

9th May, 2019

BSE Limited Corporate Relationship Department, P. J. Towers, Dalal Street, Fort, Mumbai - 400 001. BSE Scrip Code: 532756	National Stock Exchange of India Limited Corporate Relationship Department, Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. NSE Scrip Code: MAHINDCIE
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Subject: Transcript of Mahindra CIE Automotive Ltd Q1CY19 Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Schedule III and Regulation 46(2) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our letter dated 30th April, 2019 in respect of Mahindra CIE Automotive Ltd Q1CY19 Earnings Conference Call on 7th May, 2019, please find enclosed herewith transcript of the same.

The same is being uploaded on the website of the Company <http://www.mahindracie.com>

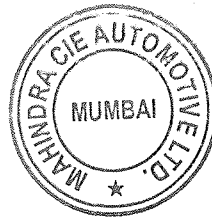
Kindly acknowledge the receipt and take the same on the record.

Thanking you,

For Mahindra CIE Automotive Limited



Pankaj V. Goyal
Company Secretary and Compliance Officer
Membership No.: A 29614
Encl.: as above





“Mahindra CIE Limited
Q1 CY2019 Earnings Conference Call”

May 07, 2019



ANALYST: MR. NISHANT VASS – ICICI SECURITIES

MANAGEMENT: MR. ANDER ARENAZA ALVAREZ – CHIEF EXECUTIVE
OFFICER – MAHINDRA CIE LIMITED
MR. K JAYAPRAKASH – CHIEF FINANCIAL OFFICER -
MAHINDRA CIE LIMITED
MR. VIKAS SINHA – SENIOR VICE PRESIDENT –
STRATEGY – MAHINDRA CIE LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q1 CY2019 Earnings Conference Call of Mahindra CIE hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishant Vass from ICICI Securities. Thank you and over to you Mr. Vass!

Nishant Vass: Thanks Bharath. Good day everyone and thanks for joining us today for the call. From the management side, we are represented by Mr. Ander Arenaza Alvarez, CEO, Mr. K Jayaprakash, the CFO, Mr. Vikas Sinha, Senior Vice President, Strategy. Now I would like to hand over the call to the management for their initial remarks. Over to you Sir!

Vikas Sinha: Thank you Nishant. Good afternoon everyone and good morning to those who are joining from Europe. I welcome all of you on this call. There is also Mr. Ander Arenaza our CEO. I will present the MCIE results for the first quarter of CY2019.

We will start with the results of MCIE India on page 4. The EBITDA for the India business was at a high of 16.3%, but this includes the financial income, the interest income from the cash, which had been made ready for the Aurangabad Electrical acquisition. So without this one-time income, the equivalent EBITDA percentage is about 15%. The absolute EBITDA has grown by 10% versus the first quarter of CY2018, EBIT by 13% and EBT by 2%.

On the sales front in India, there was a 2% growth in revenue despite the negative market evolution in passenger vehicles, utility vehicles, tractors, two-wheelers as well as some of our key customers. Now, based on the overall economic indicators in India and the normal forecast for the monsoon this year, the market forecast seems positive, though at this stage, for the automotive market, the situation continues to be uncertain and we do believe these forecast can change.

Our European results are shown on page 5. Despite the underlying markets beginning to face headwinds in Europe, sales have grown healthily by 15% vis-à-vis the first quarter of calendar year 2018. Only 1% of this growth is in account of exchange rate translation impact, so this is a performance that we are proud of.

We have managed to slightly increase EBITDA margins to 13.1% as compared to the Q1 of last year. In absolute terms, EBITDA has grown 15% versus Q1 CY2018, EBIT by 18% and EBT by 21%. The sequential comparison versus previous quarter shows an increase on an absolute basis, but a decline on the margin and this was essentially due to the stock increase that had happened for the Christmas season.

As far as forecasts are concerned, we are confident about the evolution of our results in Europe in the next quarters, as our internal operations we believe are solid. The underlying market itself, there is some uncertainty in the second half of the year.

Now if we go to slide 6, we will see the consolidated results, which are a combination of the good results in both India and Europe. 10% growth in revenue, 13% growth in EBITDA, 16% growth in EBIT and 12% growth in EBT when we compare the same quarter of last year. I am also proud to point out that Q1 CY2019 results in terms of absolute value are the best ever results in the MCIE history. The consolidated EBITDA margin is at 14.4% for Q1 CY2019 compared to 13.9% in Q1 CY2018 and 14.7% in Q4 CY2018. The decline compared to previous quarter is due to the effect of the stock increase in Europe that we had referred earlier.

In conclusion, I would like to say that these figures presented by us stack up well on their own, but they are even better when we see them in the light of the macroeconomic uncertainty and sector turmoil in which you know we have achieved this results. It is in times of trouble like these that the solidity of CIE's business module is demonstrated. Thanks to the strategy of geographical, technological and customer diversification and our financial discipline among our other strengths. With that we can proceed to the Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Thanks for taking my question. First question is basically regarding the European business. Your revenue growth has been quite impressive despite a sluggish market. Can you please tell us why is it regarding, how the Metalcastello business has done and also the CIE businesses, just a more breakdown and outlook on the same. Also my second question pertains to the India business. Basically we have seen quite solid margins despite slowdown in the industry. So can you just guide us on what is the outlook there as well?

Ander Arenaza Alvarez: Good afternoon everybody. I am Ander Arenaza. Let us say that European results have been really positive and we have this 15% growth in Euros, we are talking about 14% growth. This is an impressive growth taking into account that the market is flat or is slightly down. The drivers of this growth are coming from first we have this Metalcastello Company where we have programs for our customer Caterpillar that we launched a couple of years ago and we are ramping up, so let us say that the growth is coming for this new program launch. Then we have also Lithuania that is growing importantly when we are already delivering crankshafts for our Volkswagen customers and this is a program that we launched last year also coming from the investment that we did in the new press line to produce these crankshafts for our customers of Volkswagen. Then we have German Forgings, the MFE

where we still have growth as the market in Europe is growing approximately in the commercial vehicles about 5% and we are having growth of more than that. So, we are still strong in the sales. So, overall gives us this 14%, 15% growth that is fantastic if we see how the market is right now. My view and my forecast for the next quarter is that we will continue with the same trend in the short-term, probably in the last half of the year, the commercial vehicle market will go down a little bit, that is what all the analyst and companies like IHS is telling us that the commercial vehicle market will go down slightly by the end of the year, so let us say that we are quite confident that we will continue improving and let us say getting this good results in Europe.

Regarding India, it is true that in India we had let us say quite significant slow down and the biggest impact is coming for two-wheelers where our Bill Forge plant has been relatively affected. So Bill Forge by itself had more or less flat sales in this quarter when we were expecting much higher growth. The main impact is coming from of course the four-wheeler downturn, especially two-wheeler affected to Bill Forge. That is more or less the situation. We expect that for the next quarter and especially by let us say second half of the year, the Indian market should start revamping. We understand now there are certain uncertainties in the market, this insurance impact in the two-wheeler, the different political instability and uncertainty creating some downturn in the market, but we expect that if the monsoon helps us, and we have a good monsoon this year, probably by the end of the year, we will recuperate this 8% to 10% growth that is expected in a country like India. So, as usual even though we have this downturn in India, our margins remains solid because we continue working in efficiency and productivity and that will help us to be prepared for the next market jump that we all expect to come soon.

Hitesh Goel: Just one followup question on the Aurangabad Electricals, when are we consolidating Aurangabad Electricals?

Ander Arenaza Alvarez: Next quarter, we will see first time that we will consolidate Aurangabad. Aurangabad, the closing date was April 9, so the second quarter of this year, we will report also Aurangabad in the consolidated results.

K Jayaprakash: Hitesh, the Indian margins, I hope you are looking at the interest income there, so we have done well, we are still 15%, but that 16.5% includes the financial income.

Hitesh Goel: Thank you very much.

Moderator: Thank you. The next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.

Ujwal Shah: Thank you for taking my question. Sir, can you give more breakup in terms of how Bill Forge has performed and will perform in the coming years, as well as Bill Forge Mexico we

were doing a lot of things to improve performance so again how that is shaping up and in terms of Indian margins, good numbers for Q1 but more are we doing over there?

Ander Arenaza Alvarez: Let us say Bill Forge as I stated before has been impacted relatively mainly the two-wheeler business reduction; however, we see a solid margins in Bill Forge and we have a quite positive expectations on Bill Forge for the next quarters. Let us say, Mexico has been also affected to our business because we have the beginning and launch in Mexico, we have certain operational issues that we have been all working very hard in the last month to solve them. I can proudly say that we have a fantastic Spanish team supporting there, but also a team of Indian engineers moved there and all working together to solve these issues and we are quite optimistic right now about Mexican company. In the next quarter, we should see improvement in Latin growth and in margins in Bill Forge because this Mexican business will start paying its dividend. The other point regarding the Mexican plant is that we launched this business with for one customer, for GKN, now we have a second customer and for the second customer already start of production has happened since last month. So this will give us additional push for the growth. So overall I would say that the Mexican activity, we will consolidate this activity and we will improve margins and growth rates. That is regarding Bill Forge and overall let us say that Bill Forge in India, we think that we can improve our margin even more because of this consolidation and growth that we expect to come once the two wheeler market recuperates to the normal and standard volumes.

Ujwal Shah: Sir, in terms of Europe business, on the MFE part, we have been growing handsomely over there. We have been maintaining that margin expansion in Europe would be a slow and steady process. What kind of margin target are we seeing for Europe and MFE for the coming years, if you can give some guidance to this?

Ander Arenaza Alvarez: European business is giving us nice margin of about 15% return in the last couple of years. We are supported by lets say passenger vehicle forgings and Metalcastello that is globally support in the EBITDA and German EBITDA is slightly lower. What we see is that we are taking a lot of actions and we are working a lot in operational area in order to increase our efficiencies, our productivities, reduce the rejections, this kind of internal operations, because we want to at least double-digit EBIDTA in Germany. We are not yet there, so if we have this double-digit, we will be able to have the 15% EBIDTA level that is our target for the next year. So, overall I would say that we are improving, we are consolidated, we do not have any delivery, quality issue with customers, the companies are running smoothly and we are quite solid both operationally and financially, but yes, we are trying to improve our margins especially in Germany and that is our challenge for the next year.

Ujwal Shah: So by when do you think that double-digit margin can be achieved at Germany Sir?

Ander Arenaza Alvarez: It is complicated to say, but this was our target for this year. I think that probably due to the downturn of the market we will have some difficulties, but I cannot give you a proper rate, but I would say it will be soon.

Ujwal Shah: Sir any thoughts on new order wins or new customer wins be India or Europe?

Ander Arenaza Alvarez: I would say that mainly we continue working with the same customers, but what we are doing is we are opening different technologies with different customers. So, I would say that we have won some businesses with BSA in India, BSA is our customer, we have a French customer, we have in Europe but we are winning probably in India, so we are opening this region to them, so this is a very good step. We also made the transfer as we are closing our UK plant. We made a transfer from Stokes to Bill Forge and this is also certain that this will add to growth of Bill Forge and thanks to this transfer we are adding Jaguar Land Rover, we are adding Volvo and we are adding Honda on to Bill Forge's portfolio. So those are the main activities in this quarter.

Vikas Sinha: Especially the Stokes business you know hopefully will be say may be towards later part of this year I think it will start having an impact.

Ujwal Shah: Great! Thank you for your answers. I will jump back in the queue.

Moderator: Thank you. The next question is from the line of Shyam Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sriram: Thanks for the opportunity. Very strong growth in Europe. Going forward, you did highlight on this EV side, you are anticipating some slow down there, other than that, between the Metalcastello and the CIE businesses, are you seeing any specific headwinds. Also this year, there is a transition to the Euro 6.3 RB norms, will there be any disruption per se because of that, if you can talk about these two please?

Ander Arenaza Alvarez: We do not see headwinds or important headwinds for Metalcastello and CIE Forgings. It is true that the market in Europe is going down 3% to 4% probably at that rate in the next quarter, but our position both in Metalcastello and CIE Forgings is solid. As I mentioned before, what we see bigger drop I think that it will be more important that commercial vehicles where the growth of 5% that we are facing now, I do not think will be sustainable by the end of the month and we already see some reductions in orders. In fact, we are not worried at all because as you know this business is the lowest margin business that we have, so let us say that for us it is not critical to lose some or to reduce a little bit of business in our German Forgings. So that is the review of Germany at this moment.

Shyam Sriram: In that VW CIE Lithuania plant, the 2 million order, is it fully ramped up or do we still have some more scope to ramp up there?

Ander Arenaza Alvarez: We are now let us say, close to be in the peak, but not. We still have some room, let us say that theoretically we should have some increase, but due to the market situation, perhaps we will be close to the peak now. So I would say that we consider that right now after the growth that we have had in the last quarter, we will be close to the unit.

Shyam Sriram: Similarly in Metalcastello Sir? Is there some 5 to 7 million Euro growth?

Ander Arenaza Alvarez: Metalcastello is still growing, and in fact we are adding some additional capacity, we have signed capex already approved to increase our capacity in Metalcastello, so we will have the opportunity to continue growing. So we are fully booked, we are working of almost 21 shifts per week that means Saturdays and Sundays we are working and we are at same capacity to have the possibility to continue growing. So, it seems that our products and our competitiveness is there and customers are acquiring and asking more and more. So, we expect to continue growing in Metalcastello.

Shyam Sriram: In Bill Forge Mexico, we had this 35 million order that we were executing, to what level can we ramp up this calendar year there?

Ander Arenaza Alvarez: Now we are let us say, at something like 10-12 million. We are producing at that rate and our view is that we should double that rate by the end of the year. That is where we are now. We are lower than expected because of some operational issues and also some customer delays, but we expect that after solving everything and after producing smoothly in the last quarter, we will be able to jump a little more. That is our expectation.

Shyam Sriram: And with that will our margins also be close to the Bill Forge India margin, 18%-19% Sir?

Ander Arenaza Alvarez: Yes that is the expectation, yes.

Shyam Sriram: Sir one last question if I may in Aurangabad Electricals what are the current utilization levels and what level of capex do you see to expand production there?

Ander Arenaza Alvarez: They have been let us making important capex or investment plan in the last years because they have got impressive growth of I think about 34% the last fiscal year. That means that the big investment has been done. We plan to continue investing in 2019 and into 2020 as we see that we have new customers and we have new opportunities to continue developing the company. The investment plan last year was something like €12 million something like that.

Vikas Sinha: The investment plan last year was about Rs.1400 million. I think out of which the actual was Rs.110.

Ander Arenaza Alvarez: For this year, we will have similar plan.

Shyam Sriram: This is for to expand into four wheelers Sir that we were earlier taking about for diversifying away from the two-wheeler customers there?

Ander Arenaza Alvarez: Yes what we want is to continue growing with the two-wheelers and also diversifying for the four-wheelers, yes. I think that we will continue in both routes and we will grow in the two-wheelers where we are now growing with Bajaj and then we will start and we will develop therefore their four-wheeler business also.

Vikas Sinha: The four-wheeler business is also there. Two-wheeler business is growing, but the four-wheeler business is also expanding.

Ander Arenaza Alvarez: In fact we have prepared in our strategy plan for the four-wheelers with higher tonnage machineries so we can replicate the production that we have in Europe in this component in India and at least in the last commercial contract we had with our customers there is a huge interest from their side to develop this technology in India.

Shyam Sriram: Understood Sir. Sir one last question in Europe are your passenger vehicle OE customers worried about transition to Euro 6.3 or do you think there can be any disruption around that or you are not hearing of any such thing?

Ander Arenaza Alvarez: In Europe the transition to the Euro 6.3 is not creating any noise or problem. All the carmakers are now working a lot and they are really worried is with the Euro 7. In 2023, the Euro 7 will enter in action and this Euro 7 requirement that is 95 g Co2 per kilometer that is a big challenge for lot of them, so the current Euro 6 engine they are fulfilling the Euro 6.3, so there is no big changes in the short-term, but for the Euro 7 in 2023 there will be major changes and then there is another trend that is I think it is important to mention is that diesel engines the share of the diesel engines is dropping at this moment mainly because of higher NOx emissions and it seems that this technology will slowly decrease in the next three to four years and probably when the Euro 7 enters will get the residual technology, so this is the main change that it is happening now in Europe. At least all the carmakers are now launching and installing gasoline engines assembly lines to shift to the diesel engines that they are not selling.

Shyam Sriram: Understood Sir. Thank you very much. I will come back in the queue Sir.

Moderator: Thank you. The next question is from the line of Yash Gupta from Friends Group. Please go ahead.

Yash Gupta: Good afternoon Sir. Thank you for giving me the opportunity. My first question is after the consolidation of the Aurangabad Electric what EBITDA and the revenue we are expecting and after that followup question on same? We have purchased Aurangabad Electrical for

their aluminum business how do you think that this is going to affect our existing product with a positive way or a negative way?

Vikas Sinha: To answer your first question, the FY2019 Aurangabad numbers are roughly about Rs.8500 million sales, Rs.850 Crores and EBITDA margin is about 11% to 11.5%, so that will be quarter wise it will be consolidated from next quarter. To your next question on Aurangabad business is aluminum. It is complementary to our business. The reason why we acquired Aurangabad Electricals is because it gives us an entry into the aluminum die casting space in India. Of course CIE has a very large and thriving aluminum business in Europe and worldwide in fact Ander is also the head of the business for CIE. There is absolutely no conflict with any of our product groups in India or the CIE product groups in Europe, so there is absolutely no conflict.

Yash Gupta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Jinesh Gandhi: My first taking a question on the net debt, which we have as of March.

Moderator: Sir I am sorry to interrupt. Mr. Gandhi, but we would request you to please speak a bit close to the phone.

Vikas Sinha: Jinesh we can hear you. You wanted net debt as of March?

Jinesh Gandhi: Yes as of March?

K Jayaprakash: As of March end, it is around the same number as of December end may be about Rs.50 Crores lower, Rs.675 Crores.

Jinesh Gandhi: This will get reduced by Rs.850 Crores post April?

K Jayaprakash: Yes with Aurangabad.

Jinesh Gandhi: Secondly for the India business what would be the share of passenger vehicle in our revenues now?

Vikas Sinha: After Aurangabad you are saying the share of passenger vehicles in our business.

Jinesh Gandhi: Right?

- Vikas Sinha:** We have not made that calculation, so today without Aurangabad, we are roughly about 50% in passenger vehicle plus UVs. Aurangabad is roughly today about 20% in passenger vehicles and UVs and this 20% is gradually increasing to about 30%. That is the idea for us, so if I can request you to make that bit of a calculation.
- Jinesh Gandhi:** Sure I will do that and in passenger vehicles would it be fair to say large part of this 50% would be towards our diesel?
- Vikas Sinha:** No. You are saying diesel vehicles or diesel engines?
- Jinesh Gandhi:** Diesel vehicles?
- Vikas Sinha:** Of course since M&M is our large customer, I think Bolero, Scorpio, XUV, and TUV these are our platforms on which we are there, but I understand where the line of questioning is going in terms of are we afraid of Maruti's decision with regard to that, but I think diesel will still be the dominant engine as far as the larger vehicles are concerned, so we see less of a challenge in that direction and most of the M&M vehicles fall in that category. I think it is more the smaller vehicles, which are getting affected for diesel. We also have some business with Maruti's diesel vehicles in the smaller category, but I think those will get replaced and we will have adequate presence even in their equivalent petrol models, so that should not be an issue, so this whole Maruti decision should not affect us, so much.
- Jinesh Gandhi:** The other question was also on M&M and Tata Motors diesel portfolio for us, do you see a challenge particularly post BS6 transition in the short to medium term having impact on our business as well because of cost inflation that you are looking at and revenues getting materially impacted in FY2021 because of that?
- Vikas Sinha:** No, as far as the cost inflation is there we know that there will be more cost inflation in diesel models vis-à-vis petrol models, so to that extent there will be some affect on demand and what we do believe is that for larger vehicles it will still remain diesel. The prices might go up, but it will still remain diesel, but the prices will go up and it might have some impact on the overall demand because of the total cost of ownership issues.
- Jinesh Gandhi:** Understood and lastly the Stokes closure is on track for June 2019 right?
- Ander Arenaza Alvarez:** Yes, all these process has been done is smoothly and everything goes as planned. We make the transfer of certain production to Bill Forge in India and we are already producing here in India and fulfilling the pipeline. The assets now are availed and we will transfer. We will bring them to India also, so our idea is to use this presses for the further growth here in India so that the closure has been done and let us say according to the plan no major issues and no major issues with the customers or with the workers that we pay them the extra time they work and we finish their relation amicably we follow them.

- Jinesh Gandhi:** So the Euro revenues, which you have put in this quarter is without revenue from Stokes?
- Vikas Sinha:** Yes it does not include Stokes.
- Jinesh Gandhi:** That light of the 14% growth is even more commendable given that the base would have Stokes revenues?
- K Jayaprakash:** No. Both the base and the current we have removed it.
- Jinesh Gandhi:** So that is in the current operations and so margins also, the EBITDA will also be on the like-to-like basis?
- K Jayaprakash:** Yes.
- Jinesh Gandhi:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Good afternoon and congratulations. Sir just again taking a little more on this Aurangabad Electricals how is the revenue split between HPDC and Gravity Die Casting?
- Vikas Sinha:** 85:15 as of now, but with GDC one is increasing because you know we have as we have talked about I think the GDC business is also expanding, but currently 85:15 and it will remain weighted in favor of HPDC.
- Bharat Sheth:** Now with Gravity Die Casting I believe is mainly for export purpose is that correct?
- Vikas Sinha:** I think there is some domestic business also there, so export at Aurangabad is roughly about 8% to 9% so a large part of GDC business is for an export that is correct.
- Bharat Sheth:** How do we see from a year with the CIE coming in, is there any room to improve the margin profitability from 11% and how much current utilization do they have?
- Ander Arenaza Alvarez:** The utilization rate is quite high because the market has been rolling in the last year and last year as I told you they had a fantastic growth of 34% and they had to invest in order to cope with this demand, so we can say that they can be at 90% of utilization and 95%, and we plan to continue investing in the next year to increase this capacity and debottleneck the production, so this is clear and coming back to the margins that you mentioned yes these margins are below Mahindra CIE's standards and we are already working with them in order to improve efficiencies, to improve productivity, and to be able to reach our 15% EBITDA where we are India at least. Then the European aluminum business is even more

profitable than that so what we expect that we should get these Indian standard margins in Mahendra CIE in the next quarters.

Bharat Sheth: In the next quarter itself?

Ander Arenaza Alvarez: Not next quarters let us say in one-year time.

Bharat Sheth: The last quarter we opened up a new stamping facility world-class facility and we were looking to bring more customers on that so any color on that how it is ramping up and all?

Ander Arenaza Alvarez: This facility is almost finished. We will be very close to make that final assistance and final audits for the customers, we have the audits for the customers plan by the end of June or beginning of July, so one of the new customers has already confirmed one of the orders and we have now in the last discussions, so we expect that in couple of months. We will have the company already running and with several new programs already allocated to the plant, so we have quite optimistic and I think that during the next two months we will have completed of the award what we call Kanhe2 plant.

Bharat Sheth: And I understand that this plant so profitability of the Stamping division is better than the other division?

Ander Arenaza Alvarez: Yes, it depends on the volume of course, but of course what we have tried to launch in this new plant is completely the state of the art plant where we will produce with the much more efficiency and the minimal labour cost so as to try to have a very, very productive plant, so yes we expect to have a higher margins than the rest of the Stamping business.

Vikas Sinha: Mr. Bharat just one thing, since we are talking AEL and we have been talking new customers, let us also emphasize that we are fully committed to our existing customers at AEL also, so anything that we do will be at absolutely no compromise on existing customers.

Bharat Sheth: Thank you and wish you all the best. That is all from my side.

Moderator: Thank you. The next question is from the line of Gautami Desai from Chanakya Capital Services Private Limited. Please go ahead.

Gautami Desai: Ander our endeavor will be to increase the margins of our India business, but I was wondering that electricity cost and quality of labour, I think for which there is no long-term solution, so where else can the saving come from?

Ander Arenaza Alvarez: It is a good question because it is a difficult question. Let us say that we are still far from our standards in Europe in terms of productivity, efficiency, and structural costs. So, I think

that in the last years we saw we increased the margins mainly with the existing team and existing machinery so let us say that we just apply certain rules to improve the P&L and we got it. We are now preparing the next steps. We are working very hard in terms of automating the process. We are working very hard with TPM so the preventive system in our plants, we are working in the 5S programs where we will try to have the plants completely or the ramp up is completely efficient and let us say these are the key items to continue improving the system business. On top of that what we are doing is we are looking for a more complex and more added value components for our plants. We are trying to increase our value, we are adding to our products, adding machine in operations to our forgings, to our castings, we are doing these kind of things and we are adding also some more complex components that can give us higher as a value and higher margins. So, mainly those are the kind of functions that we have taken and I would say that some of them are in operative actions that we are implementing and we getting the results in other areas we are doing certain product renewals with more high value components that will give us a higher margins for the future, so let us say that we continue improving, we continue working, also the growth when it comes not now because the growth in India is not important in this moment or we are in the negative in this moment in the market, but when the growth comes again probably with the support of this growth we will have room to improve our margins also, so let us say that this is never ending story, we cannot stop. This is continuous improvement what we are trying to implement in our factories and yes, we are challenging the managers every week, every months and this our job as a manager, so my view is that we reached, I would quite acceptable level in this year, but we still have to room to improve and that is what we are trying to get.

Gautami Desai: Vikas, I have one question for you is that can you explain market productions slide, which you have and particularly the quarter-on-quarter growth, what is your insights on that?

Vikas Sinha: Which slide are you referring to Madam?

Gautami Desai: I think the first page of the results.

Vikas Sinha: No, we are talking about page 4.

Gautami Desai: Yes, page 4.

Vikas Sinha: Page 4, we also have an annexure where the market numbers are given in greater details segment wise, so if you look at page 4 MCI India number on the right side you have market update, in the bracket it says production, when we say production it means production number, you know like you have two kinds of numbers that would be available, the sales numbers, which the OEMs sell to their dealers and production numbers, which the OEM produces. The difference between the two leads to inventory and so on. For us production

matters because we supply against production, so what we would give here are production number.

Gautami Desai: So, then Vikas, if that tells me that the production numbers are better quarter-on-quarter, right than the year-on-year numbers?

Vikas Sinha: Yes, sequentially we are definitely better.

Gautami Desai: How have you grown in tandem with that?

Vikas Sinha: The sequential numbers you are saying, say for PV, UV, LCV and why our sequential numbers are not as good?

Gautami Desai: Exactly.

Vikas Sinha: Our sequential number is roughly about 5% in India and if you look at weighted average customer numbers it will be roughly around 10% to 11% something in that range, but lot of that is coming because of the new models that M&M has launched and these are smaller models, so compared to Bolero or Scorpio the outsourcing levels on those models are lower, so even though the number growth is there since they outsource is less and XUV300 has lesser outsourcing than say Bolero or Scorpio, our content on a Bolero or Scorpio is much higher than in an XUV300, so that discrepancy is being caused by that, also the tractor numbers have come down, so what you are seeing, if you go to tractor number is minus 13 if you look at that. Some of it is coming from there and the two-wheeler number, so yes, the PV, UV numbers that you are seeing they have grown, large part of it is because of the new model launches at M&M, which are smaller models compared to the larger models like Bolero or Scorpio, so there is some difference between the production growth rates in terms of units and our revenue growth rates.

Gautami Desai: Just one more thing, you said in your commentary that the forecast would change for the industry, you are so close to the ground, so would you like to give us some insight while you are interacting with your customers, how they are placing the orders, what has been the change over the years especially this year compared to the year this for?

Vikas Sinha: Let me answer that question with one positive and one negative statement. The positive statement is yes. Things are improving. The April, May things are little better. The negative thing that I would say is that most people in the market including customers are not willing to bet beyond two or three months and that is the reason why, whatever numbers that we are sourced from CRISIL, they might be liable to change that is the only caveat that we are putting there because right now it is difficult to look beyond two or three months that is the reason why, so when we make a forecast or an outlook for the market for the next six

months, so there could be some changes there. You know that was the caveat that I had made at the initial part of the call.

Gautami Desai: Thanks a lot.

Moderator: Thank you. The next question is from the line of Ronak Sarma from Systematic Group. Please go ahead.

Ronak Sarma: Sir, couple of questions more it is slightly longer-term, if I look from last 5 year perspective post the between CIE and Mahindra Group, lot of changes have happened to the product mix, we have shut down few plants and you are added Bill Forge and now Aurangabad Electricals, so how does the next 5 years look like or what is the plan for next 5 years? Are we satisfied with the product mix and focus would be more on organic growth that is my first question?

Vikas Sinha: Ronak, yes, of course whole lot of changes has happened after the CIE takeover of mines of CIE. What you have seen is essentially all that you talked about was in terms of plant closures or anything else first focused around profitability improvement, so we have closed down Jeco, we have closed down Stokes, those were least performing plants, let us put it that way that is the reason why they were closed. Of course, the two acquisitions Bill Forge and AEL both them were done to fill strategic gaps. Both Bill Forge and AEL increases our presence in the non-Mahindra space that we have always talked about diversifying our customer base, I think Bill Forge bought in two-wheelers, AEL also strengths our presence in two-wheelers and adds the Bajaj Auto perhaps the most profitable OEM in India, so to that extent from a customer diversification point of view, also Bill Forge brought us cold forgings, warm forgings, southern location, AEL is bringing in aluminum, our focus on aluminum, also the GDC bit that we talked about in an earlier question, so this was the acquisitions were both for growth as well as filling in strategic gaps. So going forward, of course wherever there is a gap to be filled we can look at inorganic options for sure. As we have always pointed out CIE's philosophy is to grow both organically and inorganically depending on how we can fill those strategic gaps, so we will continue looking for both organic as well as inorganic growth, so that focus will not change. Of course, on an organic basis also we need add that we have added so many new customers after CIE has taken over, so we are talking about for example, Ashok Leyland and Stamping the ramping up of Renault, Kia, PSA, ZF in Forgings, so that focus area will always be there. In our business it is a truism, organic growth, it is an everyday job, so that is never going to change and in organic growth wherever there is an opportunity, wherever there is a strategic gap to be filled up company, which we feel will fit in to the CIE manufacturing philosophy we will look at it. If you have any further questions let us know.

Ronak Sarda: Actually, what I wanted more to understand are there any gaps, like are you now looking to add something in plastics, which is something what CIE has globally and how does the balance sheet supports because we had one preferential capital raising already done, so slightly longer term, but that is what I wanted to understand whether there are any gaps, which you see in the portfolio today?

Vikas Sinha: Yes, of course, you know like plastic one area that we have always talked about that is one. Two, we have always said that we will bring in Brazil, China, Mexico, which will happen after this whole market situation settles down a bit, so that is a gap that we need to fill up, we have talked about that for long, so that is there. We have also said that for some of the more stronger passenger vehicle OEMs in India like Maruti, Hyundai, Toyota, Honda you know it sometimes easier to enter via the acquisitions mode so that will also be, as I said for example, two-wheeler business, we would not have built up such a large portfolio of the two-wheeler business if you have not made acquisitions, so if we get that kind of opportunities to diversify our customer base, for sure, we will look at acquisitions. To you other question on how we will finance that, of course we will look at various options as you are very much aware we cannot take Indian debt, foreign debt is permissible, of course raising money is also there, bringing money from CIE that is also there, so there are various options, but we will cross bridge when we come to it, at this stage right now we are focused on the business as it exists today, but as I said, whenever we think we can fill up any of the gaps and something that fits into the CIE manufacturing philosophy we may look at it and we will look at the different financing options as we go along.

Ronak Sarda: Second question is for Ander, you made a statement that post 2020-2023 diesel might become residual tick, I know for CIE we have always highlighted that our content is neutral to petrol or diesel, but we have seen a lot of company is highlighting that the content for them goes down when we shift from diesel to petrol, do we still maintain our statement for the European side?

Ander Arenaza Alvarez: Yes, I am seeing that this transition from diesel to gasoline that is happening now and it is happening, I would say they were from the last two or three years this transition started. In Europe, the diesel was about 54% of the market now it is approximately 30% and probably in a couple of years will be 10% and you can see that the CIE results and even our internal growth has been more than 20% in this year, so we are not affected because is to that we are processing components for diesel, but we have also the same components for the gasoline cars, so the gasoline cars volume are going up, we are reducing our diesel components, so we are not concerned especially in our forging division either Metalcastello that is commercial vehicles we are not affected by the diesel and what we see is that yes, in a couple of years the diesel will be only 10% in the European market more or less mainly for the diesel SUVs and small vans, and this kind of thing that they are making long ranches

that need ranch because they are used for transportation and this kind of things, but not passenger will probably be residual.

Ronak Sarda: Does this in anyway strengthen CIE global portfolio the shift from diesel to gasoline or there is no such benefit for CIE or Mahindra CIE?

Ander Arenaza Alvarez: I would not say it has not strengthened in our position. I would say that it is quite neutral for us, of course when we realize then we would try to enter more in the gasoline engines than in diesel, so I would say that in certain ways we are benefitted by this movement because we have producing more crankshafts for gasoline than for diesel and now gasoline is the winning technology.

Ronak Sarda: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Sir, my question was related to European CIE business in passenger vehicle business, how much business is coming diesel power, so basically diesel engine and powertrain?

Ander Arenaza Alvarez: It can be something like 25%.

Hitesh Goel: For in a particular model you are both in gasoline and diesel, so is you product like crankshafts and all engine agnostic, if there is a shift towards petrol, you get impacted or not that is what my question would be?

Ander Arenaza Alvarez: Mr. Hitesh, we were in both technologies and can give you one example where we are producing crankshaft for the K9-engines that is the biggest diesel engine for Renault, we were producing crankshaft for them for this engine and at the same time we were producing for the H5 engine that is gasoline engine. Right now, the trend is that K9 engine crankshaft is going down significantly, but at the same time as Renault is transferring the production from K9 to H5, we are increasing our number production in H5, so finally this is becoming positive for us, so we are going down, but as we are also in that so the gasoline is growing we were all growing a little bit, so that is the one good example of how is this affecting us, I would say that this neutral or even I would say that this is becoming positive for our business in this moment.

Hitesh Goel: Sir, any business you have won on the electric side on electric models?

Ander Arenaza Alvarez: In electric models, in Europe we have, in Mahindra CIE, we are producing some components in forgings, in stainless steel forgings in Lithuania but the amount of this business is small. In this moment, we are not affected by this electric vehicle move. Let us

say that the market share of this electric vehicle is approximately 1% or 1% to 2%, so the impact for us is residual in this moment.

Hitesh Goel: Thank you.

Moderator: Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Thanks for taking my question. Couple questions, first housekeeping one, can you just help us with the PAT number FY2019 for a year?

Vikas Sinha: AEL PAT for FY2019?

Nikhil Kale: You have mentioned the EBITDA. You can just help us with the PAT number for Aurangabad Electricals for FY2019?

K Jayaprakash: So, it is about Rs.300 million, so about 30 Crores.

Nikhil Kale: Thank you. Just a question on the margin improvement seen at Aurangabad Electricals, so if I look at the historical numbers, the margins were around 8% and they have improved substantially from FY2018 onwards, so just wanted to understand what has driven that improvement and how much of it has been due to the strong growth that we have seen in Bajaj volumes?

Vikas Sinha: To answer your question, Nikhil, of course increase in volumes have helped, but you have to see that during the same period there has been a diversification towards GDC, towards exports, which have helped them to increase the margins, so the GDC has become 15% and new plant has been set up for that purpose, most of the GDC is exports, so that also helps, so it is not just volumes alone, the diversification of product portfolio, customer portfolio has helped. Obviously, the strong Bajaj growth has been a contributory factor and the efficiency improvement that have gone along with some of these new plant additions, so new practices have been adopted, they have been disseminated across the older plants, so to that extent has also helped, so it not completely volume driven and in fact Ander has pointed out the current margins at Aurangabad Electricals can be improved through CIE best practice adoption.

Nikhil Kale: Thank you. Just lastly on the capex, so I think you mentioned that for Aurangabad the utilization is at very high levels, so you might need to invest more, so just wanted to understand it there is any change in our capex plans that you have mentioned that capex would be around 5% of sales in the last quarter, so is there any change in a capex plans?

Vikas Sinha: In an earlier question we have talked about, I will speak in Crores, I think the earlier plan for FY2019 was 140 Crores I think, but the actual was 110 Crores and we had earlier talked about 50 Crores to 60 Crores as the normal capex, so that 50 Crores to 60 Crores is increased by that 40 number, so this year also it would be in the same range of 100 Crores to 110 Crores that was there in FY2019 and then it will settle down at 5% to 6% of sales as we talked about.

Nikhil Kale: And lastly just quickly any progress on the Kia talks that you had mentioned that you are in talks with them for orders in the other divisions as well, you had one order last quarter for the other divisions any progress in that?

Vikas Sinha: Kia Foundry division I think there is start of production is going to happen in July or something like that and for other divisions we are still talking, we are in advance stage for example at one of the other divisions.

Nikhil Kale: Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Thank you very much for the opportunity. Two questions, what is the gross debt level currently and how much impact it will have after we would include Aurangabad Electrical numbers?

Vikas Sinha: As of March 31, 2019, the gross debt would have been closer to 1.4 and net debt was 7 billion and Aurangabad should add about 9 to 9.5 billion to that.

Bharat Gianani: I have joined the call a bit late so, what is the overall margin guidance that you have given for the consolidated operations for the next year?

K Jayaprakash: We do not give any margin guidance.

Vikas Sinha: We do not make any forward-looking statements on margins we have not made, but do you have anything specific in your mind regarding margins on a qualitative basis we will explain.

Bharat Gianani: So, basically just something on the European operations because I think earlier there were some comment on the German margins, there was some scope of improvement, so just some light on that?

Vikas Sinha: Of course this is something that we have talked about even in the past that in Europe we have three basic segments. We have car forgings, which are based out of Spain and

Lithuania, which does the car crankshaft that we are talking about, that have very good margins roughly in the range of 18% to 19%. The second business there is the gears business in Italy Metalcastello, Caterpillar order that we were taking about was with respect to Metalcastello that is also margins in the range of 18% to 19%, while the third business, the truck forgings business, which is based out of Germany, I think the margins more in mid to high single digits, there the scope of improvement is there and I think we are constantly working towards that, the phase of improvement is slow, but it is slowly improving so that was the comment.

Bharat Gianani: Fine, Sir.

Moderator: Thank you. The next question is from the line of Vidur Suri from Kitara Capital. Please go ahead.

Vidur Suri: One is just the clarification. I saw that in the presentation for AEL and we had acquired the company, we had stated a margin of 4.7% PAT, did the PAT come in lower that to about 40 Crores, I just want to clarify that AEL PAT for FY2019 was 30 Crores?

K Jayaprakash: Yes, it was 40 Crores, but I have just removed the exceptional item from there and on a sustainable basis that I have mentioned, so 30 Crores to 32 Crores is what it would be if you what to just normalize it for this year.

Vidur Suri: My second question is actually around CIE plants, we have been talking about it over a couple of quarters as to bring here into MCIE, when are just the size and margin of this business and when do we plan to actually bring this in MCIE?

Vikas Sinha: So, the 'when' question I can answer, as you said right now as there is lot of uncertainty in the market, etc., I think and also we have done acquisitions so we first want to focus on integration and settling down of the market situation and then we will focus our attention there, of course the counterview could be that we have talked about this for a long time and we are guilty of that, so to that extent unfortunately something or the other has been happening in the external environment, and that is the reason why we have pushed this back a little bit, so that answers the when question. As far as how big this is, I think it is about €150 million roughly in that range, so €160 million and very good CIE standard EBITDA levels.

Vidur Suri: So, that would be around 16% to 17%?

Vikas Sinha: Yes, say roughly 15% and above, it keeps fluctuating here and there because volumes all over the world are fluctuating, but say 15% plus that range.

Vidur Suri: Thank you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: This statement has been edited to ensure quality