities				
Cash Flow from Operations	100	148	174	199
Interest Paid	(31)	(31)	(30)	(29)
Dividend Paid	(4)	(4)	(4)	(4)
Income Taxes Paid	(11)	(23)	(29)	(37)
Other Adjustments	46	(4)	(12)	(21)
Cash Flow from Financing	0	(62)	(75)	(91)
Capital Expenditure	(70)	(89)	(88)	(95)
Other Adjustments	(18)	12	(2)	(3)
Cash Flow from Investing	(88)	(78)	(90)	(98)
Opening Cash	11	11	7	15
Total Cash Flow	(0)	(4)	9	10
Closing Cash	11	7	15	26

Source: Company, Sushil Finance Research

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%
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Member : BSE / NSE - SEBI Regn. No. INZ000165135

Research Analyst – SEBI Registration No. INH000000867

Compliance officer / Grievance Officer:

Mr. Suresh Nemani – Phone : +91 22-40935000

Email : suresh.nemani@sushilfinance.com

Grievance Email - compliance@sushilfinance.com

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758

Email : info@sushilfinance.com

Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	Yes
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No