

CMP: INR 861

Rating: Buy

Target Price: INR 1,042

Stock Info

BSE	531147
NSE	ALICON
Bloomberg	ALIC IN
Sector	Automobile & Ancillaries
Face Value (INR)	5
Equity Capital (INR Mn)	80.6
Mkt Cap (INR Mn)	11,985
52w H/L (INR)	1,541/776
Avg Yearly Vol (in 000')	19.5

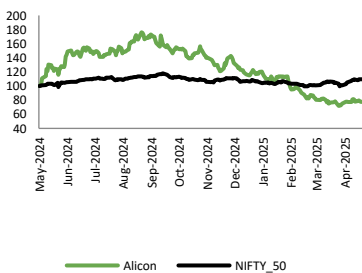
Shareholding Pattern %

(As on June, 2025)

Promoters	54.1
DII's	11.59
FII's	0.46
Others	33.76

Stock Performance (%)	1m	3m	12m
ACL	13.6	-10.2	-14.5
Nifty	0.7	7.5	11.02

ACL Vs Nifty



Alicon Castalloy Ltd (ACL) reported below estimate in Q1FY26. Consolidated revenue stood at INR 4,179 Mn, below our estimate of INR 4,344 Mn registering a growth of down 5% YoY/ down 1.6% QoQ. EBITDA stood at INR 491 Mn, below our estimate of INR 545 Mn, up 5.2% QoQ/down 14.7% YoY. On the margins front, the EBITDA margin has been down to 133bps YoY/ up 75bps QoQ to 11.7%, below our estimate of a 12.5%. PAT down by 1.3%QoQ/down 51.1% YoY to INR 93.1 Mn below our estimate of INR 130 Mn.

Investment Rationale

Capacity and Product Mix Supporting Margin Expansion: With investments in advanced machining, automation, and alloy technology, Alicon is improving product complexity and value addition, supporting margin growth. The company's focus on higher-content aluminium components and premium customers is expected to drive gross margin improvement. The company is targeting EBITDA margin expansion through better capacity utilization and operational efficiency gains in FY26 and beyond.

Healthy Order Book and Long-Term Revenue Visibility: The order pipeline includes multi-year contracts in both auto and non-auto applications, offering steady revenue visibility. Orders from EV OEMs, along with lightweighting mandates from global customers, provide a structural growth runway. Management retains confidence in delivering double-digit revenue growth in FY26, backed by existing programs ramping up and new orders entering SOP.

Diversified Customer Base with EV and Export Growth Potential: The company's portfolio spans 2W, PV, CV, and non-auto segments, with a growing presence in EV components and exports. The company's exposure to both domestic and global OEMs reduces reliance on any single segment, while strong traction in EV lightweighting solutions positions it to benefit from the industry's transition to clean mobility. The company expects exports to grow faster than domestic over the medium term, aided by new customer wins in Europe and the US.

Outlook and valuation

The company remains optimistic on demand across its end markets, supported by healthy order flows, robust aftermarket traction, and an expanding customer base. Backward integration and localization efforts are expected to sustain cost competitiveness and protect profitability. Capacity expansions, particularly in high-growth segments, will drive operating leverage benefits over the next two years. Export opportunities are set to rise as new geographies open up and product approvals progress. In the domestic market, replacement demand and infrastructure-led capex are likely to support volume growth. Focus on premium product offerings and higher value-add will support further profitability improvement. Working capital discipline and internal accruals will fund planned capex, keeping leverage low. The company targets consistent double-digit revenue growth in the near term. Strategic partnerships and technology upgrades will strengthen market positioning. Overall, management expects steady earnings growth while scaling volumes across both domestic and export markets. **We have used a DCF Model to value ACL, it has healthy and consistent cash flow generation over the forecasted period and we value consolidated business at EV/EBITDA multiple of 5.3x to FY28E EBITDA of INR 2,678 Mn to FY28E EPS of INR 54.3. We maintain our "BUY" rating on the stock with the TP INR 1,042 per share based on DCF.**

Exhibit 1 : Financial Performance

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoCE (%)	P/E (x)
FY25	17,204	1,945	461	28.1	11.30%	7.97%	29.8
FY26E	19,080	2,290	646	39.7	12.00%	9.44%	21.1
FY27E	19,510	2,400	750	46.1	12.30%	9.73%	18.2
FY28E	21,423	2,678	883	459.6	12.50%	9.86%	15.4

Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Source: Arihant Research, Company Filings

Exhibit 2 : Q1FY26 - Quarterly Performance (Consolidated)

Quarterly Results					
Consolidated (INRm)	Q1FY26	Q4FY25	Q1FY25	QoQ%	YoY%
Net Sales	4,179	4,245	4,400	-1.6%	-5.0%
Cost of material consumed	2,223	2,005	2,324	10.9%	-4.3%
Changes in inventories	2	212	(131)	-99.0%	-101.6%
COGS	2,262	2,228	2,193	1.5%	3.2%
GP	1,917	2,017	2,207	-5.0%	-13.1%
Employees benefits expense	504	485	541	3.9%	-6.8%
Other expenditure	923	1,066	1,091	-13.5%	-15.5%
EBITDA	491	467	575	5.2%	-14.7%
Depreciation	249	223	224	11.4%	10.9%
EBIT	242	243	351	-0.5%	-31.0%
Other Income	7.6	10.8	7.4	-29.4%	2.4%
Finance costs	98	123	103	-20.4%	-5.1%
PBT	152	131	255	16.0%	-40.5%
Current Tax	47	34	80	36.5%	-41.5%
Deferred tax	(9)	0	(15)		
Tax	37	34	64	8.8%	-42.0%
Adjusted PAT	114	96	190	18.5%	-40.0%
Non-controlling interests	-	-	-		
Reported PAT	93.1	94.3	190.4	-1.3%	-51.1%
EPS	5.7	5.8	11.8	-1.6%	-51.4%
Margins	Q1FY26	Q4FY25	Q1FY25	QoQ%	YoY%
Gross margins	54.1%	52.5%	49.8%	165Bps	429Bps
EBITDA	11.75%	10.99%	13.07%	75Bps	-133Bps
Adjusted PAT	2.73%	2.27%	4.33%	46Bps	-159Bps
Tax Rate	24.65%	26.27%	25.29%	-162Bps	-64Bps
Effective Tax Rate	24.65%	26.27%	25.29%	-162Bps	-64Bps
Cost Analysis					
RM/Net Sales	53.19%	47.24%	52.81%	595Bps	38Bps
Other Exp/Net Sales	22.08%	25.11%	24.81%	-304Bps	-273Bps
Staff cost/Net sales	12.05%	11.42%	12.29%	64Bps	-24Bps

Source: Arianth Research, Company Filings

Exhibit 3: DCF Valuation

Valuation Assumptions

g (World Economic Growth)	4%
Rf	7%
Rm	12%
Beta (2 Yr)	1.0
CMP (INR)	861

Valuation Data

Total Debt (long term borrowings) (2025)	1,182	WACC	
Cash & Cash Equivalents (2025)	123	We	92.2%
Number of Diluted Shares (2025)	16	Wd	7.8%
Tax Rate (2026)	3.38%	Ke	12.0%
Interest Expense Rate (2026)	30.3%	Kd	29.2%
		WACC	13.30%
MV of Equity	14,001		
Total Debt	1,182		
Total Capital	15,183		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period							Linear Decline Phase				Terminal Yr
	Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
EBIT * (1-Tax Rate)	820	718	920	1,005	1,124	1,310	1,399	1,482	1,558	1,625	1,681	1,754
Dep	775	913	968	957	1,063	1,188	1,325	2,149	2,492	2,600	2,690	2,806
Purchase of Assets	951	960	1,700	1,600	1,600	1,700	699	593	467	487	504	526
Changes in Working Capital	(386)	237	345	203	69	(399)	35	37	39	41	42	44
FCFF	1,029	434	(157)	158	518	1,197	1,990	3,001	3,544	3,696	3,825	3,989
% Growth in Post Tax EBIT		-12.4%	28.0%	9.2%	8.4%	7.6%	6.8%	5.9%	5.1%	4.3%	3.5%	4.3%
As % of Post Tax EBIT												
Dep	94.6%	127.1%	105.3%	95.2%	94.6%	94.9%	94.7%	145.0%	160.0%	160.0%	160.0%	160.0%
Purchase of Assets	116.0%	133.6%	184.8%	159.3%	142.3%	150.8%	50.0%	40.0%	30.0%	30.0%	30.0%	30.0%
Changes in Working Capital	-47.0%	33.0%	37.5%	20.2%	6.1%	13.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
FCFF	1,029	434	(157)	158	518	1,197	1,990	3,001	3,544	3,696	3,825	3,989
Terminal Value												44,349
Total Cash Flow	1,029	434	(157)	158	518	1,197	1,990	3,001	3,544	3,696	3,825	48,339

Enterprise Value (EV)	18,004
Less: Debt	1,182
Add: Cash	123
Equity Value	16,946
Equity Value per share (INR)	1,042
% Returns	21.03%
Rating	Buy

WACC (%)	g(%)									
	1,042	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
12.10%	1104	1133	1163	1196	1230	1266	1305	1347	1391	
12.35%	1061	1088	1117	1147	1179	1212	1248	1286	1327	
12.60%	1021	1046	1073	1101	1130	1162	1195	1230	1268	
12.85%	983	1006	1031	1057	1085	1114	1145	1178	1213	
13.10%	947	969	992	1016	1042	1069	1098	1129	1161	
13.35%	912	933	955	978	1002	1027	1054	1083	1113	
13.60%	880	899	920	941	964	988	1013	1039	1067	
13.85%	849	868	887	907	928	950	974	999	1025	
14.10%	820	837	855	874	894	915	937	960	984	

Source: Arihant Research, Company Filings

Alicon Castalloy Ltd- Q1FY26 Concall KTAs

Outlook: Company expects domestic auto demand to remain stable in FY26, with a stronger H2 driven by festive season momentum and a pre-buy impact from upcoming regulations, while export demand is anticipated to recover in H2FY26 on the back of new program launches in Europe. Margins are projected to improve by 100–150 bps during the year, supported by product mix enhancement and cost efficiencies, with long-term growth underpinned by the light weighting trend, rising EV penetration, and continued industrial diversification.

Industry & Demand

Global auto industry demand remained mixed, with PVs steady, 2W growth in India, and some slowdown in Europe.

Domestic demand benefitted from festive build-up and rural sentiment improvement; export demand saw softness in certain geographies.

EV adoption in India is rising gradually, but still limited in exports; hybrids gaining traction.

Industry focus on lightweighting and aluminium adoption continues to drive structural demand for Alicon's products.

Financial

Consolidated revenue stood at INR 4390 Mn, up 3% YoY and sequential moderation due to seasonal factors.

Domestic revenue grew in low single digits, while exports were slightly negative YoY.

EBITDA came in at INR 430 Mn, with margin at 9.8% vs 8.3% in Q1FY25, driven by cost control and product mix.

PAT stood at INR 140 Mn, up from INR 90 Mn YoY.

Realisation improvement supported by value-added product mix and better pricing.

Segments

PV segment contributed ~55% of revenue, led by aluminium casting demand from OEMs.

2W contribution stable at ~25%, supported by new model wins.

CV and industrial applications remained steady; railways and defence components in early ramp-up stage.

EV-related products formed ~10% of sales, with gradual increase expected in FY26.

Operations & Efficiency

Operational efficiency gains from process automation and waste reduction projects.

Raw material costs remained stable QoQ and benefit from aluminium price softening in international markets.

Continued investments in tooling and R&D for next-gen EV and hybrid platforms.

Improved throughput in domestic plants; European plant optimisation ongoing.

Order Book & New Wins

Healthy order inflow from PV OEMs for aluminium die-cast components.

Secured new business in EV and hybrid platforms from leading Indian and European OEMs.

Industrial & non-auto order book expanding with applications in energy and agriculture.

Total new business potential over next 3 years estimated at INR 8000+ Mn annualised.

Financial Position

Net debt stood at INR 2400 Mn with net debt/EBITDA at 1.3x, within comfortable range.

Working capital cycle stable; debtor days improved marginally YoY.

Capex in Q1FY26 was INR 180 Mn, largely towards capacity debottlenecking and technology upgrades.

FY26 capex guidance remains INR 700–750 Mn.

Strategic Initiatives

Increased localisation for export-oriented parts to mitigate forex volatility.

Partnering with global tech players for advanced casting and machining processes.

Focus on higher-margin segments like EV components, structural parts, and industrial castings.

Strengthening aftermarket and spares business in industrial and specialty segments.

Key Financials

Income Statement (INR Mn)				
Year End-March	FY25	FY26E	FY27E	FY28E
Revenues	17,204	19,080	19,510	21,423
Change (%)	10.3%	10.9%	2.3%	9.8%
Cost of Goods Sold (COGS)	8,978	8,777	8,975	9,491
Gross Profit	8,226	10,303	10,535	11,933
Employee costs	2,032	2,480	2,439	2,614
Other expenses	4,250	5,533	5,697	6,641
Total Expenses	15,259	16,791	17,110	18,745
EBITDA	1,945	2,290	2,400	2,678
EBITDA Margin	11.30%	12.00%	12.30%	12.50%
Depreciation	913	968	957	1,063
EBIT	1032	1321	1443	1615
Interest	445	513	514	514
Other Income	34	41	58	61
PBT	621	850	987	1,162
Exceptional Items	-	-	-	-
PBT after exceptional Items	621	850	987	1,162
Tax	161	204	237	279
Rate (%)	2.7%	3.4%	3.8%	4.1%
PAT	461	646	750	883
PAT Margin (%)	2.7%	3.4%	3.8%	4.1%

Balance Sheet (INR Mn)				
Year End-March	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share Capital	81.3	81.3	81.3	81.3
Reserves & Surplus	5,851	6,643	7,392	8,276
Net Worth	5,933	6,724	7,474	8,357
Loan Funds	3,463	3,109	3,109	3,109
MI, Deferred Tax & other Liabilities	88	88	88	88
Capital Employed	12,951	14,002	14,834	16,378
Application of Funds				
Gross Block	9,482	11,182	12,782	14,382
Less: Depreciation	5,234	6,060	7,004	8,065
Net Block	4,248	5,122	5,778	6,316
CWIP	540	540	540	540
Other Non-current Assets	142	142	142	142
Other Current Assets	246.8	246.8	246.8	246.8
Net Fixed Assets	5,176	6,050	6,707	7,245
Investments	48.68	48.68	48.68	48.68
Debtors	4,978	5,459	5,311	5,832
Inventories	1,340	1,202	1,229	1,300
Cash & Bank Balance	114	209	320	556
Loans & Advances & other CA	75	75	75	75
Total Current Assets	6,763	7,192	7,182	8,009
Current Liabilities	5,561	5,817	5,899	6,560
Provisions	95	95	95	95
Net Current Assets	1,202	1,375	1,282	1,450
Total Assets	12,951	14,002	14,834	16,378

Cash Flow Statement (INR Mn)				
Year End-March	FY25	FY26E	FY27E	FY28E
PBT	621	850	987	1,162
Cash From Operating Activities	2,283	2,676	2,661	2,808
Tax	-232	-204	-237	-279
Net Cash From Operations	2,051	2,472	2,424	2,529
Capex	-1,649	-1,700	-1,600	-1,600
Cash From Investing	-1,827	-1,866	-1,799	-1,779
Borrowings	3,463	3,109	3,109	3,109
Interest Income	(3.03)	-	-	-
Cash From Financing	-222	-511	-514	-514
Net Increase/ Decrease in Cash	3	95	111	236
Cash at the beginning of the year	111	114	209	320
Cash at the end of the year	114	209	320	556

Key Ratios				
Year End-March	FY25	FY26E	FY27E	FY28E
Per share (INR)				
EPS	28.1	39.7	46.1	54.3
BVPS	365	413	460	514
Valuation (x)				
P/E	29.8	21.1	18.2	15.4
P/BV	2.3	2.0	1.8	1.6
EV/EBITDA	6.5	6.3	6.0	5.3
Return ratio (%)				
EBITDA Margin	11.30%	12.00%	12.30%	12.50%
PAT Margin	2.68%	3.38%	3.84%	4.12%
ROE	7.76%	9.60%	10.03%	10.57%
ROCE	7.97%	9.44%	9.73%	9.86%
Leverage Ratio (%)				
Total D/E	0.2	0.2	0.2	0.1
Turnover Ratios				
Asset Turnover (x)	2.5	2.7	2.7	2.7
Inventory Days	1340	1202	1229	1300
Receivable Days	106	103	98	98
Payable days	64	70	70	75

Source: Arianth Research, Company Filings

Key Financials

Cash Flow Statement (INR Mn)					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
PBT	809	621	773	928	1,119
Cash From Operating Activities	1,830	2,283	2,600	2,602	2,765
Tax	(253)	(232)	(186)	(223)	(269)
Net Cash From Operations	1,577	2,051	2,414	2,379	2,496
Capex	(925)	(1,649)	(1,700)	(1,600)	(1,600)
Cash From Investing	(1,070)	(1,827)	(1,866)	(1,799)	(1,779)
Borrowings	3,058	3,463	3,109	3,109	3,109
Interest Income	(3.85)	(3.03)	-	-	-
Cash From Financing	(515)	(222)	(511)	(514)	(514)
Net Increase/ Decrease in Cash	-7	3	37	66	204
Cash at the beginning of the year	118	111	114	151	217
Cash at the end of the year	111	114	151	217	421

Key Ratios					
Year End-March	FY24	FY25	FY26E	FY27E	FY28E
Per share (INR)					
EPS	37.7	28.1	36.1	43.4	52.3
BVPS	345	365	410	453	506
Valuation (x)					
P/E	22.2	29.8	23.2	19.3	16.0
P/BV	2.4	2.3	2.0	1.8	1.7
EV/EBITDA	6.5	6.5	6.6	6.2	5.4
Return ratio (%)					
EBIDTA Margin	12.53%	11.30%	11.60%	12.00%	12.30%
PAT Margin	3.93%	2.68%	3.08%	3.61%	3.97%
ROE	11.04%	7.76%	8.82%	9.57%	10.35%
ROCE	9.57%	7.97%	8.93%	9.40%	9.68%
Leverage Ratio (%)					
Total D/E	0.2	0.2	0.2	0.2	0.1
Turnover Ratios					
Asset Turnover (x)	2.2	2.5	2.7	2.8	2.7
Inventory Days	1359	1340	1202	1229	1300
Receivable Days	122	106	103	98	98
Payable days	65	64	70	70	75

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

Research Analyst
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800