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29th April, 2022

BSE Limited Corporate Relationship Department, P. J. Towers, Dalal Street, Fort, Mumbai - 400 001.	**National Stock Exchange of India Limited** Corporate Relationship Department, Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.
BSE Scrip Code: 532756	**NSE Scrip Code: MAHINDCIE**

Dear Sir / Madam,

Sub: <u>Transcript of Mahindra CIE Automotive Limited Q1 CY 22 Results Conference Call</u>

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 20th April, 2022 and 21st April, 2022 in respect of advance intimation for Q1 CY 22 Results Conference Call, please find enclosed herewith transcript of the said call held on 26th April, 2022.

The same is being uploaded on the website of the Company i.e. www.mahindracie.com.

Kindly acknowledge the receipt and take the same on the records

Thanking you

Yours faithfully,
For Mahindra CIE Automotive Limited

MAHINDRA CIE AUTOMOTIVE LTD. MUMBAI

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

“Mahindra CIE Automotive Limited
Q1 CY2022 Results Conference Call”

April 26, 2022

ANALYST: **MR. BASUDEB BANERJEE – ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. ANDER ARENAZA ALVAREZ – CHIEF EXECUTIVE OFFICER - MAHINDRA CIE AUTOMOTIVE LIMITED**
MR. K. JAYAPRAKASH – CHIEF FINANCIAL OFFICER - MAHINDRA CIE AUTOMOTIVE LIMITED
MR. VIKAS SINHA – VICE PRESIDENT STRATEGY - MAHINDRA CIE AUTOMOTIVE LIMITED
MR. OROITZ LAFUENTE – BUSINESS CONTROLLER - MAHINDRA CIE AUTOMOTIVE LIMITED
MR. SWAPNIL SOUDAGAR – DGM STRATEGY - MAHINDRA CIE AUTOMOTIVE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Mahindra CIE Q1 CY2022 Results Conference call hosted by ICICI Securities. 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. Basudeb Banerjee from ICICI Securities. Thank you and over to you Sir!

Basudeb Banerjee: Thanks Margreth. Good afternoon to all participants from India and Asia and good morning to all participants from Europe. We are grateful to get the opportunity from Mahindra CIE management to host the call, and I will welcome the management represented by Mr. Ander Alvarez – CEO; Mr. K. Jayaprakash – CFO; Mr. Vikas Sinha – VP Strategy, Mr. Lafuente - Business Controller, and Mr. Swapnil Soudagar DGM Strategy. Over to you Vikas for the initial comments and then take it forward!

Vikas Sinha: Thanks Basudeb. Good day everyone, good afternoon and good morning to those who are joining from Europe. I welcome all of you as well as Ander Arenaza, our CEO. We are going to talk about our results for Q1 C2022. We start with MCIE India results for Q1 C2022 the first quarter of calendar year 2022, which is on page #6.

Sales are 15% higher on a year-on-year basis compared to Q1 C2021 on a year-on-year basis; however, this is mainly due to RM price increase. If you look at the table on the right that depicts market performance you will notice that the light vehicles, tractors and two-wheeler segment all experienced negative growth vis-à-vis Q1 C2021. MCIE India sales performance is thus better than the market even after taking into account the RM increase, but the table also presents signs of optimism. The performance of light vehicles and tractor segments is better than in the Q4 C2021, so sequentially tractors and light vehicles are better, and we expect this trend to continue. M&HCV quarterly data is not presented, but they are also improving steadily. Only two-wheeler segment shows some cause for concern. Despite this uncertain market scenario we are happy to report that in Q1 C2022 we have returned to our target level of 15% EBITDA in India. Sales in MCIEE were Rs.12022 million with an EBITDA at 15.1%, EBIT at 11.2% and EBT at 11.0. This is evident that proactive measures like VRS in the stampings business, which were taken in earlier quarters, are showing results.

MCIE Europe results for Q1 C2022 are shown on page #7. The sales here again have seen growth in absolute terms, but again this is largely due to RM costs, which have been passed through without any margin. The EBITDA margins however continue to be affected by the higher energy cost, which have been further exacerbated by the Ukraine crisis. We have been discussing on passing on some of these increased costs to our customers thus the

EBITDA margin is at 10.2% lower by 3.7% compared to Q1 C2021, but better by 1.1% than Q4 C2021, so clearly this measure is helping. Q1 C2022 EBIT is at 7.0% and EBT at 6.5%. The forecast for the European automotive markets made between January this year and April now have seen a sharp decline. We use the estimates from HIS, so the IHS estimates for C2022 for the light vehicle segments were about 18.1 million units in January, but in the April forecast they have downgraded this to 16.1 million vehicles. It is now expected that European light vehicles will grow by 3% to 4% in C2022 compared to double digit estimates earlier. We will therefore continue to focus on internal improvements to tide over this and now if we go to page #8 we will see the consolidated results which are a combination of the evolution in both India and Europe. MCIE achieved a sale for the quarter of Rs.24444 million with an EBITDA of Rs.3079 million which is 12.6% of sales and an EBT of Rs.2130 million which is 8.7% of sales. MCIE consolidated performance is better both on a year-on-year and consolidated basis and in fact Q1 C2022 results are one of the best quarterly results that we have ever achieved in our history. Also all other three key projects that we had outlined in our year-end C2021 results call namely EV orders, digitization and automation, optimizing energy costs in Europe as well as in India through renewable power, they are all progressing well so we can report good progress there. Therefore we are focused on maintaining this good momentum in performance and this we are doing it in an uncertain and volatile market and we hope to be successful. So thank you and now we proceed to Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Hi! Good afternoon. Vikas in the presentation we have mentioned that we have passed on the raw material prices without any margin and there is no volume growth if you compare to the last year, but if you look at a gross profit we are seeing some substantial growth, some 1200 Crores last year to 1400 Crores now and even gross margin in percentage terms remains the same so how do we look at this number then?

Vikas Sinha: JP would you want to take this, this is I think you are talking more in terms of European business right?

Pratik Kothari: No, I am looking at a consolidated basis, the one which has reported to SEBI, so if we pass on the raw material prices without any margin then absolute gross profit should have remained the same, but that has also gone up 15%, 17%.

Vikas Sinha: Yes, a large part of the sales is accounted for by raw material prices, but not all of it is accounted for a large part is accounted for. So there are a lot of efficiency improvements also, we talked about say for example we had done VRS in India, so that is taking an effect now plus there have been other projects that have been going on which we have been talking in general, we have been doing a lot of work on digitization, automation in India that has been going on, when we mentioned that comment that was made more in terms of sales in Europe where the expansion is quite substantial, large part of it maybe two thirds out of it is coming out of RM growth, but the rest is coming out of a mixture of factors like improvements and product mix, different segments are growing differently all that, so it is not entirely due to raw material that is the reason why you are seeing the increase in gross profits.

Pratik Kothari: So in a normalized times maybe few quarters down the line when we are able to pass on this raw material prices and margins also, given the improvement that we have done there should be some substantial jump in the numbers we are reporting, there seems to be a massive improvement in our internal efficiency?

Vikas Sinha: Yes, there will be an impact when the steel prices stabilize.

K Jayaprakash: Mr. Kothari I hope you have understood this properly. What we are saying is when you have steel price increase which is passed on and there is no margin improvement, but your point is valid that despite that we have a gross value addition of almost 2 billion if you compare year-on-year and your question is how did we achieve this 2 billion when volumes are not really growing so we cannot say that the volumes are not growing because we had a 20% growth year-on-year and approximately let us say 10% to 12% would be the steel price impact, so we have had a volume growth in India and to some extent in Europe as well, so there is that contribution of I think if you are looking at 2 billion we can look at half of it or a little more than half coming through this volume increase. The rest would be definitely improvement both on productivity, there will be some mixed impact because different businesses have different value addition, so when that mix changes its impact and lastly some price increases that we could have probably got, so it is a mix of all these three that the rest accounts for

Pratik Kothari: This incremental volume that we have seen of maybe 5%, is it in some very different segments, something very high value added or is it business as usual, the products that we used to do earlier?

Vikas Sinha: In India for example the four-wheeler segment has done better than the two-wheeler segment or the tractor segment, the four-wheeler and truck segment has done better, so depending on what product, so there will be some impact like that. So it is not as if something has changed suddenly it is just that some segments are done a little better than the others so that is about it.

K Jayaprakash: But noticeable one is of course Metalcastello is increasing, which is doing much better, if I may just point out.

Vikas Sinha: Yes.

Pratik Kothari: My last question on this other expenses from 500 odd Crores quarter-on-quarter year-on-year we are up to 700 Crores so what would define this?

K Jayaprakash: Essentially this has a variable cost and most importantly the energy cost and the huge jump in energy in Europe plays a significant role in this increase.

Pratik Kothari: But our energy cost I believe was at least in the past used to be about 100, 110 Crores a quarter? It used be about 400, 450 Crores a year which is 100, 110 Crores a quarter.

K Jayaprakash: In Europe it has almost more than doubled, so that is one impact that is significant there. So this is again volume related because subcontracting and there are other variable costs which go and sit there, so which are volume linked and we are yet to pass on this prices, and some progress has been made but I think there is more to be passed on if it is possible.

Vikas Sinha: Normally these costs are not passed on, but yes because in Europe this has been a very special case that is why this exercise is on.

Pratik Kothari: Fair enough and great. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Noel Vaz from Asian Market Securities. Please go ahead.

Noel Vaz: So typically the energy cost ended by about 4.5% of sales now and CY2021 given the fact that in the fourth quarter we have seen a spike in Europe it has gone about 4% for CY2021, so I think so what kind of an increase can we expect in CY2022, the power rates have already remained quite elevated for now the first four months in Europe, so are we expecting to see some kind of a reduction in the second half or what kind of movement can we expect to see on that?

Vikas Sinha: JP what is the expected power cost in C2022 as percentage of sales.

K Jayaprakash: I think his question is in Europe what do we expect going forward on the energy I think Ander probably can answer that how will be the energy cost look for the rest of the year.

Ander Alvarez: Good afternoon everyone, it is a very complicated question, but I will try to give you my view on that. The energy costs were up in Europe since approximately somewhere last year we already saw a certain increase on the gas prices and also the electricity prices. These energy price increases continued during the last quarter and this affected us importantly especially in our Spanish plants. Then in the Q1 due to the war that we have been in Ukraine the energy prices peaked again and now electricity is approximately at €200, €215 per megawatt and the gas prices in this moment are at approximately €80 per megawatt, so we see these high prices will continue if the war continues. So our view energy prices will go down slowly during the next quarters, it will depend heavily on the evolution of the war in Ukraine so that will be probably the key factor that will generate the price reduction but we are optimistic on that and we think that during the year the prices will go down to the normal situation. If you look at the futures of the energy they are already highlighting a certain reduction for calendar year 2023 and from 2024 and onwards the energy comes back to the normal prices. So generally speaking I think that we can say that we have already passed Q1, but Q2 also at the same level and the Q1 probably and from that point I think from Q3, Q4 we will see a certain reduction. Also I think it is important to say that different governments in the European Union are taking measures to reduce and to control the price of the energy, so I think we will be benefited from those political actions. Overall we can say that we are now in the worst moment of energy prices, also we are negotiating with the customers to pass through these energy cost increases to them. During the first quarter we settled certain agreements with them just a minor part of the customer, but we are in negotiations and let us say all the automotive suppliers in the industry are dealing with the customers in this sense so we will see a certain improvement in the next month and we are optimistic that we will close agreement with all our customers in the next month, so that is the general view of the energy in Europe. Thank you.

Noel Vaz: Thank you. That is all from my side.

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

Jinesh Gandhi: Hi! Couple of questions from my side, firstly in India we have seen a fairly strong growth as compared to the underlying industry so what has been the driver of that growth I think except for passenger vehicles and to certain extent commercial vehicles because all the segments were relatively weak for our industry and for us, so can you throw light on what drove that 10% kind of growth?

Vikas Sinha: On a year-on-year basis Jinesh a lot of it will come from steel price increase.

Jinesh Gandhi: Yes, I am excluding that 10% benefit which JP talked about so even without that it is another 10% additional growth which is there I am referring to that.

Vikas Sinha: In India roughly we were 15% so it would be 5% so what has happened is four-wheeler has done relatively better this quarter and trucks, unfortunately we do not have data for trucks, so we have not presented it to you, trucks have also done well, so these segments in which I think even though trucks is small business for us, but one of our plants is quite dependent on them like foundry, so there they have done well and of course we have been talking, we have been adding capacity in India so we have had the order books, we have been talking about if you look at in C2021 we had so much capacity expansion in India, in fact our capex rate in C2021 was higher than normal and that was largely because of the investments that we made in India, so those order books were there and that is why we have been saying all along that our underlying growth will be a bit better than the underlying market and that is what is coming out in India.

Jinesh Gandhi: How is our exports revenue grown in the Indian business?

K Jayaprakash: Just before the exporting I think Mexico is also doing well which is part of India segment so that is one reason for it.

Ander Alvarez: We include also our Mexican activity that is includes Mexico in India. So in Mexico finally we are in this moment sell in approximately $2.5 million per month that is the rate that we have, so we have doubled the business in one year, so there is an important growth happening in Mexico that is also the reason that why we last year invested in the expansion of the building and also to the addition of new capacities in Mexico, so Mexico is doing really well, so that is one of the explanations. Also as Vikas said all the verticals especially in the four-wheelers are doing well in India and let us say that our sales could be much better if the two-wheeler sector and the tractor sector recuperates and that is why we are quite optimistic for the future because we will not only keep this sales trend but also we should be able to improve once the two-wheeler and the tractor sector recuperates because you know that the two-wheeler is approximately 20% below last year and tractors are even more 35% below. So once these two sectors recuperate I think we will see a big jump in AEL, in bill forge, in our magnets, and our gears business. I think we can be optimistic from that point of view and regarding Europe, in Europe from the market point of view we can say that the four-wheeler market is weak in this moment and despite this weakness I think our position is good. We are supported by the raw material increase as Vikas mentioned, but also I think it is important to highlight that Metalcastello is doing really well. Metalcastello is getting now historical records on sales, thanks to the good performance on the off-road vehicle market in the United States and Metalcastello is growing approximately at 35% rate compared to the last year, so that is why one of the supports to this a good sales performer that we are having in Europe and the rest of the business is Germany and our CIE forgings are maintaining good sales trend and we also expected to improve the sales in the near future because the market once the semiconductor shortage issue and the war in Ukraine are over I think we will see a important jump in our sales. So I think that we can be optimistic in this Indian product. Thank you.

Jinesh Gandhi: Any update on export revenues how it has grown and what percentage of sales from India?

Vikas Sinha: Now it remains fairly in the same range of 12% to 15% because I think the domestic as well as export revenues are growing in tandem in India. So as a proportion it is not growing but it is growing along with the other revenues, domestic revenues.

Jinesh Gandhi: For the European business can you talk about the Euro from the constant currency growth with and without RM and energy cost pass through?

Vikas Sinha: Ander the question is in Europe if we change it into euro, in euro terms and if we take away the impact of RM and energy price increase what would be the growth?

Ander Alvarez: At the moment we are calculating in euro the growth in Europe would be something like at the moment about 10% more or less could be that would be the growth in Europe in euro.

Jinesh Gandhi: This 10% is after removing RM and energy cost passed through or this is including that?

Ander Alvarez: Yes, eliminating raw material and energy cost the growth will be approximately 10%.

Jinesh Gandhi: Got it. Thank you I will fall back in queue.

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. Just taking previous discussion forward we talked about a 10% kind of Y-o-Y growth at a constant currency and removing the impact of RM and energy prices would it be possible to maybe throw some more color on the different parts of the business, so for example what would have been the growth also in the CV forgings, will it be fair to assume that CV forgings and even the CV forgings will be largely flattish and almost the entirety of the growth was given by the key customer?

Vikas Sinha: You were slightly unclear, let me repeat the question for you and then we will take it to Ander. So did you say that you wanted to know that this 10% increase in European business how much of it was coming from the different parts CV forging, car forgings and off-road vehicles right?

Nikhil Kale: Yes, that is correct.

Vikas Sinha: Ander so he is saying this 10% in constant euro terms whether that growth from what part Metalcastello obviously is the larger part but are the others contributing to this growth or not?

Ander Alvarez: Yes, they are contributing approximately the same in German, German business is doing quite well and also passenger car business is doing well in terms of sales, so I would say that the best performer was Metalcastello, because in Metalcastello we have this growth and the raw material impact is not relevant in Metalcastello of approximately 30% and the rest is coming from Germany and from our passenger car forgings, so I would say that they are more or less all the verticals are performing in a similar way except Metalcastello that is doing better than the others.

Nikhil Kale: Just taking that point forward, if we look at the production data at least for less than six ton PV data that you have provided that is down almost 20% Y-o-Y, so if we have seen kind of positive growth just wanted to understand is it the case that maybe OEMs have also built up inventory and again I reckon there would be also some benefit of some of the new order win, so if you could just maybe talk about the same?

Vikas Sinha: Again Nikhil I am summarizing your question for you, so the question he is asking in the car segment there has been a drop in the market volume so how have we grown is it because the OEMs are building up inventory or is there some other reason?

Ander Alvarez: No we are not building inventory, you are looking for CIE or for the car maker?

Vikas Sinha: For CIE.

Nikhil Kale: No, I am talking from car maker perspective is it that they are building up inventory of the other parts whereas there are obviously some chip shortages that are happening so they are maybe just building up inventory for the other parts.

Ander Alvarez: I did not say in that way, we know that for example in Germany certain truck makers they are building the trucks they are not selling them because some electronic is missing and there could be certain that they balance in the next quarter, but it is not relevant I would say that most of the truck makers what they are saying us is that their order book is fully booked in this moment, they have more than one year of orders in the pipeline and they expect us to continue producing at the maximum rate in the next month, so the information that we are getting from the market is quite positive in that sense, so that is the reality that is why we are quite optimistic and on a sales evolution in the next quarter.

Nikhil Kale: Okay thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Good afternoon Sir, Namaskar. Thank you for this opportunity. Firstly if we take this other income component in our standalone number how should one read into the operational profit on a standalone basis, so this is a one-off item that has appeared for this quarter of I think so 89 Crores?

K Jayaprakash: If we are looking at this quarter's number of 937 includes 860 million of dividend received from AEL which gets knocked off in consolidated, so in that sense it is not relevant.

Saket Kapoor: This component was not present for the last year comparable numbers?

K Jayaprakash: No it was not, this is the first time we have declared.

Saket Kapoor: Again on a likewise basis when we look at the consolidated numbers how comparables are the March numbers vis-à-vis the last year?

K Jayaprakash: If we were to knock off that 860 we would be at something like 50, 60 million which is comparable with the previous quarter.

Saket Kapoor: A small point I am just trying to compare March 2021 and March 2022 so March 2021 did not have this other income component?

K Jayaprakash: No, so March we had 27 million, if you were to exclude this quarter's dividend of 860 million we would be around 60 million right so there is an increase from 27 million to 60 million if you remove the one time impact?

Saket Kapoor: This is the impact on the consolidated number; the consolidated number would have been lower in case if we knock off this extra dividend part?

K Jayaprakash: Yes.

Saket Kapoor: What is the reason for this high dividend and what is the recurring, will it be a recurring part?

K Jayaprakash: As I said for consolidated it will not make any difference because it is coming from subsidiary.

Saket Kapoor: Right, but I only wanted to understand the nature of the dividend payout and how can we ascertain the continuity?

K Jayaprakash: Even from a cash perspective it does not have since it is tax neutral AEL had accumulated the cash so that is how it has come, going forward there will be dividends probably.

Saket Kapoor: The reduction in the finance cost which we have seen on a quarter-on-quarter basis from 126 Crores for the December quarter on a consolidated level to 84 Crores, 85 Crores is it a sustainable number and what factors have attributed to this significant reduction in the finance cost?

K Jayaprakash: It is not Crore, it is millions, so it has come down from 12.6 Crores to 8.5 Crores. This reduction there was some one-time elements, there is a forex gain which has gone thereof about 20 million and the interest subvention was announced by the government in India in this quarter with a retrospective effect so there is one time impact there I think I would rather leave it at the earlier quarter number for future reduction.

Saket Kapoor: I did not get the last point Sir, come again.

K Jayaprakash: We had interest subvention announced by the government which announcement came in this quarter but had a retrospective effect from October 1, 2021, so there are one time impact therefore if your question is whether it is sustainable I would rather go by the last quarter number going forward.

Saket Kapoor: The last quarter numbers are okay, and for the energy cost part as the CEO has mentioned do we have any hedging mechanism wherein we are hedging our forward energy cost in some way or the other?

K Jayaprakash: We do not have it but I think Ander he is asking if we are taking another contract?

Ander Alvarez: We do not have any hedging system for the energy. What we are doing now is we are negotiating with the customers and we are looking for certain indices to index this energy price to the steel price that is what we are trying to do and let us say most of the customers they are negotiating not only with us with all the suppliers and probably in the next month we will see certain agreements and we will be able to offset part of this pain that we are having now in our accounts, so that EBITDA margins in Europe were at 10% to 10.2% that is far below that we had in previous year and the main reason of this drop in margins is coming from this energy that we are still negotiating with the customer, so we do not have any hedging system but we think that we will reach an agreement with the customers in the near months.

Saket Kapoor: Okay, Sir and last point and then I will come in the queue. On the utilization levels front taking into account the order booking from the OEM part what are the likely utilization levels for plants across our geographies and what have been for this quarter on an average and what are we expecting in the coming foreseeable future?

Vikas Sinha: The question is what is the utilization level of plants in India and in Europe, of course in India we have been adding capacity so therefore that clearly is an indication that we are running close to utilization so that is the question what is the utilization levels in India and Europe?

Ander Alvarez: In India it is true there is difference in different verticals and different situation, but most of the businesses are running close to 100% that is why we are adding this capacity and probably we will have additional capacity of 20%, 25% in the next month once all the capacity expansions are in place. So India is in the moment at the high saturation I would say and in Europe we can be in the moment at 70%, 75% of capacity utilization, so we still have a capacity available to grow, but we do not see the growth coming until the war in Ukraine is over. We will be able to keep this trend and the growth probably will come once the war and the geopolitical frictions are over in Europe.

Saket Kapoor: Thank you Sir. Thank you for all the elaborate answers.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. I was just looking any kind of outlook that you can share for CY2022 in terms of growth on margins?

Vikas Sinha: No, we do not make any forward-looking statements, but as you have heard Ander speak I think we are pretty much optimistic both in India and Europe, of course a little bit more optimistic in India because the situation in Europe is a little bit unstable, but nevertheless I think we hope to improve from here.

Deepak Poddar: So this 12.5% kind of EBITDA margin on the consolidated level so that one can assume as a base going forward as we look to improve?

Vikas Sinha: Let us not go there in terms of forward-looking statements, please also realize that there is cyclicality in our business, in August you will have the holidays in Europe and then we will have the festive season in India so those things factored in as I said we like we hope to keep improving from here. Let me not talk about what is the base rate and how much it can become, what we will say is that we want to be as close as possible to 15% EBITDA in the near-term that is the kind of the numbers that we are working with and we hope to be higher than market growth. So these are the two things that we definitely are working with and as I said we are optimistic you heard our CEO is telling that.

Deepak Poddar: So just a clarification this 15% you are saying for the India business or as a whole?

Vikas Sinha: It is as a whole, but as I said of course in India things are a little bit I must say easier given that the market situation is less volatile here, but we want to do it on an overall basis, of course Europe right now is at 10.6% so it is a little further away but what we are talking about is in terms of consolidated that is something that we would like to do.

Deepak Poddar: Understood. That is it from my side. Thank you and all the very best.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Hi! Congratulations in showing excellent performance in challenging times to Ander and your team. Ander the question is now in India we have performed much better despite two-wheeler is not doing well and also you said some of the capex as well as new production line has also helped us, so have we gained some kind of a market share in other PV and CV as well as tractor or even two-wheeler also if one has to look at from that perspective?

Ander Alvarez: I was just going to mention that yes we are improving our market share and it is clear that we are affected negatively by the two-wheeler sector drop and if the two-wheeler sector recuperates and the tractor sector recuperates that is our expectation, in the next quarters we will see further growth in our company, but coming back to the four-wheeler evolution just concentrating on that sector, yes, we think that we are growing our market share and certain divisions we said some verticals like forgings or like foundry something we are growing our market share and we recuperating the market share that we had before so I think in that sense that explains our growth trend in India.

Bharat Sheth: In Europe if we remove Metalcastello which has performed much better so in remaining part of the business also have we gained some market share or it is same where we were earlier?

Ander Alvarez: I think in the rest of the business we are in the same position that we were earlier, we do not see market share growth except in Metalcastello where our position with our American customers is very strong and as they are performing well we are also growing importantly, but in the rest of their businesses in the commercial vehicle forgings and passenger car forgings we get their position, there is no big change in that.

Bharat Sheth: Coming to this Metalcastello in earlier comment we said that we will be expecting now this year to go what was the level we have picked out in CY2018 or 2019 over 19 million so what is current rate of Metalcastello per month and how do we see going ahead?

Ander Alvarez: In Metalcastello we have this year touched historical sales, Metalcastello we were at a peak of approximately €70 million in 2018, this year we will hit probably €80 million so there will be important growth and unfortunately we cannot sell it more because our capacity is fully completely booked in Metalcastello so we will be at 100% load in Metalcastello this year and we are also adding certain additional capacity but that will take some time but we are quite optimistic on that sales. Thank you.

Bharat Sheth: Is it a fair understanding Jayaprakash that because of Metalcastello we have been able to improve Q-o-Q margin in the euro business and once we get some kind of a pass through of the energy cost so there is a further room to improve?

K Jayaprakash: Yes, I think Ander said that.

Bharat Sheth: With Metalcastello which is a highest contributing margin business because where the large part is our job work kind of or machining kind of a thing so overall Europe margin will further improve, correct is that fair understanding?

K Jayaprakash: Yes, metalcastello helps.

Ander Alvarez: We are negatively affected in Europe in this moment by the energy and the inflation costs, those are the two impacts that are affecting us and also it is important to say that the raw material price increase the sales margin is also affecting to the margin, it is affecting between 1% to 2% on our margins just for the raw material increase that has been passed through 100% to the customers, so those are the main impacts in our account and it is true that we should be able to continue improving if we are able to pass through the energy cost to the customers.

Bharat Sheth: Any new order win in the Metalcastello do we have in this current year or whatever order book we have will be able to help us grow even next year?

Ander Alvarez: Not new big businesses just new orders, but not big ones to be highlighted in this moment. In this moment what we are now preparing in Metalcastello is the plan for the future where we are at 100% of our capacity utilization so if we want to continue growing we need to add additional capacity that is the situation happening in metalcastello in this moment.

Bharat Sheth: Ander earlier we moved some part of the order to India and is it possible that with getting more order we can move those part of the order to India in case of this capacity constraint has not really been resolved?

Ander Alvarez: Yes, the situation in the gear business in India because that Metalcastello is a gear producer and we have also the gear division in India. The gear division in India has been also in the last year at 100% of the capacity utilization we were fully booked. This last month we are a little bit better because of the drop of the two-wheeler, but once the two-wheeler recuperates we will be again at 100% of the capacity utilization in India that is why we are expanding our activity in Rajkot where we opened a new plant and we are now preparing that plant to continue growing and also we are expanding our capacity in our Pune plant where we will continue our capacity to continue our growth trend. So it is a good point that as you mentioned to use the capacity in India the point is that in India also we are fully booked in the gears division, so the expectations are very good in both regions and that is why we continue our growth and capacity expansion strategy in both regions.

Bharat Sheth: Last question on this Free Trade Agreement that India is negotiating with the euro happening of that will it benefit Indian subsidiary?

Vikas Sinha: We will have to study that, we have not looked at that how the Free Trade Agreement if at all it happens or when it happens will affect us, please allow us to have a look at that and then we will come back to you.

Bharat Sheth: On the capex guidance for the current year?

K Jayaprakash: Yes, I think it is 5%, 6%.

Bharat Sheth: Okay, thank you and all the best.

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

Nikhil Kale: Just one followup from my side, on the RM price increase that you have talked about just wanted to understand within that is there a component for previous quarters or is this pertaining to just this quarter?

Vikas Sinha: Normally all the steel price and aluminum price increases are settled within the quarter. Ander can we confirm that there was no steel or aluminum settlement from earlier quarters in this quarter?

Ander Alvarez: No, I think you properly answered Vikas I think all the raw material increase in this quarter is coming from this quarter there is no settlement, perhaps small corrections in certain customers but not relevant at all.

Nikhil Kale: Thank you.

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

Jinesh Gandhi: My question pertains to the European operation. So for European operations can you indicate what was the impact of unabsorbed or the energy cost which was not passed through in 1Q and what further impact you expect in the coming quarter?

Vikas Sinha: Jinesh you will have to come again impact of unabsorbed…

Jinesh Gandhi: The energy cost which has not yet been passed on to the customer.

Vikas Sinha: So the question is what proportion of energy cost has been absorbed and what needs to be passed through right?

Jinesh Gandhi: Right and impact on this quarter because of energy cost on margins.

Vikas Sinha: So Ander and Oroitz so the question is what proportion of our energy cost we have been able to pass on the increase like maybe all customers or 50% or whatever that number and two what was the impact of unabsorbed, the energy cost that we were not able to pass through in Q1 what was the impact on the margin whether it is 0.2, 0.5 or whatever?

Ander Alvarez: Yes, I think we passed through approximately one third of the real cost increase that can be the value between 25%, 30% that is less than one third that is what we have been able to pass through the customers. So of course we are negotiating with them and probably we will recuperate part of this loss in the next quarter that is the expectation and the margin that we lost due to this energy increase we can consider approximately 2% to 3% in Europe due to this energy impact and 3% that can be the impact that we lost due to the energy in the quarter.

Jinesh Gandhi: Second question is for the India business so on the steel price that we have been seeing inflation even in 1Q do you expect further inflation based on where spot prices are continuing in second quarter as well or you are seeing some stability in your procurement prices now?

Vikas Sinha: Jinesh I think the steel prices are still in an inflationary mode.

Ander Alvarez: We expect an increase in India not in Europe where the steel price has already increased and we think that the price will be stable in the next months and quarters, but in India there is some pressure to continue growing from the second quarter onwards, so we will see probably certain additional inflation in raw material in the next quarters.

Jinesh Gandhi: Any idea what it could be?

Vikas Sinha: No, it is yet not decided, but it will be in double digit.

Ander Alvarez: Because when we negotiate it sometimes directly by the customers and they are still negotiating so we are not aware of the amount that could be, but probably it will be a 1% increase by the next quarter we will be able to see it in our sales.

Jinesh Gandhi: Got it and last question on the Mexico business so it has seen a very strong evolution over the last couple of years now with monthly run rate at $2.5 million of revenue do you see further growth in this business based on the capacity and the order book which we have or the peak revenues would be about $2.5 million per month?

Ander Alvarez: In this moment we are at the peak of our revenues regarding the original plan that we have for this company when we setup our peak was at the current situation, so it took a couple of years more than what we expected but we are already there, but hopefully we got additional customers, so we are adding capacity and we have a new press ready to be installed in fact we are in a setup mode in this moment in Mexico and yes we expect to continue growing the business in the next quarters, so the order book is already confirmed from the customer and we expect to continue growing in Mexico in the next years.

Jinesh Gandhi: Based on the order books and the capacity expansion over the next three years should this monthly run rate of 2.5 million further double?

Ander Alvarez: It could be yes that will be the best case, but the expectation would be to, if we are now at 2.5 probably having the company selling 4 million per month would be rationable even 5 million if we got new orders, but with the current orders we will be not doubling the business but growing 50%, 60%.

Jinesh Gandhi: Got it, great, thanks and all the best I will fall back in queue.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: Thanks, a couple of questions one in last quarter concall you mentioned that there has been a certain surge in EV two-wheeler related order book in India from select OEMs I missed out so any further development on that at this quarter?

Vikas Sinha: It is continuing along those lines so there is nothing very specific to report, but yes booking EV orders is now an integral part of our working so it is continuing.

Basudeb Banerjee: Any new customer addition in the two-wheeler EV space as such?

Vikas Sinha: Not to report in this quarter.

Basudeb Banerjee: Second question would be very much repetitive so sorry to ask it again if you can again mention how much was the steel inflation Y-o-Y in Europe business and how much was the pass on for that?

Vikas Sinha: Yes, JP or Oroitz in Europe how much was steel inflation and that was one part of the revenue was steel inflation.

K Jayaprakash: This 12% is the steel price impact on the growth we mentioned that.

Basudeb Banerjee: Out of 20%, 10% was because of the expansion and commodity inflation for you was how much overall?

K Jayaprakash: No I did not get that.

Basudeb Banerjee: Cost of steel per ton for you sourcing cost that is how much.

K Jayaprakash: Oroitz you would know that number what is the steel price increase it will be around 25%?

Oroitz Lafuente: It has been around 10% in the last quarter.

Basudeb Banerjee: You are saying that still under recoveries are there so there is some scope for under recoveries to continue to result in further price hike requirement?

K Jayaprakash: Other than steel not on steel.

Basudeb Banerjee: Te power cost you are saying you are planning to pass through in the coming quarter?

K Jayaprakash: Steel is pass through, power is still under negotiation.

Basudeb Banerjee: Thanks.

Moderator: Thank you. The next question is from the line of Rajkumar an individual investor. Please go ahead.

Rajkumar: Thanks for the opportunity, congrats for the good set of numbers. I have just one question, given that many of the auto ancillary units are not doing well because of the significant steel price increases and the inflationary trend I just want to know what is your view on, will there be any further consolidation that is going to happen particularly in India and also if Mahindra CIE is looking at any M&A opportunities in India?

Vikas Sinha: Thanks RajkumarJi. Of course given the very volatile situation the kind of scenario that your fainting can happen, but as we have mentioned in the past looking for M&A opportunities is part of our business strategy, but we are going to do an M&A only to fill strategic gaps as you can very clearly see we have enough order book, enough opportunities to grow in India, you heard how strongly we are growing in Mexico, even in Europe you saw how strongly Metalcastello is growing plus when the war situation eases out then the European light vehicle markets also we expect a rebound so there is enough growth opportunities in our existing businesses so any M&As that we will do we will do it very selectively and we will do it to fill up any strategic gaps or any specific capability, any specific customers that we want onboard. So right now we have our hands full dealing with the situation that we talked about in terms of growth, but we keep looking for it, at this moment we have nothing specific to report on the M&A side.

Rajkumar: Thank you.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments.

Vikas Sinha: Thank you and I will hand you over to Ander for his closing remarks.

Ander Alvarez: Thank you Vikas. I just want to thank you to all of you for your participation and for your interesting questions and your interest in our company and I hope we answered the questions properly and accurately. My message is that despite the difficult market and geopolitical environment that we are living in this moment I think our company proved once again its resiliency and good management, so we were able to recuperate part of our margins that we lost last year and we expect to continue this trend in the near future and as always I want to say thank you to all my Mahindra CIE team that they are doing a good job with a good dedication and commitment in a very difficult times, so I am sure that we will continue improving our results in the future. So thank you very much everybody.

Vikas Sinha: Thank you very much. Have a good day guys.

Moderator: Thank you. 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