INVESTMENTZ.COM
By Asit C. Mehta
A Pantomath Group Company

MARKET pulse

Dear Investors,

MARKET PULSE, the monthly report from ACMIIL, aims to provide insightful perspectives on all aspects of the market, the Fundamental, Technical, and Stock view. The report contents

Overall Outlook
- Domestic & Global Update

Investment Idea
- Alicon Castalloy Limited (ALICON)

Technical View
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MARKET PULSE provides a range of information that helps in making wise investment decisions.

Regards,
Research Team
ACMIIL

Contents

Overall Outlook

Indian Outlook:

The Indian market remained steady on upside for the month of July despite budget volatility during the month. It has achieved our medium term targets levels in the range of 24500-25500 levels on nifty as mentioned earlier. It made all time high of 25076.50 levels on nifty so far in this rally. The Nifty & Sensex ended 3.9% & 3.4% positive for the month of July. The broader market also remained outperformer for the month of July. NSE Midcap 100 and NSE Small cap 250 closing up 5.8% and 4.9%, respectively for the month of July. FPI net bought equities worth ₹5407.83 crore, and DII net bought ₹23486.02 crore for the month of July.

The HSBC India Manufacturing PMI came around 58.1 in July from 58.3 in June, despite strong demand and employment levels. Nevertheless, the latest reading remained above the long-term average for the series and was among the highest in recent years. Strong demand supported the manufacturing industry, primarily through a significant rise in new orders. The HSBC India Services PMI came around 60.3 in July from 60.5 in June. It marked the 36th consecutive month of expansion in services activity, highlighting a substantial upturn in business activity with Increase in output and new order inflow. The HSBC India Composite PMI came around 60.7 in July from 60.9 in June. The new orders rose sharply and at a pace that was considerably above its long-run average. The CPI in India rose to 5.08% in June from 4.87% in May, driven by food inflation, higher fuel costs, and seasonal factors impacting perishable goods. The IIP grew by 5.9% in May, reflecting improved manufacturing activity and rising consumer goods demand. The WPI hit a 16-month high of 3.36% in June due to increased vegetable prices and a low base effect from the previous year. India's trade deficit narrowed to $20.98 billion in June from $23.48 billion in May, with imports at $56.18 billion and exports at $35.2 billion. Foreign exchange reserves reached a record high of $667.3 billion on July 27. GST collections rose 10.3% year-on-year to Rs 1.82 lakh crore in July, 2024. India's core sector growth fell to 4% in June from 6.4% in May, mainly due to reduced output in crude oil and refinery products and high base effects from the previous year. Despite this decline, growth is considered satisfactory given last year's 8.4% base. We have seen good monsoon development across country in the month of July and The IMD reiterated again above-normal rainfall in August and September month as well. It's positive for overall economic growth and additionally for Rural growth revival. The IMF and ADB have upgraded India's GDP growth forecast for FY25 to 7%, highlighting improved prospects in private consumption and strong industrial performance, with cautious notes on inflation and external risks. SIP Inflow hit an all-time high of Rs 21,262.22 crore in June 2024 as against Rs 20904 for the preceding month. It will continue give support to market in any kind of market corrections.

The Union Budget 2024-25 aims to deliver a roadmap for achieving the 'Viksit Bharat' vision. The budget focuses on nine priorities: agriculture productivity, employment and skilling, human resource development, social justice, manufacturing and services, urban development, energy security, infrastructure, and innovation. This budget builds on previous announcements and introduces new measures to drive transformative changes, including boosting local manufacturing, job creation, and fiscal consolidation. It also focuses to enhance support for MSMEs and labour-intensive manufacturing through comprehensive financial and regulatory reforms. The budget also proposes simplified norms for FDIs and increased use of the Indian Rupee for overseas investments. The fiscal deficit target has been reduced to 4.9% for FY2024-25 and 4.5% for FY2025-26. The Experts and many Industrialist kited their views on budget and conclusively it decoded as long term positive for the GDP growth of the country. Finance Minister highlighted the 2024-25 budget's focus on local manufacturing, job creation, and balancing growth with fiscal consolidation. Tax reforms involve a review of indirect taxes to ease trade and reduce disputes, alongside an increase in short-term capital gains (STCG) tax from 15% to 20% and long-term capital gains (LTCG) tax from 10% to 12.5%. Although the higher capital gains tax may impact sentiment in the short term but the long-term outlook for the equity market remains positive due to strong corporate earnings and domestic fund flows. Overall, the budget is viewed as financially and fiscally balanced, aiming to sustain economic growth.

Index	Spot	1M % Chg	% YTD
Sensex	81741.3	3.4%	13.1%
Nifty	24951.2	3.9%	14.8%
Nifty Bank	51553.4	-1.5%	6.9%
India VIX	13.3	-4.0%	-9.7%
MIDCAP 100	58990.9	5.8%	26.9%
Nifty 500	23530.8	4.3%	20.9%
SMLCAP 250	17948.0	4.9%	27.0%

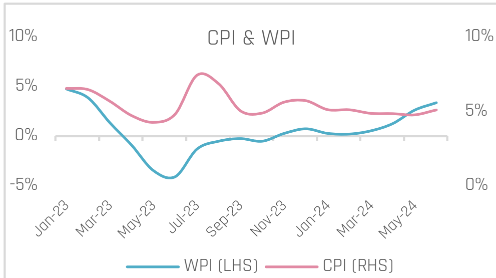
Source: NSE, ACMIIL Retail Research

NSE Sector	Spot	1M % Chg	% YTD
IT	40851.1	13.0%	14.4%
Realty	1093.8	-1.0%	39.0%
Infra	9499.5	4.0%	30.1%
Energy	44086.8	5.5%	31.4%
FMCG	62082.2	9.4%	8.4%
MNC	31305.8	3.1%	28.9%
Pharma	21777.2	10.4%	29.2%
PSE	11684.2	9.3%	47.4%
PSU Bank	7397.0	0.4%	28.5%
Auto	26685.3	5.9%	43.5%
Metal	9583.4	-2.4%	19.8%
Media	2149.7	7.9%	-11.6%

Source: NSE, ACMIIL Retail Research

Indian Economic Data	Latest	Previous
HSBC MFG PMI	58.1	58.3
HSBC Service PMI	60.3	60.5
Trade Deficit (USD $ billion)	20.98	23.48
GST Collection (INR- Lakh-Cr)	1.82	1.78
CPI (%)	5.08	4.75

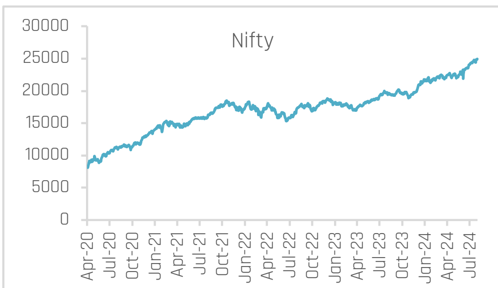
Source: Trading Economics, ACMIIL Retail Research



Source: Trading Economics, ACMIIL Retail Research

Commodity	Spot	1M % Chg	% YTD
Gold ($/OZ)	2480.8	6.1%	19.6%
Silver($/OZ)	28.9	-2.1%	20.8%
Brent ($/Bbl)	80.7	-6.6%	6.4%
WTI ($/Bbl)	77.9	-4.5%	10.7%
Copper($/Lbs)	4.1	-7.6%	5.2%

Source: : in.investing.com, ACMIIL Retail Research



Source: in.investing.com, ACMIIL Retail Research

Overall Outlook

The railway sector is in focus with the announcement of approximately 2,500 new general passenger train coaches being manufactured, and approval granted for another 10,000 coaches. In the automotive sector, vehicle registrations were largely flat in June 2024 due to heatwave conditions, but moderate growth was seen in automotive sales, with passenger vehicle sales up 3% to 337,757 units. Commercial vehicle sales exceeded expectations, driven by strong replacement demand and government infrastructure spending. With the hope of growth revival, FMCG companies are focusing on rural markets with new product packs and enhanced distribution to kirana stores. India's agrochemical sector is seeking higher import tariffs to counter Chinese dumping and is advocating for regulatory reforms and investment incentives to boost domestic manufacturing.

Index	Spot	1M % Chg	% YTD
Dow Jones	40842.8	4.4%	8.3%
S&P 500	5522.3	1.1%	16.4%
Nasdaq	17599.4	-0.8%	19.2%
CAC 40	7531.5	0.7%	0.0%
DAX	18508.7	1.5%	10.4%
FTSE 100	8283.4	1.4%	7.3%
Nikkei 225	39101.8	-1.2%	17.5%
Hang Seng	17344.6	-2.1%	3.3%
Shanghai	2938.8	-1.0%	-0.8%

Source: Yahoo Finance, ACMIIL Retail Research

US Economic Data	Latest	Previous
S&P MFG PMI	49.6	51.7
S&P Servie PMI	55	55.3
CPI (%)	3.0	3.3
Produce Price Index (%)	0.2	-0.2
Non- Farm Payroll data	114000	179000

Source: Trading Economics, ACMIIL Retail Research

Bonds	Current	1 M	YTD
India 10Y	6.924	7.008	7.196
India 2Y	6.817	6.949	7.085
U.S. 10Y	4.033	4.392	3.898
U.S. 2Y	4.26	4.749	4.25

Source: in.investing.com, ACMIIL Retail Research

The Federation of Pharma Entrepreneurs (FoPE) criticized the government's increase in customs duty on specialty and fine chemicals from 10% to 150%, warning it will raise production costs, drug prices, and impact industry innovation. FoPE has requested a phased implementation. The Upcoming festive season, spanning from Onam to Diwali, is crucial for annual sales, with companies hoping for recovery driven by tax relief and a good monsoon. Marketing budgets will increase, with a focus on promotional schemes, while auto and consumer durable goods sales are anticipated to rise, particularly in mid-to-premium segments. The Securities and Exchange Board of India (Sebi) has proposed several measures to address speculative trading in index derivatives. These changes aim to moderate market activity and curbing heightened risky speculation among Retail Individual Investor.

We continue to be bullish on some of the key sectors like Auto & Auto Ancillary, Cements, Defence, Railways, Consumer Durables, Energy, Logistics, FMCG, Capital Goods & Engineering, Infrastructure, Construction, Banking, and Financials, etc. which are going to be outperformers in the rally ahead. Some of the laggard sectors also have some value buying opportunities to accumulate at lower levels including Information Technology, Specialty Chemicals and Metals, etc. The Nifty has achieved one of our medium term targets levels of 24500-25500 levels near recent high. We may see some kind of Pause or consolidation in market. It also looks bit stretched after strong rally post-election Results. We are closely monitoring market for taking further clue at these levels. Although one should keep stock specific approach and BUY in any kind of decline or consolidation in the market for medium to long term Investment perspectives.

Global Outlook:

US market remains positive for the month of July. Indices particularly Dow jones and S&P 500 ended monthly closing with a gain of around 4.4% & 1.1%, respectively, and Nasdaq composite ended negative of 0.8%. The recent economic data is showing some contraction in economic activity with high probability of rate cut by FED in September meet. The US economy added 114000 jobs in July, well below a forecasts of 175000. Weaker-than-expected jobs report that raised concerns about a slowing economy. While the unemployment rate unexpectedly rose to 4.3%, the highest since October 2021. The ISM Manufacturing PMI fell to 46.6 in July from 48.5 in the previous month, firmly below market expectations of 48.8, reflecting the sharpest contraction in US factory activity since November 2023. Underscoring the impact of high interest rates on goods demand, pressured by a fresh contraction in the level of new orders. The US CPI decreased to 3% in June 2024, down from 3.3% in May 2024, reflecting easing inflation across key sectors like shelter and transportation. US retail sales were flat in June compared to a 0.3% increase in May. The US Economy grew at an annualized rate of 2.8% in Q2CY24, up from 1.4% in Q1CY24, driven by increased in consumer spending. The PCE price index rose 0.1% in June, month-over-month, in line with estimates.

President Joe Biden announced he will not seek re-election and endorsed Vice President Kamala Harris as the Democratic nominee. However, analysts noted that Biden's decision was widely anticipated by the markets, and Donald Trump so far remains the favourite to win in November. The Federal Reserve July monetary Policy meet completed and as outcome, the Policy rate remained unchanged at 5.25%-5.50%. Fed Chair Jerome Powell noted that inflation has eased and is progressing towards the target, it remains elevated. Powell emphasized the need for more favourable data before making decisions about future meetings, including September. He indicated that a rate cut in September could be considered if inflation aligns with expectations. The market is fully pricing a rate cut at the September meeting, followed by two additional 25 basis point cuts later in the year. The European Central Bank held rates steady around 4.25% as expected, with ECB President stating that the September decision remains "wide open". Their interest rate decisions will be based on assessment of the inflation outlook in light of the incoming economic data. China reported second- Quarter GDP growth of 4.7% missing expectations of a 5.1% growth. It's slower than the 5.3% GDP increase in the first quarter. China's economy grew much slower than expected in the second quarter as a protracted property downturn and job insecurity knocked the wind out of a fragile recovery, keeping alive expectations Beijing will need to unleash even more stimulus.

Overall Outlook

The BOJ (Bank of japan) raised its policy rate to 0.25% in the month of july and signalled willingness to hike rates further if the economy remains strong. Markets are betting on two more rate increases this fiscal year that ends March 2025, with the next hike seen in December. The Bank of England lowered its Bank Rate by 25bps to 5% in its August meeting, down from a 16-year peak of 5.25% aligning with expectations of the market, but noted that it will move cautiously in loosening monetary policy further until officials are more certain that inflation will remain subdued.

Brent crude oil prices declined for the month of July. It's trading around $76 to $77 per barrel. Sharp slowdown in US jobs growth, a rise in the jobless rate, weak US ISM manufacturing data and also weak China manufacturing data put pressure on crude oil prices on month on month basis. Global oil demand concerns outweighed supply risks from rising geopolitical tensions in the Middle East. The recent Israeli airstrike hit two schools, killing at least 30 people. Markets are also watching Iran's response after it vowed retaliation for the assassination of Hamas leader Ismail Haniyeh, following the killing of Hezbollah's top commander in a Beirut airstrike. The Geopolitical tension continues to give support crude oil prices at lower levels. A meeting of top OPEC+ ministers ended on 1st August. They have kept oil output policy unchanged including a plan to start unwinding one layer of output cuts from October. OPEC+ said the members making the most recent layer of cuts - a 2.2 million bpd voluntary cut until September - reiterated that its gradual phase-out could be paused or reversed, depending on market conditions. The Crude oil continue to trade in range with ongoing geopolitical tensions and fears of an economic slowdown.

Conclusively, the structural long-term equity bull market for India is intact driven by strong domestic driving forces as mentioned above. The Geopolitical tensions, Higher Interest & Food Inflation are potential Risk for global economic growth. Corporate earing season so far looks mix with few stocks trading at upper end valuation range. Stock selection is key at these levels of market. We would advised to have a disciplined approach while investing at these crucial levels of market. Budget is long term positive and monsoon development looks strong in July. The structure Bull Market for Indian Equity remains intact supported with strong domestic fundamentals, government policies and Reforms. We continue to reiterate the same view; one should BUY stock specific at current levels or any kind of decline or consolidation for medium to long term Investment perspectives.

Accumulate

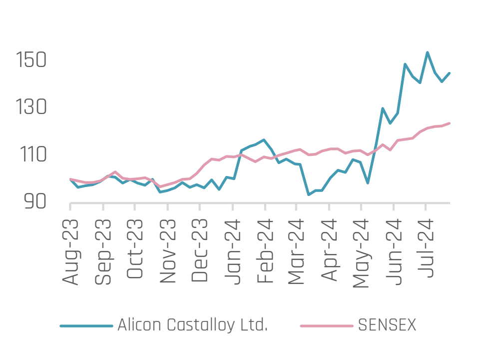
Key Data	
DATE	31-07-2024
Reco Price	1235-1265
Target	1765
Sector	Auto Components & Equipments
BSE Code	531147
NSE Code	ALICON
Face Value (Rs.)	5.00
Market Cap (Mn)	20139.8
52-week High/Low (Rs)	1399.0/775.55

Source : NSE, BSE

Shareholding pattern (March-2024)	%
Promoters	55.72
DIIs	9.00
FIIs	0.37
Public	34.91
Total	**100.00**

Source : NSE, BSE

Price Performance



Rebase to 100

Alicon Castalloy Limited

Company Background

Alicon Castalloy Limited (ALICON) is a leading global manufacturer and supplier of high-quality aluminium castings. With a rich history, it has grown into a prominent player in the casting sector, serving diverse industries worldwide. The company operates state-of-the-art manufacturing facilities in India, and has expanded its presence to strategic international locations such as Austria and Slovakia to cater to a global clientele. The firm specialises in providing innovative and technically advanced casting solutions, leveraging its expertise in various casting processes such as gravity die casting, low-pressure die casting, and sand casting. The product portfolio includes a wide range of high-performance castings for the automotive, aerospace, defence, and industrial sectors. Alicon Castalloys' commitment to quality, precision, and customer satisfaction has earned it a reputation as a trusted partner for some of the world's leading brand.

Outlook and Valuation

ALICON operates as one of the largest aluminium foundries in India, supplying engineering solutions predominantly to the automobile sector. The company is poised for tremendous growth in its topline and margins due to its substantial focus on strategic initiatives, a robust order book, and opportunities in structural parts, technology-agnostic parts, and non-automotive sectors such as defense, energy, medical, infrastructure, carbon neutrality, and agriculture. Alicon is focused on diversifying its business to reduce dependence on a single vertical, thereby propelling growth.

The company has a strong order book of Rs 9,150 crore, executable over six years up to 2028-29. It aims to increase revenue from high-value segments, improve EBITDA margins, and reduce interest costs. Considering the positive factors for Alicon Castalloy Ltd. that will boost topline growth and EBITDA levels, we expect FY26 revenue to grow at CAGR of 16% on basis of FY24-FY26E. Given the strong growth and margin outlook, we estimate FY26E EPS at Rs 65.37 and assign a PE multiple of 27x to arrive at a target price of Rs 1,765, which represents an upside of approximately 41%. **We recommend an "ACCUMULATE" rating on Alicon Castalloy Ltd. for medium to long-term investment.**

Particulars (Rs. in Mn.)	FY23	FY24A	FY25E	FY26E	CAGR % (FY24 - FY26E)
Revenue	14012	15594	17933	21000	16%
EBITDA	1534	1953	2421	2877	21%
EBITDA %	10.96%	12.53%	13.50%	13.70%	
PAT	514	613	836	1053	31%
EPS (Rs.)	31.9	38.0	51.9	65.37	31%

Source: Company, ACMIIL Retail Research

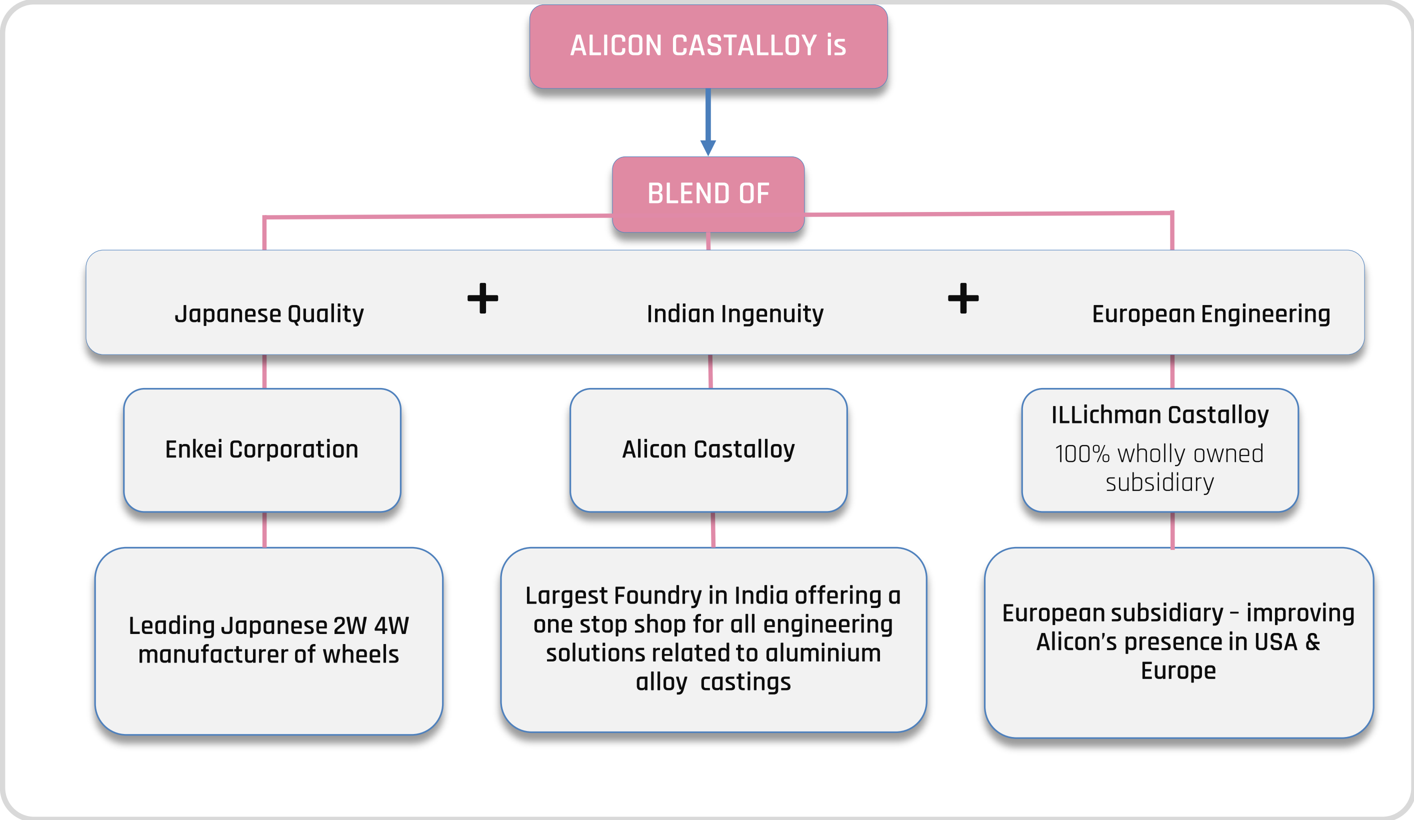
Company at Glance

- The Company offers comprehensive end-to-end solutions for aluminium casting needs across various industries and specializes in manufacturing components like cylinder heads, support brackets, intake manifolds, crankshafts, and engine brackets for the automotive sector.
- It is a pioneer in India for both Low Pressure Die Casting (LPDC) and Gravity Die Casting (GDC), with a predominant revenue contribution of 94% from the auto sector.
- With a diversified customer base, it continues to grow steadily in both domestic and global market across all Automotive Categories (2W, 3W, PV & CV).
- Witnessing significant traction in EV volumes, boosting production capabilities, leading the transition to hybrid technology.
- Expertise in cylinder manufacturing and observing a global sourcing shift to India, the company expects growth opportunities with key customers like Jaguar, Toyota and Maruti.

Investment Idea

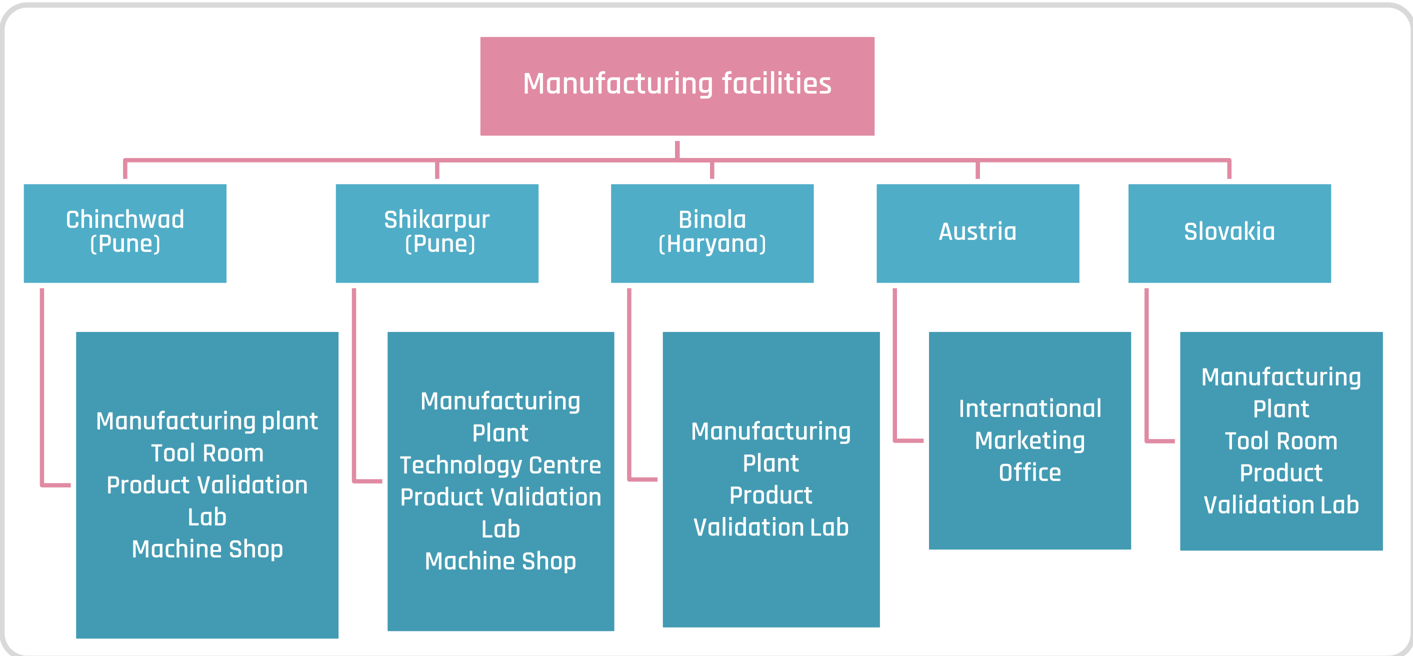
Company overview

The company is part of Alicon group, a global consortium of companies that combines European engineering, Japanese quality & Indian innovation under its umbrella to deliver exceptional lightweight alloy solutions.



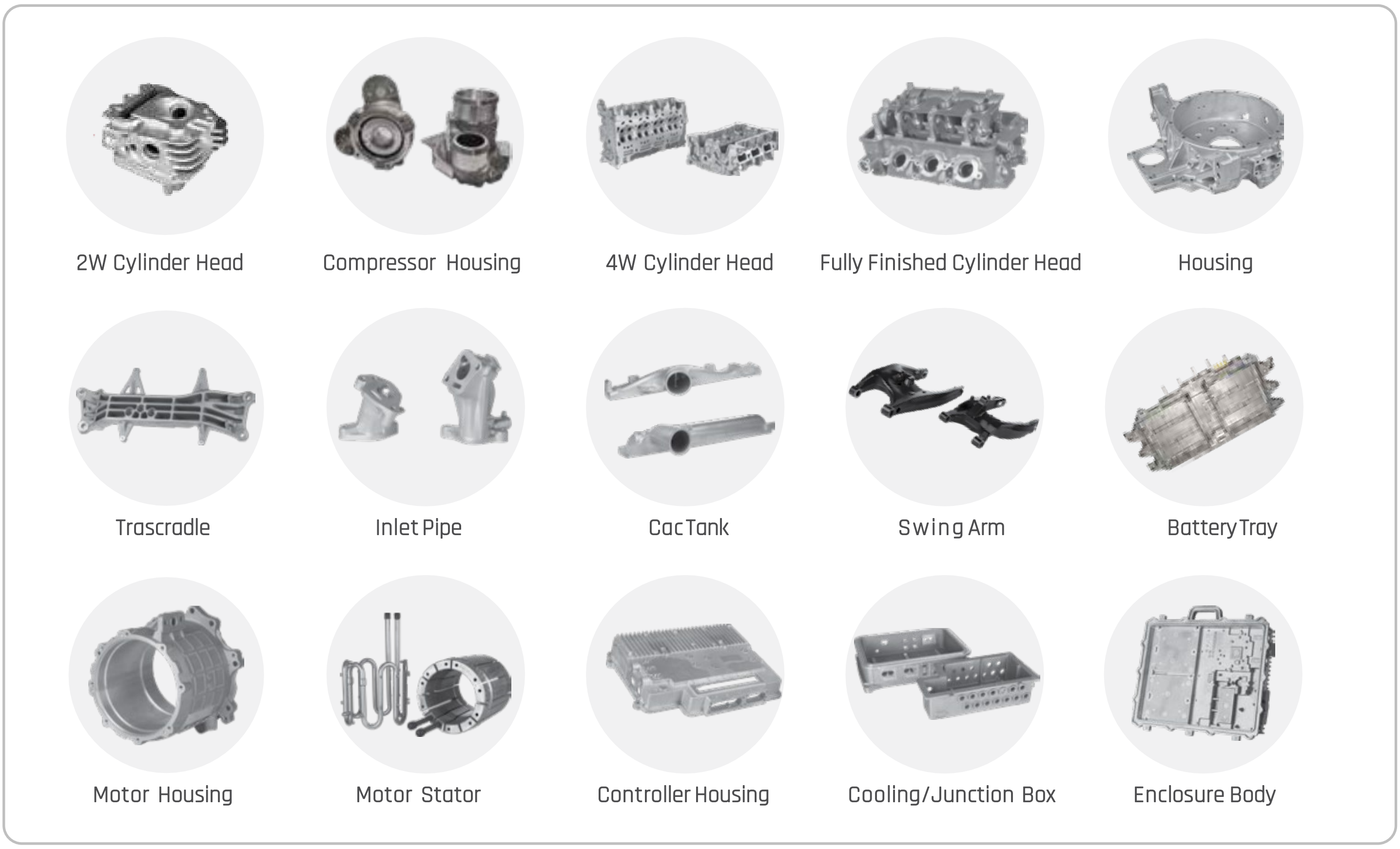
Source: Company, ACMIIL Retail Research

Manufacturing Facilities



Source: Company, ACMIIL Retail Research

Product Portfolio



Source: Company, ACMIIL Retail Research

End user Industry

Catering to key sectors of the Indian economy

Automobile | Infrastructure | Defense | Medical | Energy | Agriculture | Aerospace | Carbon Neutral

Source: Company, ACMIIL Retail Research

Key Clients

Diversity across markets and industries provides a natural hedge

Not reliant on a single 'anchor' customer

None of the customers contribute >15% of turnover

TWO WHEELER OEM

AIKE, BMW, Bajaj, Honda, Hero, Husqvarna Motorcycles, KTM, Mahindra 2 Wheelers, Royal Enfield, Suzuki, Triumph

FOUR WHEELER OEM

Audi, Ashok Leyland, Daimler Truck, JLR, Honda, MAN, Maruti Suzuki Way of Life!, Mahindra, Volvo, Rimac, Renault Nissan, Stellantis, Scania, Tata, Toyota, VW

TIER 1 & NON AUTO

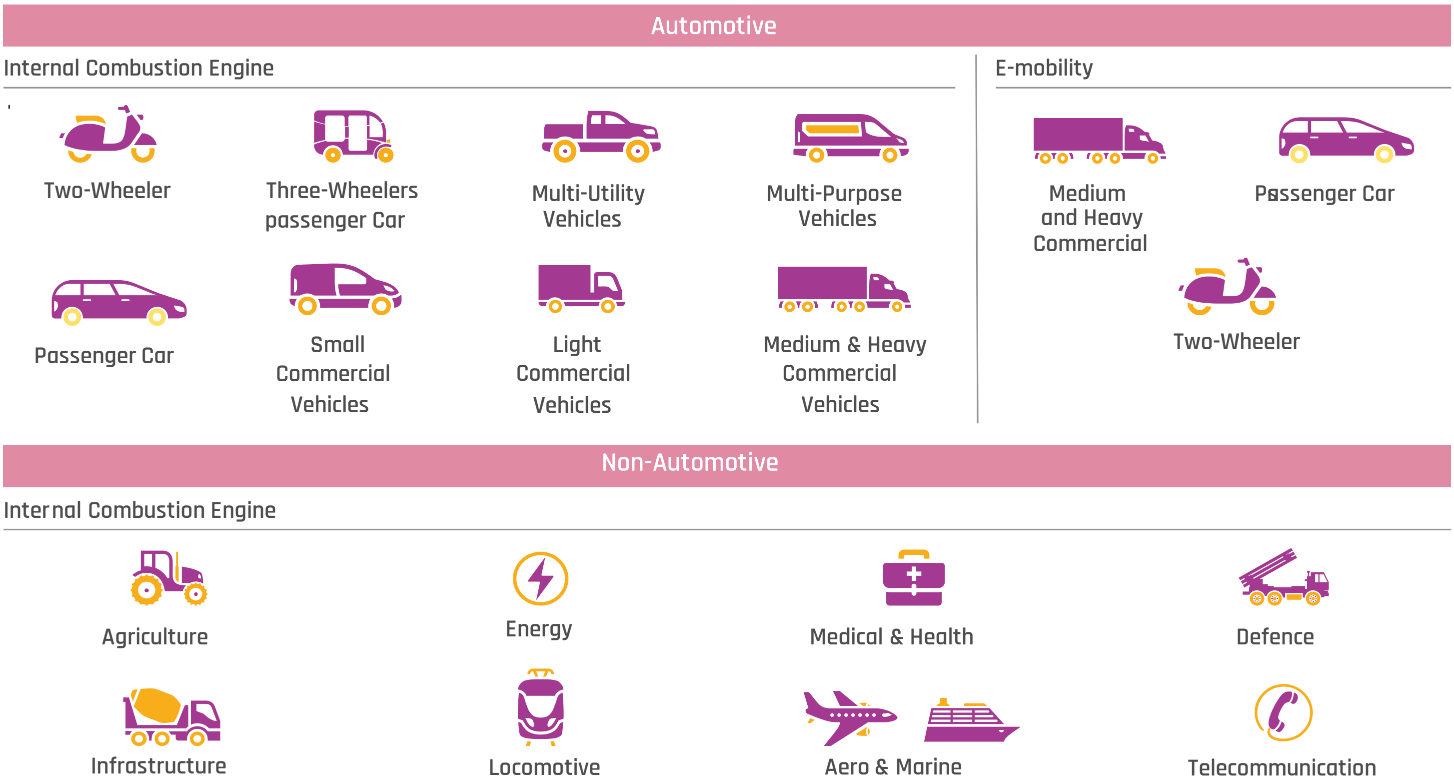
BorgWarner Emissions Systems, Bosch, TitanX, Doppelmayr, Danfoss, Dana, Eaton, EM motive, TBK, GE, Garrett Advancing Motion, JCB, John Deere, KION Group, Knorr-Bremse, Kirloskar, Liebherr, Marelli, Mahle, Mann+Hummel, Modine, New Holland, Solaer Group, Philips, Rotax, Samsung, Samsung SDI, Siemens, Stabeg, ZF

ANDMANY MORE....

Source: Company, ACMIIL Retail Research

Aluminium casting to various sectors

The Alicon Group is an amalgam of benchmark-setting companies that help cast the most iconic lightweight alloy solutions across the automotive and non-automotive segments. Under the Automotive Segment, the company caters to ICE, EV, 2-wheeler, 3-wheeler, passenger and commercial vehicle segments. In the non-automotive segment, the company offers diverse solutions to customers across the agriculture, defence, medical, energy, infra and aerospace sectors.

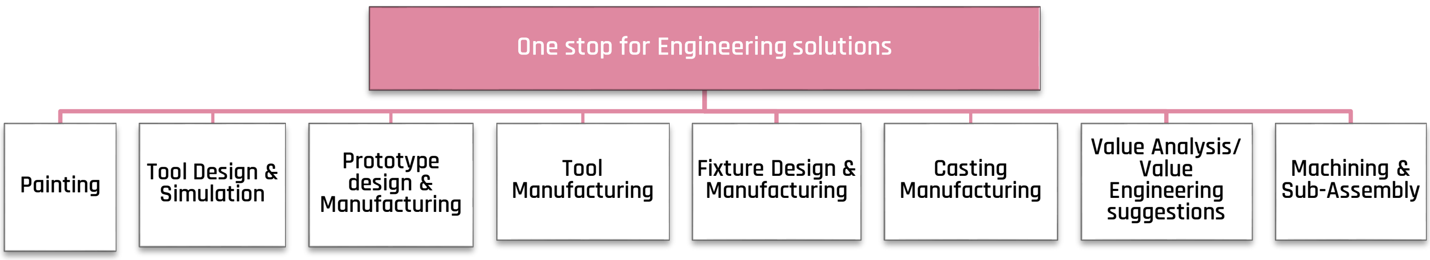


Source: Company, ACMIIL Retail Research

Investment Rationale

One-stop shop for all engineering solutions related to aluminium alloy castings

The Company is a comprehensive engineering solutions provider specializing in aluminium alloy castings, serving as a trusted one-stop shop for customers. From the prototype stage to commercial production, they work closely with customers to reduce validation time and costs. Their integrated approach ensures convenience and a seamless experience for customers throughout the entire process. With over five decades of expertise in aluminium casting, they leverage their knowledge to offer innovative solutions across various industries. In the automotive sector, the Company holds a prominent position as the preferred manufacturer for numerous OEMs in both domestic and international markets, catering to internal combustion engines and e-mobility needs.



Source: Company, ACMIIL Retail Research

Strategic locations enable shorter time-to-market and enhanced cost optimization

The company operates four state-of-the-art plants, including one international facility. Equipped with high-end machinery, an advanced technology center, globally competitive tool rooms, and a fully equipped machine shop, the company is well-positioned to deliver exceptional value. Its global presence spans strategic locations across 18+ countries, which enhances speed-to-market, optimizes costs, and drives operational efficiencies. The company's world-class manufacturing facilities are outfitted with globally sourced machinery, a highly skilled tool manufacturing unit, and dedicated quality and testing laboratories at each location. With its comprehensive machine shop, the company upholds top-tier manufacturing capabilities that adhere to the highest global standards.

Using Advanced Technology to Create Top-Quality, Customized Solutions for New Mobility Needs

The cutting-edge technology center, supported by a talented team of over 200 researchers, drives the development of breakthrough products and processes that are both economically viable and environmentally friendly. By working closely with customers, the company translates concepts into custom designs, delivering impactful solutions tailored to their specific needs. At the forefront of technology, the company is well-positioned to address the emerging demands of electric and carbon-neutral mobility segments. Their focus on innovation enables them to provide value-added products, including BS-VI compliant components and lightweight solutions. By integrating cutting-edge technology into their offerings, they consistently deliver superior products that surpass customer expectations.

Flexible Production Capabilities for Custom and Scalable Manufacturing Solutions

The company's production capabilities are designed to be flexible and customizable, allowing them to manufacture components of all sizes. In response to the evolving landscape of shorter product lifecycles, they excel in small-batch manufacturing, ensuring quick turnaround times. Additionally, the company has the capacity to scale up for high-volume production, offering customers the versatility needed to meet market demands.

Expanding presence and entering new markets

With new orders from global customers in the carbon-neutral technology segment, they are expanding their presence and entering new markets. A notable highlight is the largest ever order win in Alicon's history: a multiyear order from a global customer for their e-mobility platform. Their unique solutions and demonstrated expertise played a pivotal role in winning this prestigious project. Based on new order wins, they expect to accelerate the momentum of their business from carbon-neutral technologies. The company is actively working to increase its sustainability footprint. It has commissioned a captive solar plant in India, and solar panels will be installed at its facility in Europe. These initiatives will significantly transform the company's energy mix.

Export opportunities

The share of international business is set to improve further. During Q4FY24, the company added 12 new parts from 4 existing customers, including 2 parts from EV or carbon-neutral sources, 2 parts from non-auto, and 8 parts from ICE. Of these 12 parts, 2 pertain to the domestic business and 10 to the international market. Globally, prominent customers such as DANA, Danfoss, TACO, and Mahle are expected to scale up volumes. Additionally, an increase in enquiries from global customers has been noted, with buyers from the US and Europe showing interest in sourcing larger quantities of products from Alicon. This reflects a clear shift in the mindset of global customers, who are increasingly recognizing Alicon as a preferred partner and supplier for critical parts in their upcoming projects. The export business is thriving, driven by a targeted strategy to increase wallet share through the development of parts for multiple customers. Apart from Europe, international markets, including the USA, Japan, and South-east Asia, have experienced improved growth rates. Energy costs in Europe have started to ease, which could benefit the overall macro environment. The ongoing challenge of constrained chip availability has begun to gradually ease, leading to better outlook for production by OEMs.

Strengthening growth through technology-agnostic structural components

The company's strategy focuses on capturing opportunities in structural parts or technology-agnostic components, which are essential regardless of the fuel technology used in vehicles. These components, such as suspension, chassis parts, and brake parts, have cross-functional applications across both internal combustion engines and electric vehicle platforms and continue to hold relevance even with the emergence of alternative technologies. Throughout the year, they maintained a strong focus on developing these technology-agnostic products by leveraging their core competencies and increasing their revenue contribution. They made significant strides in both global and domestic markets by expanding their offerings, winning new customers, and securing new parts from their existing customer base. By actively pursuing these opportunities, they aim to strengthen their position and drive growth in the structural parts segment.

Diversifying growth through non-automotive sectors

The company focuses on extracting opportunities in sectors beyond automotive, such as defense, healthcare, telecom, and more, where its expertise can be leveraged. This diversification not only drives growth from newer areas but also enhances business resilience. Notably, the company has secured an order for a prestigious telecom project under the AatmaNirbhar Bharat initiative. This large-scale project involves the implementation of the 4G/5G network, and Alicon is proud to be the sole provider of the specific part required. The project aims to promote the indigenous development of these technologies, aligning with the vision of AatmaNirbhar Bharat. Additionally, the company has secured a tender from the Department of Defence for the supply of wheels for battle tanks and cylinder heads for heavy-duty defense trucks.

Strategic Capex Investment to Drive Growth and Efficiency for Alicon

FY25 will witness a substantial increase in capital expenditure (capex), estimated to be approximately Rs. 1500 Mn .This significant investment is primarily driven by the need to build up capacity for new orders, notably for the e-Axle components required by Jaguar Land Rover (JLR). This entails acquiring larger, specialized machines and upgrading quality control processes to meet stringent requirements. Additionally, the capex will fund the installation of robotic lines for PSA Infosys projects and support new project initiatives. A portion of the capex is also allocated to enhancing process automation. This strategic move aims to control rising costs, particularly in light of increasing manpower expenses due to higher minimum wages in Maharashtra. By investing in automation, the company seeks to manage these labor cost pressures more effectively. Looking ahead to FY '26, further capex is anticipated, with plans to support the ramp-up of Jaguar e-Axle production and related components, including battery trays for the Range Rover EV. This will involve additional investments in sample submissions and validations, with a major production ramp-up expected in the following year. The capex will also accommodate ongoing expansions with Maruti and other existing customers such as Danfoss, ensuring the company can meet growing demand and maintain its competitive edge. Overall, the capex reflects Alicon's proactive approach to scaling its operations, improving efficiency, and preparing for future demands, all of which are positive indicators for the company's long-term success and market position.

Expanding Expertise and Investment in Critical Parts for Internal Combustion Engines

The company is focused on expanding its portfolio of critical parts in the traditional Internal Combustion Engine (ICE) sector, including the development of components like four-wheeler cylinder heads. To emphasize their commitment, they have invested in automation technologies to showcase their expertise and readiness in this vital area. Company's share in 4W business increased in FY24, while 2W share reduced for the same. The company is more focused on 4W segment, as it is higher margin and less competitive. It is shifting its value proposition from supplying partially finished cylinder heads to proving fully finished products. The company has secured contracts with two major domestic customers for four-wheeler cylinder heads and has successfully developed a cylinder head for a leading all-terrain vehicle manufacturer, which will be supplied to the U.S. market. This achievement is noteworthy as it represents a shift in the value proposition, moving from supplying partially finished cylinder heads to delivering fully finished products.

Adapting Strategy to Embrace a Broader Range of Carbon-Neutral Technologies

The strategy centers on leveraging opportunities in carbon-neutral technologies, including batteries, electric vehicles (EVs), hybrid EVs, plug-in hybrid vehicles, fuel cells, and hydrogen cell technologies. This year, they have broadened the focus from just EVs to encompass a wider range of carbon-neutral technologies, aligning with the evolving industry landscape. Within this space, they are targeting passenger vehicles, commercial vehicles, and export markets, recognizing the potential for significant value addition. To actively pursue these opportunities, they have increased participation in conferences, exhibitions, and customer visits both domestically and internationally.

Established expertise in the EV segment

The company's reputation and expertise in the EV segment position them well in the eyes of domestic customers, who evaluate suppliers based on capacities and track records. With rich experience and a successful track record of supplying 94 parts to 17 customers, Alicon is recognized as a trusted partner in this field. Additionally, the European subsidiary, Illichmann, has played a crucial role in growth and competency in supplying EV components since 2017. The company is exploring friction stir welding, a highly recommended technique for creating strong and high-quality joints in electric vehicles (EVs). This focus on advanced technology solutions helps the company stand out in the global market.

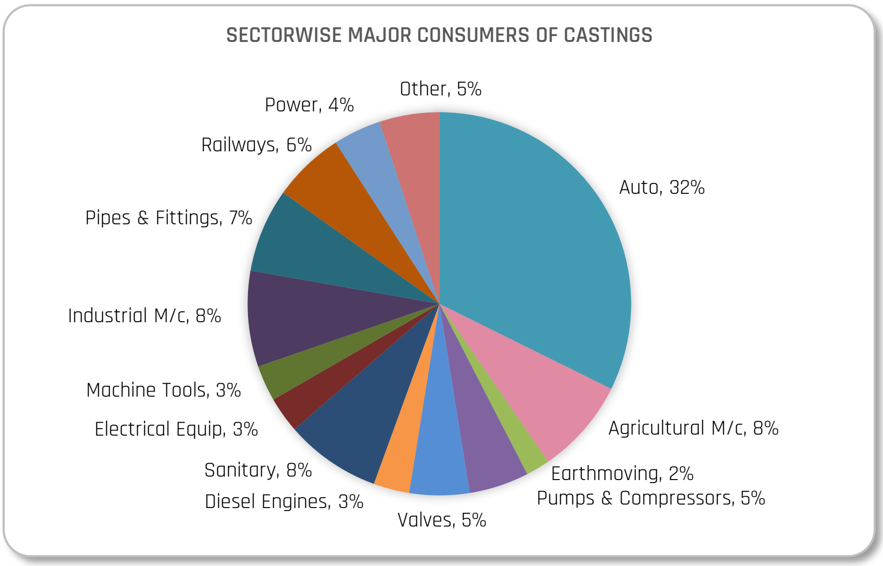
Alicon's ESG Commitment to Sustainable Waste Management

The company has robust systems in place to recycle plastics, e-waste, and hazardous waste safely and responsibly. These materials are disposed of via authorized recyclers, with returns filed to the appropriate statutory bodies. The company has optimized its processes so that most waste produced is recycled and reused within its operations, resulting in minimal disposal. Alicon demonstrates its commitment to responsible waste management by partnering with authorized recyclers and establishing advanced Wastewater Treatment Plants (WWTPs), including Effluent Treatment Plants (ETPs) and Sewage Treatment Plants (STPs) across all relevant plant sites. By adopting streamlined processes, innovative techniques, and advanced technologies, Alicon effectively reduces waste generation, contributing to environmental preservation and sustainability, while focusing on ESG practices.

Industry Overview and Growth Drivers

The global metal casting market was valued at USD 139 billion in 2021 and is projected to grow at a compound annual growth rate (CAGR) of 7.8%, reaching USD 221.3 billion by 2027. This growth reflects the increasing demand for metal cast components across various industries, including automotive, aerospace, defense, and industrial machinery. In India, the foundry industry boasts a turnover of approximately USD 19 billion, with exports totaling USD 3.1 billion. Grey iron castings dominate the sector, accounting for nearly 68% of the market. The industry manufactures metal cast components for a diverse range of applications, such as automotive, tractors, railways, machine tools, sanitary products, pipe fittings, defense, aerospace, earth-moving equipment, textiles, cement, electrical and power machinery, pumps and valves, and wind turbine generators. Currently, the Indian foundry sector provides direct employment to about 500,000 people and indirect employment to 1.5 million individuals. With its robust growth potential, the industry is expected to create an additional 2 million jobs over the next decade.

The Indian government's focus on manufacturing, as reflected in policies like 'Make in India' and 'Ease of Doing Business', supports the foundry sector's growth. The new manufacturing policy aims to increase the manufacturing sector's GDP share from 15% to 25% in the next decade. Other reforms, such as easing FDI norms and skill development initiatives, are also enhancing the sector's growth prospects.



Source: Company, ACMIIL Retail Research

The Indian automobile industry, currently valued at US$ 222 Billion, is projected to soar to US$ 300 Billion by 2026, supported by a US$ 3.5 Billion investment from the Government, which includes financial incentives of up to 18% to enhance manufacturing capabilities. Anticipated to achieve a CAGR of 11.3% until 2027, the sector's expansion is driven by increasing disposable incomes, the broad availability of credit and financing options, and demographic growth. The automotive industry has shown resilience and innovation despite facing several economic challenges. In FY 2023, the Indian automobile sector experienced a 13% volume growth, outperforming the global average of 6%. This growth was particularly notable in the passenger vehicle segment, which achieved its highest-ever domestic sales, surpassing pre-pandemic levels. Conversely, the two-wheeler segment, while witnessing a 17% increase in volume, remains 25% below its peak from FY 2019 due to factors such as tepid rural demand and regulatory changes affecting production schedules. The EV (Electric Vehicle) market in India is forecasted to expand from $5.61 billion in 2023 to $37.7 billion by 2028. The Indian automotive sector stands as the fourth-largest producer globally, boasting an annual output exceeding 4 million motor vehicles. This dynamic industry serves as a vital role in the nation's economy, characterized by significant technological and manufacturing advancements. Witnessing substantial expansion, it has emerged as a focal point for both domestic consumption and international trade. Within the Indian automotive market, distinct segments exhibit varied performance. The industry is also seeing a trend toward automation, driven by rising labor costs, particularly in regions like Maharashtra. Investments in automation are aimed at controlling costs and improving production efficiency.

Passenger Vehicle Market in India

Passenger vehicle penetration in India is currently low, with only 32 units per 1,000 people, compared to 223 units per 1,000 people in China and much higher levels in Germany, Japan, and the US. This low penetration suggests significant growth potential for the Indian passenger vehicle market. By FY2030-31, the passenger vehicle market in India is expected to comprise 60% internal combustion engine (ICE) vehicles, 25% hybrids, and 15% battery electric vehicles (BEVs). This indicates sustained relevance for ICE vehicles while highlighting emerging opportunities in the hybrid and electric vehicle segments. Mass market players like Maruti Suzuki, Hyundai, Mahindra & Mahindra and Tata Motors are lining up new models to cater to demand across segments.

Strong Sales Performance and Growth Projections for Commercial Vehicles

The commercial vehicle sector in India is poised for substantial growth, driven by projected infrastructure spending and urbanization trends. The outlook for two-wheeler volumes is also positive, supported by anticipated election spending and expectations of a normal monsoon, which is likely to sustain rural demand. Sales of commercial vehicles (CVs) in India have exceeded expectations, with over 234,000 trucks and buses sold in Q1FY25, marking a 4.5% increase from the Q1FY24. This strong performance is expected to continue, with projections of 9-12% growth, potentially reaching over 1 million units in FY25. Continued government investment in infrastructure, including a record Rs 11.11 lakh crore allocation for FY25, is anticipated to significantly boost CV demand. Key projects like the dedicated freight corridors (DFC) are expected to further drive sales. Recovery in rural demand and improving global trade have led the Reserve Bank of India (RBI) to raise its GDP growth forecast for FY25 to 7.2%. Positive trends in freight movement, freight rates, and key sectors such as steel, cement, and iron-ore also support a strong outlook for CVs. Leading commercial vehicle manufacturers like Tata Motors and Ashok Leyland are expressing confidence in the market, anticipating good single-digit growth for the year. Additionally, Ashok Leyland is set to introduce six new light commercial vehicles. Despite initial concerns about the election model code of conduct and infrastructure activity slowdown, the industry expects a strong second half following the monsoon season. Overall, robust demand drivers and positive economic conditions support continued growth in the CV sector.

Government Enhances Support for EV Market with New Policies and Subsidy Adjustments

The Centre extended the Electric Mobility Promotion Scheme (EMPS) 2024 by two months, now valid until the end of September. The scheme's budget has been increased to Rs 778 crore from Rs 500 crore. EV buyers can receive subsidies up to Rs 10,000 for two-wheelers and Rs 50,000 for three-wheelers, with companies selling locally made EVs at a discount and claiming subsidies from the Ministry of Heavy Industries. Target numbers under the scheme have been raised to 561,000 EVs from the initial 372,000, comprising 500,080 electric two-wheelers (e-2Ws) and 60,709 electric three-wheelers (e-3Ws). Originally set to run from April 1 to July 31, EMPS 2024 was introduced to support the sales of clean energy vehicles following the end of the Faster Adoption & Manufacturing of Electric Vehicles (FAME) subsidy scheme on March 31, 2024. The government is optimistic about meeting targets due to strong EV sales. Approved EV makers under EMPS include Hero MotoCorp, Bajaj Auto, TVS, Ather, Ola, and Kinetic Green. The FAME scheme, launched in 2015 with Rs 5,172 crore, was followed by FAME II in 2019 with a Rs 10,000-crore budget, lasting five years..

Significant Growth Opportunity in Electric 3-Wheelers

The 3-wheeler segment, led by electric goods carriers, is the fastest-growing in the automotive industry. Their lower purchase price, low running costs, and suitable payload capacities make them ideal for last-mile delivery. The widespread use of three-wheelers for short-distance public transport and urban logistics, driven by the rise of e-commerce, has spiked their demand. Additionally, the shift towards eco-friendly mobility solutions has accelerated the adoption of electric three-wheelers, presenting a significant opportunity in the automotive market.

Additional Key growth drivers

- Growing working population and expanding middle class are expected to remain key demand drivers.
- By 2025, 4 million of EVs could be sold each year and 10 million by 2030. The market is expected to reach US$ 206 billion by 2030.
- The Indian auto component industry is set to become the 3rd largest globally by 2025.
- India is emerging as a global hub for auto component sourcing, with the industry exporting over 25% of its production annually. This growth is driven by India's strategic proximity to key automotive markets, including ASEAN, Europe, Japan, and Korea.
- Auto component exports are expected to grow and reach US$ 30 billion in FY26.
- India has a competitive advantage in auto components categories such as shafts, bearings and fasteners due to large number of players. This factor is likely to result into higher exports in coming years.
- 100% FDI is allowed under the automatic route for auto components sector.
- PLI Scheme Extended by 1 year, government extends tenure of automobile, component PLI scheme by 1 year. Five year to start from FY24 and ending in FY28. Government in interim budget increased allocation to Rs 3,500 crore for PLI Auto, Components scheme in FY25.
- Extended anti-dumping duty on imports of “Aluminium Alloy Road Wheel” originating in or exported from China PR for five years.

Story in Charts (Values in Mn.)

Exhibit 1: Sales

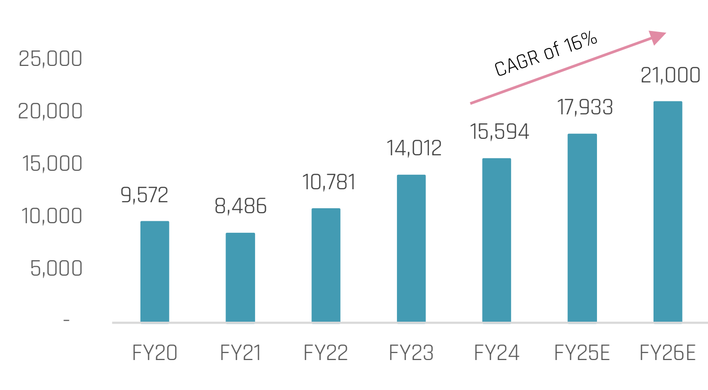


Exhibit 2: EBITDA & EBITDA Margin

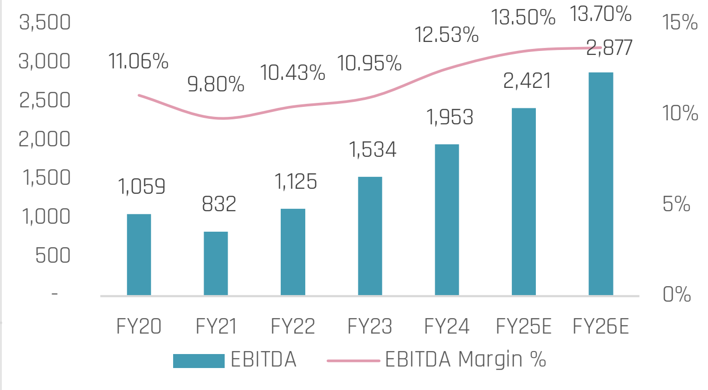


Exhibit 3: PAT & PAT Margin

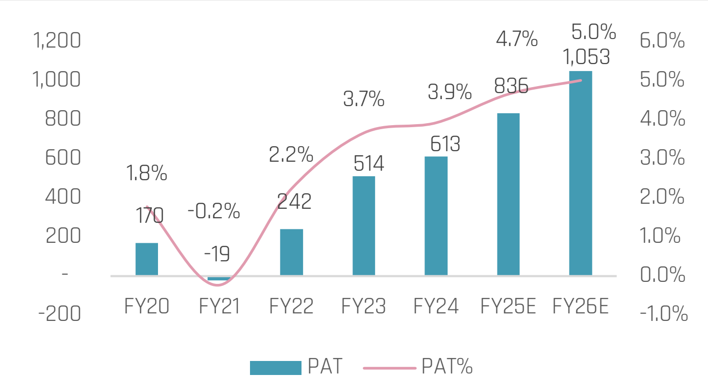


Exhibit 4: Revenue Mix (FY24)

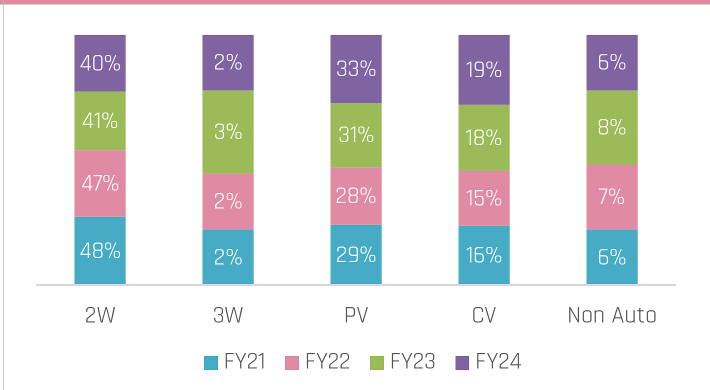


Exhibit 5: Revenue Mix Geography wise (FY24)

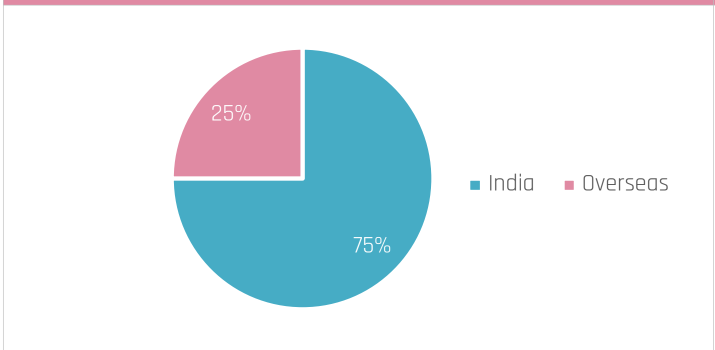
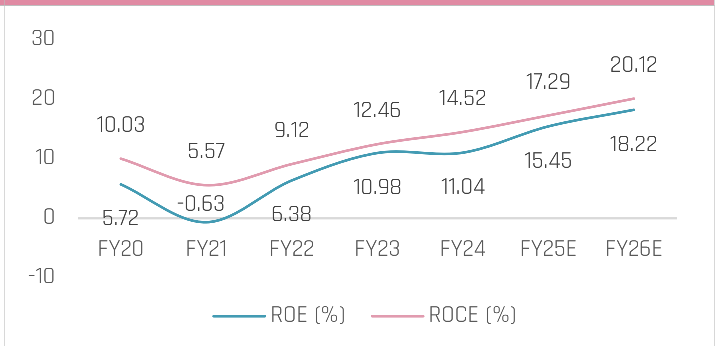


Exhibit 6: ROCE & ROE



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs. in Mn.)	FY20	FY21	FY22	FY23	FY24A	FY25E	FY26E
Sales	9,572	8,486	10,781	14,012	15,594	17,933	21,000
Expenses	8,513	7,654	9,656	12,477	13,641	15,512	18,123
EBITDA	**1,059**	**832**	**1,125**	**1,534**	**1,953**	**2,421**	**2,877**
EBITDA Margin %	**11.06%**	**9.80%**	**10.43%**	**10.95%**	**12.53%**	**13.50%**	**13.70%**
Other Income	28	29	33	35	38	38	39
Depreciation	440	488	531	636	775	923	1,067
Interest	393	361	301	312	407	428	454
PBT	**253**	**11**	**326**	**621**	**809**	**1,107**	**1,395**
Tax	83	30	84	107	196	271	342
PAT	**170**	**-19**	**242**	**514**	**613**	**836**	**1,053**
PAT%	**1.8%**	**-0.2%**	**2.2%**	**3.7%**	**3.9%**	**4.7%**	**5.0%**
EPS (Rs.)	10.57	-1.20	15.01	31.92	38.04	51.90	65.37
ROCE%	**10.03%**	**5.57%**	**9.12%**	**12.46%**	**14.52%**	**17.29%**	**20.12%**
ROE%	**5.72%**	**-0.63%**	**6.38%**	**10.98%**	**11.04%**	**15.45%**	**18.22%**

Source: Company, ACMIIL Retail Research

Risks and concerns

- The slowdown in the Indian and global economy will impact the business.
- Heavy reliance on the automotive sector exposes the company to industry-specific risks such as regulatory changes or shifts in consumer preferences.
- Dependency on key customers poses a significant risk, as declines in their business could severely affect the company's revenue and profitability.

NIFTY-DAILY CHART

Chart as on 05th August 2024

- The index started the July series on a positive note and maintained its bullish momentum. Following that, the index registered a record high of 25,078.30 on the first day of the August series. However, due to weak global cues, the index subsequently experienced heavy volatility, leading to profit booking at the beginning of the August series. Consequently, the index retraced back to the 24,000 level and settled today on a negative note at 24,055.
- On a daily scale, the index has confirmed the spinning top formation, indicating weakness. Moreover, it has formed a bearish breakaway gap near 24,687, which will act as strong resistance for the index in the short term. A strong break below 24,000 will likely trigger further selling pressure in the Nifty.
- On the downside, the previous breakout point is placed near 23,300, which will act as first key support for the index, followed by 23,000 levels.
- On the upside, levels around 24,700 will act as the first hurdle for the index, followed by the all-time high levels around 25,080, which serve as major resistance.
- The Relative Strength Index (RSI) on the daily scale is positioned below the center point and is forming negative divergence.
- For the short to medium term, 23,300 and 23,000 will serve as support levels, while 24,700 and 25,080 will act as resistance levels.

BANKNIFTY- DAILY CHART

Chart as on 05th August 2024

- The index started the July series on a positive note and registered a fresh record high of around 53,358. However, it then witnessed consolidation in the narrow band of 51,000-52,300. Due to a weak global scenario at the beginning of the August series, Bank Nifty broke the support at 51,000 levels and closed below it, indicating weakness. As a result, the index settled on a negative note at 50,092 on August 5, 2024.
- Technically, the index continued forming lower highs and lower lows, indicating weakness. Moreover, the index has broken the support of 51,000 and close below the recent swing support of 50,438. Thus, 50,400-50,500 will act as immediate hurdle for the index followed by 51,000.
- •On the downside, the 50% Fibonacci retracement support of the rise from 46,078 to 53,358 comes around 49,718. Therefore, 49,700 will act as immediate support for the Bank Nifty, followed by 48,859 (61.8% Fibonacci retracement support).
- The momentum indicator, Relative Strength Index (RSI), on the daily scale is placed below the centre point, indicating weakness.
- For the short term, 49,700 and 48,850 levels will serve as support levels, while 50,500 and 51,000 levels will act as resistance levels.

Retail Research Call Performance

MT Medium Risk Calls												
Calls Performance	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Calls Activated	32	36	23	23	25	21	41	29	44	39	29	16
Successful	18	23	14	13	14	12	30	18	29	24	18	9
Unsuccessful	14	13	9	10	11	9	11	11	15	15	11	7
Succes Rate	56%	64%	61%	57%	56%	57%	73%	62%	66%	62%	62%	56%

MT High Risk Calls												
Calls Performance	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Calls Activated	27	27	28	32	31	16	24	41	32	28	36	13
Successful	20	18	16	22	21	6	17	29	15	17	25	6
Unsuccessful	7	9	12	10	10	10	7	12	17	11	11	7
Success Rate	74%	67%	57%	69%	68%	38%	71%	71%	47%	61%	69%	46%

Positional Calls												
Calls Performance	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Calls Activated	20	19	10	11	14	14	17	22	12	12	28	34
Successful	16	16	5	10	13	10	12	15	10	7	23	30
Unsuccessful	4	3	5	1	1	4	5	7	2	5	5	4
Success Rate	80%	84%	50%	91%	93%	71%	71%	68%	83%	58%	82%	88%

Investment Idea							
Date	Company	Rec	Rec price	Close Rate	Target	Returns	Closed Date
07-08-23	RKFORGE	Accu	565.00	725	725.00	28.32%	31-08-23
29-08-23	ISGEC	Accu	700.00	950	950.00	35.71%	01-12-23
04-10-23	MCDOWELL-N	Accu	992.50	1198	1198.00	20.71%	10-04-24
17-10-23	DIXON	Accu	5425.00	6880	6870.00	26.82%	20-02-24
17-10-23	CAPLIPOINT	Accu	1090.00	1415	1415.00	29.82%	22-12-23
06-11-23	ADORWELD	Accu	1270.00	1613	1613.00	27.01%	16-11-23
05-12-23	TRITURBINE	Accu	435.00	558	558.00	28.28%	27-03-24
12-12-23	POWERMECH	Accu	4225.00	5512	5512.00	30.46%	07-02-24
09-02-24	THERMAX	Accu	3270.00	4096	4096.00	25.26%	26-03-24
21-03-24	SCHAEFFLER	Accu	2910.00	3696	3696.00	27.01%	30-04-24
01-06-23	TIMKEN	Accu	3290-3330	4300	4300.00	29.91%	24-05-24
05-03-24	ISGEC	Accu	920-930	1170	1170.00	26.49%	23-05-24
05-04-24	UNOMINDA	Accu	730-740	938	938.00	27.62%	06-06-24
05-06-24	ITDCEM	Accu	385.00	505	505.00	31.17%	26-06-24
21-11-23	AHLUCONT	Accu	800-815	1490	1490.00	84.52%	06-07-24
14-05-24	CIEINDIA	Accu	480-490	617	617.00	27.22%	08-07-24
21-06-24	PGEL	Accu	319-323	440	412.00	37.07%	25-07-24
15-09-23	TRIVENI	Accu	370-375		480	Open	
24-11-23	ADORWELD	Accu	1500-1520		1806	Open	
01-01-24	AIAENG	Accu	3650-3690		4909	Open	
03-01-24	TCI	Accu	825-835		1080	Open	
24-01-24	APLAPOLLO	Accu	1495-1505		2077	Open	
29-01-24	AUTOAXLES	Accu	2120-2130		2906	Open	
23-02-24	ASTRAL	Accu	2080-2100		2627	Open	
25-04-24	CAPLIPOINT	Accu	1320-1330		1675	Open	
02-07-24	TIMETECHNO	Accu	320-330		426	Open	
31-07-24	ALICON	Accu	1235-1265		1765	Open	

Event Calendar August 2024

MARKET pulse

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
				1 • ABCAPITAL • ADANIENT • ADANIPORTS • DABUR • ESCORTS • ITC • SUNPHARMA • TATAMOTORS • THERMAX • ZOMATO • Monthly Auto Sales number • HSBC Manufacturing PMI Final JUL • Fed Press Conference, • ISM Manufacturing PMI JUL	2 • ACI • BRITANNIA • CAMS • DELHIVERY • IDFC • LICHSGFIN • TITAN • UPL • ZYDUSWELL • Non Farm Payrolls JUL, • Unemployment Rate JUL	3 • AFFLE • ARE&M • BANKINDIA • DIVISLAB • SBIN
4	5 • BHARTIARTL • DEEPAKNTR • DEVYANI • MARICO • ONGC • SCHNEIDER • TATACHEM • TRITURBINE • HSBC Services PMI Final JUL • ISM Services PMI JUL	6 • BATAINDIA • BOSCHLTD • CHAMBLFERT • CUMMINSIND • GUJGASLTD • LUPIN • PFC • PIIND • SHREECEM • TATAPOWER • TVSMOTOR	7 • ABBOTINDIA • ABFRL • GODREJCP • PIDILITIND • NLCINDIA • RADICO • NHPC	8 • ABB • BIOCON • CONCOR • MRF • OIL • PAGEIND • RVNL • TIMKEN • RBI Interest Rate Decision	9 • ALKEM • BERGEPAINT • JUBLFOOD • NAUKRI • TRENT • ZYDUSLIFE	10
11	12 • Industrial Production YoY JUN • Manufacturing Production YoY JUN • Inflation Rate YoY JUL	13 • GNFC • IPCALAB • IRCTC • MANAPPURAM • MFSL • MOTHERSON • HEROMOTOCO • HINDALCO • PPI MoM JUL	14 • Passenger Vehicles Sales YoY JUL • WPI Manufacturing YoY JUL • WPI Inflation YoY JUL	15	16	17
18	19	20	21 • US FOMC Minutes	22	23	24
25	26	27	28	29	30	31 • Government Budget Value JUL

Result Updates

Economic & Other Event

ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum calls
Market Watch	Smart Delivery trades
Weekly Technical Synopsis	Positional technical calls
Quarterly Kaleidoscope	Investment ideas
Market Pulse	Master trades High & Medium Risk
RBI Monetary Policy	Techno Funda
Budget Report	Stock Basket
Weekly Derivatives Synopsis	Mutual fund model portfolios
Rollover Snapshot	Portfolio Doctor
Rollover Analysis (Monthly)	IPO Note
Special Report (Industry/Calendar year/Financial year)	
Investment Idea	
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