



**“CIE Automotive India Limited
Q1 CY '26 Results Conference Call”
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**MANAGEMENT: MR. ANDER ARENAZA ALVAREZ – CHIEF EXECUTIVE OFFICER –CIE AUTOMOTIVE INDIA LIMITED
MR. K. JAYAPRAKASH – CHIEF FINANCIAL OFFICER – CIE AUTOMOTIVE INDIA LIMITED
MR. VIKAS SINHA – SENIOR VICE PRESIDENT, STRATEGY – CIE AUTOMOTIVE INDIA LIMITED
MR. OROITZ LAFUENTE – BUSINESS CONTROLLER – CIE AUTOMOTIVE INDIA LIMITED**

MODERATOR: MR. SMIT SHAH – ICICI SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the CIE India Q1 CY '26 Results Conference Call. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference call is being recorded. I now hand the conference call over to Mr. Smit Shah from ICICI Securities. Thank you, and over to you.

Smit Shah: Good afternoon, everyone. On behalf of ICICI Securities, we would like to welcome you all to CIE Automotive's Q1 CY '26 Earnings Conference Call. Today, we have with us from the management team, Mr. Ander Arenaza Alvarez, CEO; Mr. K. Jayaprakash, CFO; Mr. Vikas Sinha, Senior VP, Strategy; and Mr. Oroitz Lafuente, Business Controller. We will start the call with brief opening remarks from the management team about the quarter gone by, and then we'll proceed with the Q&A session. Thank you, and over to the management.

Vikas Sinha: Yes. Thanks, Smit, and I welcome all of you on this call as also Ander, our CEO. I will present CIE results for the quarter Q1 CY '26.

Let me proceed directly to the results. The results of the India operations for Q1 C '26 are on Page 6 of our presentation. Sales at INR16.2 billion were 15% higher year-on-year, largely in line with the market. This is an improvement on the 12% growth in Q4 C '25 and 9% in Q3 C '25. The growth would have been higher -- even higher if the exports in Q1 C '26 had not faltered largely on account of the geopolitical situation. The Indian automotive market remains strong, though there are uncertainties created by the war in West Asia. As discussed in earlier calls, some of the new orders, especially the ones on the export side are coming on stream. And we, therefore, expect positive momentum around growth in the India business to continue into the next few months. The India operations achieved an EBITDA margin of 17.6% in Q1 C '26 versus 18.6% in Q1 C '25 and 16.8% in Q4 C '25. The drop in margin on a year-on-year basis is due to 3 factors: the first, gas and material cost increase due to the Iran geopolitical situation, energy tariff increase in Maharashtra state, and third, if you remember, our Q1 C '25 EBITDA included a positive one-off impact of INR87 million, which amounted to almost 0.6% of sales, and this was on account of the mega subsidy at our Zaheerabad Stampings unit. Even with these issues, the EBITDA margin increased by 0.8% sequentially between Q4 C '25 and Q1 C '26 as we focus on initiatives to reduce the impact of input cost increases.

On Page 7, we have the Q1 C '26 results for our European operations. Sales of INR9.2 billion in Q1 C '26 are 17% higher year-on-year versus Q1 C '25. The entire growth is attributable to favorable exchange rate, but the flat sales in euro terms is as per the market situation. The EBITDA margin in our European operations in Q1 C '26 was 15.7% versus 13.9% in Q1 C '25 and 12.7% in Q4 C '25. Margin recovery is due to the restructuring activities done in CY '25, which we had highlighted in our previous calls. We would also like to highlight that the EBT in Europe, the earnings before tax in Europe for the quarter Q1 C '26 is almost INR1 billion, of course, helped along the way by the favorable exchange rate. Nevertheless, it represents a healthy bottom line in a not very exciting market situation. Now IHS is forecasting that the European light vehicles market will be slightly negative in the next few quarters, somewhere 0%, 2%, 3% negative, while the heavy trucks will grow in low single digits, 3% to 5%, but this growth is on a reduced base. On Page 8, we have the consolidated CIE India Q1 C '26 results.

Consolidated sales were INR25.4 billion, 16% higher versus Q1 C '25 and 9% higher sequentially. This is the second successive quarter of 15% plus growth year-on-year in consolidated sales. EBITDA was INR4.3 billion, EBIT INR3.4 billion and EBT INR3.3 billion, and these are higher year-on-year by 16%, 18% and 20%, respectively. Consolidated EBITDA margin was a robust 16.9% EBIT 13.2% and EBT 12.9%. In fact, we have recorded the highest absolute quarterly consolidated sales and consolidated EBITDA in our history.

And now we proceed to Q&A.

Moderator: Thank you. The first question comes from the line of Rishi Vora with Kotak Securities. Please go ahead.

Rishi Vora: Congratulations on a decent set of numbers. My first question is pertaining to India business. Over the last couple of quarters, our top-line growth has been, let's say, on a blended basis, very similar to how the industry has been doing. And earlier, we had guided that at least there is an intention to outpace the industry growth anywhere between 3 to 5 percentage points. So at least where are we in this journey?

Are there any new orders which you are foreseeing -- which you are expecting, let's say, to grow in the coming quarters, which will help the company at least outpace the industry growth? Because last 2, 3 quarters also has been supported by the industry tailwind owing to GST cut. But at least what is company doing to make sure that even when the industry growth moderates, we will at least outpace that growth number?

Vikas Sinha: Rishi, I'll take this question first, and then I'll request Ander to add on the new order situation later. Of course, we have talked about the export orders at iron castings. We have talked about the Bill Forge 2-wheeler business, both on the crankshaft and on the races side, where we are seeing a whole lot of growth, especially, we are very excited about the 2-wheeler crankshaft project. Iron castings, there are other projects besides the export order that we are talking about. There is, of course, many new orders in the stampings and composite space related to Mahindra itself. And next year, of course, we are expecting a lot of new orders to come on stream in our forgings crankshaft side.

So that's the reason why we are optimistic. Of course, the base for the last 2 quarters, Q4C25 and Q1C26, has been very high. The base growth in the market has been very high, as you rightly pointed out, due to the GST reforms. Of course, there will be some tapering down of the market. But I think as our new order momentum is concerned, I think we are in a good space there. And therefore, that's the reason why I understand that there might be some tapering down of the market, but we are quite confident in our new order situation. Ander, would you like to add anything?

Ander Arenaza Alvarez: Yes, Vikas you explained perfectly the situation and the view that we have about the next quarter's growth and growth expectations, okay. As you explained, because we have several projects in the pipeline now being ramped up. So that is a positive sign. That's why we're optimistic on the near future sales. Regarding the new order allocation in the first quarter also

was a very good quarter for us. We had almost INR3.5 billion turnover per year new orders and approximately 11% for EV sector.

So let's say that, that area of the company, I mean, the new orders are coming, and we are quite satisfied with the trend. And regarding the capacities and also the way the businesses are growing, mostly all the businesses are doing well. And we are adding capacity in all the verticals in order to cope with the demand that is coming. So overall, I would say that the growth trend that we show in the last quarters will continue. That's our expectation.

Of course, providing the war and the economy, let's say, geopolitics are not affecting us too much. I mean, in our base scenario, we think that the year -- the calendar year '26 will be a good year. That's our expectations until now at least. And what we expect is to continue this growth trend with all the verticals doing really well, okay. So overall, I would say that we are confident that we will continue the current trend in the next quarters.

Rishi Vora: Understood. And just in your opening remarks, you mentioned that export was impacted because of the geopolitical tensions. At least can you give us some color on what are -- which are our end markets over here? My sense it would be Europe and maybe neighboring countries, right?

Vikas Sinha: No. I mean, we have U.S. -- yes, Ander.

Ander Arenaza Alvarez: No, what you mentioned, I mean, both U.S. market and European market, those are our export markets are not doing well in this first quarter, okay? So that's the reason that the export rate did not grow too much. So also, we -- some of the projects that we have in the pipeline are export projects. And those will -- when those projects start during the end of Q2, we will see this export rate to continue growing. So that's the explanation. Perhaps, Vikas, you want to give some more details.

Vikas Sinha: Ander has indicated that we are, of course, relying on new orders on the export side to pick up the overall export rate. So that is where we are quite comfortable that way. In terms of breakup, of course, we have talked about the breakup exports as roughly around 13%, 14% based on CY '25, out of which the direct exports are roughly 11%. And out of the direct exports, roughly about 3% would be U.S. and the rest is Europe.

Rishi Vora: And there would be not any direct impact Middle East like container liability. It is the end market demand which was the reason

Vikas Sinha: It is end market. We are not so much affected by container shortage and all of that. It is purely schedules.

Rishi Vora: Understood. This aluminum, like the Aurangabad Electrical business now will get merged with stand-alone, right?

Vikas Sinha: JP?

K. Jayaprakash: Yes, that is the intent to merge CACIL into the parent company, yes.

- Rishi Vora:** So understood. So now there will be stand-alone entities and there will be Europe and -- which will also include Bill Forge Mexico, right? So that's how the reporting now would be, right? So there won't be any other subsidiaries beyond Europe?
- Vikas Sinha:** So in India, we will have CIE Hosur and the stand-alone entity, that's how it would be.
- Rishi Vora:** Okay. So Hosur will still be outside of the stand-alone?
- Vikas Sinha:** It will be a subsidiary.
- Rishi Vora:** Understood. And just last question on the Europe piece. Any outlook on the Metalcastello business? How do you see that business given that last 2, 3 years had been challenging? Any recovery which you are expecting in CY '26 or it gets delayed to CY '27?
- Ander Arenaza Alvarez:** The situation in Metalcastello after some, let's say, business reduction or a slowdown trend that we had in the last years, now it's in a stable situation. So we see that the business is flat or stable in this moment. Last year, if you recall, we did the restructuring activities. So now the company is perfectly aligned with the turnover level.
- So the margins are positive, and we are in a, let's say, very, very nice EBITDA margin status in this moment. So what we see is that -- and we are all expecting is that the American market finally will start growing in the off-highway sector, okay? You know that our main customer is Caterpillar. We expect that in the next quarter, this market will ramp up again.
- Unfortunately, due to the different situations in the market, this market has been very, very low or very, very weak in the last couple of years. And we expect that this is a cyclical business, we expect the recovery to come soon. So -- but in this moment, we are comfortable with the Metalcastello's performance. And let's see if this market comes and we are ready to cope with that growth if it comes.
- Rishi Vora:** Understood. And just last question on the gross margins. In the stand-alone business, gross margins improved by 20 bps on a sequential basis. So was there any commodity-related inflation which impacted us? Or is this something which will flow through in 1Q? So how should we look at it, at least the percentage gross margin levels in the subsequent quarters?
- Vikas Sinha:** So when you say gross margins, Rishi, what are you referring to exactly?
- Rishi Vora:** The stand-alone business?
- Vikas Sinha:** Stand-alone. JP? Basically, the idea is what would be the impact of the inflation, right?
- Rishi Vora:** Yes, the aluminum -- at least aluminum and maybe the steel prices, which will be going up due to the current situation
- K. Jayaprakash:** Yes. Commodities, there is no issue in terms of pass-through, but there could be some other inflation, which we will take some time to sort of overcome. So there is a challenge for sure in terms of some imports we were doing, which are helping us keep our cost. But basic raw material inflation being limited.

- Rishi Vora:** But even if it's a pass-through, the margin should dilute, right, the gross margin percentage?
- K. Jayaprakash:** Yes. As a percentage, yes. Yes.
- Rishi Vora:** So when should we see that impact? I mean 1Q is where we should see some bit of -- maybe top line grows faster, but the percentage gross margins will also shrink, right, or should shrink?
- Ander Arenaza Alvarez:** Yes. But we will see that in the Q2, mainly because during the Q1, we didn't see it because we have not passed through. I mean the hike of the aluminum prices happened in the last month. Now we are starting with the pass-through process, I mean, because we have the delay. So yes, you are right that we have a temporary impact because the delay of 1 month, approximately it affects us. But then we will see this impact in margins because of the dilution because the absolute value of the EBITDA will be the same, but the turnover will be higher because of this pass-through. So we will see certain impact, especially in the aluminum business where the increase of the aluminum price has been really, really high. And also, we are facing this also in the rest of the regions in the world, okay, in Europe or in U.S., the aluminum is also going up mainly because of the restrictions coming from the war. I mean, that affected the production of aluminum in the Middle East.
- Moderator:** The next question comes from the line of Pratik Kothari with Unique PMS.
- Pratik Kothari:** Vikas, first on India, if you can talk about, anecdotally, we do hear about some lines getting shut here or there because of gas issues, some paint issues. So because of this -- I mean, so one, how serious is this issue? You also called out that India could have done better. I mean not the export, but even locally, it would have done better if not for this war. So just going into April, May, how serious is this issue from...
- Vikas Sinha:** There is talk of rationing of things like LPG and so on. So far, it has really not affected the schedules or the production. Of course, we are taking precautions. We are trying to look for alternatives like biogas, LDO, wherever we can. But to be fair, there has been really no impact on the schedules because of those issues. I wouldn't say that the domestic market was held back by such issues during this period. I think the domestic market was okay. If at all, anything on production was really the inventory in the retail chain at the distributors end. That was the key issue in March.
- It really wasn't these kinds of issues. We are planning. There is curtailment of PNG, LPG, et cetera. But it has yet not had a material impact.
- As far as the schedules are concerned, the schedules also for the next, say, a few weeks going ahead, there is absolutely no impact of such issues so far. So I don't think it is right for us to say that the domestic market was held back by such issues. Right now, I don't think there is too much of an impact. But yes, if it stretches, then, of course, these issues will get magnified.
- The key issue will be less of this and more of inflation and if the OEMs start passing on the inflationary impact to the market, then the vehicle prices will go up. That is what we have to worry about. Then, of course, Ander did talk about of what is happening on the aluminum side, which, in fact, again, to be fair, the increase in aluminum prices was happening even before

February 28. It was not as if it was not happening before. There was inflation on aluminum cost even before that, but it has, of course, accelerated after the war started in the Gulf. So the inflationary impact is very important. There could be disruption in supply chain too. So we have to worry about it. But at this point of time, it is not making an impact. That is our assessment.

Pratik Kothari: Fair enough. I also -- sorry, go ahead, Ander.

Ander Arenaza Alvarez: No. I just wanted to make a comment on Vikas's statement, okay? The risk that we can have here in this environment is that in certain cases, because of the geopolitical issues and also with the logistic difficulties that are happening -- started happening now in the world, we can have certain -- our customers can have certain supply chain issues. And that could have a certain temporary impact on the demand in the short term. So that's what we can also expect because of the situation. So that's the main risk that we see in the short term. What we are now seeing, as Vikas said, is that all our customers, they expect to continue the same production trend. So the only problem they can have is if the supply chain is disrupted for any reason. That's the thing that we need to monitor closely.

Pratik Kothari: Fair enough. And just to confirm on the export front, you said the growth was muted because of logistical issues or the end demand issues?

Vikas Sinha: End demand, schedules, not really on logistics. Again, there are certain constraints on -- as Rishi also asked containers, et cetera, but that's not the major impact. Again, all of this may get accentuated going forward. We are not discounting any of the risks. The risks are all there, the risk of inflation, the risk of logistics, the supply chain risk.

In fact, there's another bigger risk. Fertilizer -- if the fertilizer supply chain gets disrupted and then there is a bad monsoon, then there will be a double impact on the sowing season in the later half of the year, and that will have its own impact.

The risks are all there, but those risks have not manifested in a very big way so far.

Pratik Kothari: Fair enough. And last on Europe. So last time there was major such supply chain disruptions back in 2022, energy prices, we gained a lot of market share maybe at the expense of weak hands. And then again, anecdotally, we do hear about a lot of either orders shifting out of Europe to some other geographies or within that, some stronger players taking it. So while we understand that the end market is not growing or growth rates there are muted, given the issue back again in Europe 3, 4 years later, do you see we gaining at the expense of weak hands?

Vikas Sinha: Ander, the question is, is the European auto component industry consolidating? And will we gain in the next 2 to 3 years?

Ander Arenaza Alvarez: Okay. It is difficult to say if we will gain in this moment, but we expect that we will win and the market will continue consolidating, okay? The consolidation is happening already. In Europe, it's clear. I mean, there are a lot of companies, especially in Germany, France, we see a lot of companies struggling and the smaller companies are also struggling. So the trend of the customers right now is consolidating. We have -- every week, every month, we have interactions with the customers in this sense.

So we are working actively on this field. So we expect that we -- at least we will remain solid in our current turnover levels. And hopefully, if this consolidation finally happens, then we will have the chance to grow. So we are optimistic on that. The signals are not yet or let's say, the results of the execution of this consolidation is not yet obtained or fixed from our side, but we expect that this will happen, yes.

Moderator: The next question comes from the line of Vijay Kumar Pandey with Axis Capital.

Vijay Kumar Pandey: Congratulations for a good set of numbers. I have a couple of questions. I wanted to check first on the gas and energy price increase and the material cost. What -- if you can please quantify the impact on the Indian business as well as in the European business from the increase and was it mainly for the 1 month or -- and do we expect to see this to increase over the next coming period like -- because now it would be -- if the war persists, will it continue for 2 months. So if you can help us with this gas and material price increase?

Vikas Sinha: Vijay, I would assume you are asking that whether first, the gas price increases will remain at this level going forward. So that price increase has happened. Is that -- and what is the impact of that on our financials in Q1, right? Are these the 2 questions?

Vijay Kumar Pandey: Yes, yes.

Vikas Sinha: We assume that given the supply chain risks and given the disruption in the supply chain of gas, we do expect this to remain elevated for some time. So it's not really a temporary phenomenon, We are more concerned if the supply remains constant rather some price increases will happen, and we expect the price increases to be there. In terms of the impact, right now, the impact has not been much. We did talk about the drop in our margins from like Q1C25 when our margin was 18.6%. In Q1C26 it is 17.6%. Of the drop of 1%, 0.6% of that is coming from the stamping subsidy. And the rest is divided between the energy tariff increase and the gas increase that you are talking about. If you remember, in our last call also, we had said that there was an increase in power tariffs in Maharashtra, which was having an impact. In our year-end results, we had quantified that impact. So that 0.4% drop is divided between these 2 things. So you can make an assessment like it is somewhere between 0.2%, 0.3%, that kind of impact we are talking about as far as the gas is concerned. Okay.

Vijay Kumar Pandey: Okay. Secondly, sir, the new export order for the U.S. business, so that remains on track. That is not getting impacted from any major market or from the geopolitical...

Vikas Sinha: Zero impact. Of course, right now, the tariff thing, as you know, is still open, but it is now more or less like we know where it is. We have had no impact on our export orders to the U.S. And as Ander pointed out, we'll start in Q2. And of course, the bulk of it will be in the second half of the year.

Vijay Kumar Pandey: And sir, when it comes to the euro, so the guidance -- the IHS guidance is pretty weak for second quarter, third quarter. So we wanted to check is the downward -- is there more -- going to be more downward risk from here? How are you seeing the on-ground situation? Because like 5% decline in production numbers for second quarter.

So do you expect it could go further down than this or things can be better from here or like this is the worst-case scenario? Also on our margins, so our margin has been pretty volatile in Europe at least from last 3, 4 quarters. So I just want to get a steady-state number. What is our expectation in the near term and the long run?

Vikas Sinha:

I'll make a few comments, and then I'll request Ander to talk about the European market a little more. I think the European market is stable, 16 million units of production. The issue is how much is the Chinese share in that. That's all. It's pretty much stable. We are not looking at minus 5 going to minus 10. Of course, on a quarter-to-quarter basis, IHS is talking about minus 5 and minus 1. But if you look at the year -- the entire year prediction, it is still about minus 1 to minus 2. So that's not much of a difference. And it is expected to remain in this range, 16 million to 16.5 million for the next couple of years as per IHS. It is not moving up and down. The market is steady but at a low level.

The second question around margins that our margins were fluctuating. Our margins were affected as we were doing some restructuring activities. If you add back the restructuring costs, we have been in the range of 14% to 15% or 14% to 16%, in that range. In Europe, we are at a very steady margin. We had restructuring activities going back to Q2 of last year and the European margins that were reported were affected by the restructuring cost. In this quarter there is no restructuring cost. You're seeing the full impact of those restructuring activities. So the margin has been steady, somewhere around 15% if you take away the restructuring cost. We are steady on both the market on the margin side. But now I'll hand it to Ander. He will explain more the -- what is actually going behind rather than just the numbers.

Ander Arenaza Alvarez:

No, you explained it perfectly, Vikas. I mean the situation in the market in Europe is stable. I would say that the behavior or the performance that we expect for the next quarters is that we will see a rather stable market. So not big changes are expected. I mean, perhaps because of the geopolitical tensions, we could see certain slowdown. But overall, I think the impact of the war is not big in Europe.

So also regarding Spain and regarding the gas and energy price increases in Spain, due to the high percentage of renewable energy production, the energy prices has not moved up in this first quarter. And so we expect that the energy prices will remain more or less under control. And also the future of the gas for next year are around EUR 35 per megawatt. So let's say, quite stable. So let's say that our view of the near future in Europe is we will be more or less stable.

And regarding the margins, we saw a certain recovery after the restructuring activity that we did last year. And we expect to be in that range. In the near future or during the next quarters, if additional restructuring small activities are needed, we will accomplish them because what we are now looking is always to the long run and just to be ready to keep and to maintain our margins in the long term. So that's the approach that we have. So we have a profitable business, cash-generating unit in Europe despite this low base, and we will continue like this.

Vijay Kumar Pandey:

Just wanted to -- more of a broad level question. With the Chinese entering into the European market and setting a factory, do we have a plan or can we get also to -- like to supply products to Chinese companies? Or will that not be feasible or -- if you can just comment on that?

Ander Arenaza Alvarez: Chinese cars that are sold now in Europe are mainly produced in China. They are now entering the European market, and they will start producing. That's the plan they have to produce in Europe. And if they produce in Europe, for sure, we will be there. We have been quoting and we are working with them. So far, the -- locally, we don't have, let's say, Chinese customers in this moment in Europe, but mainly because there is no production.

Once the production starts, we will probably be there because in the European area, we are quite competitive supplier. Of course, the competition is worldwide. But what we expect that certain local content rules will be there. And there are also another barriers like the carbon adjustment on the border, I mean, the CBAM activities, all these kinds of things will come. So we expect to be supplier for any OEM that will produce cars in Europe.

Moderator: The next question comes from the line of Ganeshram with Unifi Capital.

Ganeshram: Thank you, Vikas and Ander, it has been very clear so far. I just have a couple of questions. The first one is on the India market itself, Vikas, you previously indicated that directionally you've grown 9%, 12%, 15%. And when you look at the forecast from IHS, when we compare how this quarter has been to the next quarter, compared to what we expect in the next few quarters, so about 9% in every category this quarter, but expectations are around 8% to 10% in the remaining few quarters. How do we expect to perform relative to this industry? Do you think there can be an outperformance of 3%, 4% with the new orders that are coming in? What's the quantum of outperformance you expect?

Vikas Sinha: We do expect it to be a little higher than the market. We have done well in the last 2-3 quarters, but a few quarters before that, we were a little tardy. So yes, we are confident about the growth. Of course, it also depends on the market. We have many customers. So how different customers behave. For example, Hyundai and Bajaj. Bajaj did well in Q1. Hyundai did not do as well in Q1. And then within those customers, there will be some models which perform better or worse. So depending on that. We are across different customers across many models. We are in a very comfortable situation as far as that is concerned. We do expect it to be a little higher than the market. But given how everything pans out, we will see the quantum. So I'll leave it at that.

I think you are right, the market will taper down a little bit given from the GST highs, but it's still reasonably good, hopefully, the impact of geopolitics, petrol price increases, which everyone is expecting maybe a few weeks later, that does not have a dramatic impact. So I would say that we are comfortable on the growth side, but quantum, let's leave it at that.

Ganeshram: Okay. But do you think you'll be able to sustain at the low teens level? And do you have any production constraints currently? I think last quarter, you mentioned there were some constraints because of the ramp-up. So just to check if that has been alleviated now -- yes?

Vikas Sinha: We are in the process of increasing our capacity. If you look at our growth numbers -- growth capex numbers, this quarter, we do expect growth capex in India to be higher than last year. Almost 95% of the growth capex is being done in India. So we are adding capacity, and we are adding capacity across the board.

If you look at our annual report, we have clearly mentioned that almost all verticals, except maybe magnets, we are adding capacity, which is as per the new orders. So right now, we are okay with this capacity situation, 8%, 10% growth is fine, but a lot of capacity additions are happening because of the new orders. Capacity should not be a constraint going forward. But as I said, next few months or next 1, 1.5 years, I think there is a lot of focus on growth capex in India. So that will continue.

Ganeshram: Understood. And just my last question is on the export impact that you were talking about from India. Would you have an estimate of how much of exports could have been achieved this quarter that has probably been delayed to the coming few quarters?

Vikas Sinha: No, no. No, it was not delayed. The schedules were lower. Now if the Indian market grew in the range, of almost 10% growth for light vehicles and 20% growth for 2-wheelers and the other segments, the exports was in, say, mid-single digits in this quarter. But Q2 onwards, as Ander mentioned, we are banking on new orders. So that situation will change, no matter what happens on the geopolitics side. I think for us, our export performance will improve in Q2 onwards because of our new orders. That's what we say.

Ganeshram: So just to clarify, you're saying it wasn't an impact because of logistics, it was an impact because of schedules? Or is it that the schedules are impacted by logistics? Just to be clear.

Vikas Sinha: Hard for me to say. Let's -- from our point of view, it was schedules. It's not that we were not able to send our goods across. So that's why I'm saying less logistics. Well, for them, as whatever is happening on the supply chain for OEMs there, that could have been a factor. But for us, the schedules. That's all.

Moderator: The next question comes from the line of Bharat Sheth with Quest Investment Advisors.

Bharat Sheth: Ander, you stated in that consolidation in Europe is happening. So can you give a little more color for which product, say, particularly crankshaft and Metalcastello also. So if you can give some color, how do we see -- we are with the consolidation, getting market share and may be able to do, I mean, some kind of a growth down the line next 3, 4 quarters?

Ander Arenaza Alvarez: Yes. The reality on the consolidation, if we look at our crankshaft production, for example, in our European units, we have been able to maintain the crankshaft production in the last quarters, okay? And considering that the internal combustion engines volumes are slowly, slowly going down with the EVs growing up and also with the entrance of the Chinese competitors, then we see that we have been already consolidating partially this production of crankshaft.

What is happening in Europe is that our customers now they are concerned that in their supply base, they have suppliers with a very complicated financial situation. And some of them, they are already struggling. If you consider that in the north of Europe, for example, there are also some stresses on the energy prices and also some inflation, the materials and so on, then the situation, the financial situation of these struggling competitors will worsen in the next quarters.

So the customers are looking for the solutions to, let's say, assure their supply, and they are coming to us in order to increase the production. So that's what's going on. Some specific

suppliers are being, let's say, eliminated and the strongest suppliers will continue. And in that, let's say, consolidation process, CIE India is very well positioned because we have a very solid financial situation. Our companies are running perfectly smoothly. Our quality levels, delivery performance are exceptional.

So in that environment, I think we will be one of the winners on this consolidation. That's the bet. That's the reality. And now we will continue. Of course, it's not a nice situation because, of course, our growth will come from the, let's say, the bankruptcy or the difficulties in other competitors.

That's not the best way to grow. But of course, that's the market, and we need to adapt and we need to survive in this difficult market environment. So that's the basics of our view, and we think that we are very well positioned to continue with our, let's say, production, hopefully, with certain growth and at least with margin -- maintaining the margins and even improving them if possible.

Bharat Sheth:

And how about Metalcastello, what's our outlook now? Currently, we are operating at what level? And how do we see, is there any improvement or not?

Ander Arenaza Alvarez:

Metalcastello, as I explained before, Metalcastello is doing very well now. It's -- the company is now adapted in all the structure and the manpower; everything is in line with the current production levels and demand levels. So the company is in a very solid situation with good margins with EBITDA margins around 20% of margin. So it's in a very solid position.

Regarding the market, you know that all these off-highway products are, let's say, in a very weak market situation, and we are ready to grow and to recuperate the margins once the market comes back. Our dependence on U.S. market is important. So we are waiting for the U.S. market to rebound and start producing. So my comment would be in Europe, the off-highway production is very low.

The strong production is coming from U.S. and also from Asia. So our position, we look for U.S. market, and we are waiting for that. Also, one important comment on Metalcastello, if you recall in previous quarters when we were talking about the EV programs that we were awarded, correct, those EV programs unfortunately did not come.

And the real production of the EV products will be, I don't know, 10% or just a minor fraction of the expected volumes, okay? And that's the reality. So that's one of the reasons why we are not, let's say, growing or we are not recovering the previous levels. That's the market reality in U.S.

You know that the electrification has gone down and most of the electric products has been canceled by our customers. And that's something that, okay, we need to wait. Probably will come later on in the future. But in the next quarters, we can -- we are not expecting them to come, okay, at least while this administration is in office in U.S.

Bharat Sheth: And second question is related, again, now this energy, fossil fuel crisis has erupted in Europe. So do you think that EV adoption will -- adoption of EV will accelerate than what it was in the past? And how do we think then now about ICE engine market?

Ander Arenaza Alvarez: Yes. What we see is that -- you are right that at least in the last month after the war happened and the petrol prices went up dramatically in Europe, then there has been a reaction from the market and more -- the EV market has seen an acceleration. So we see this trend, I mean, recovering a little bit. The best sold car in March in Europe has been the Tesla Model Y.

Again, I mean, they were very low in the -- on sales and now they recuperated. So this is something that is happening. But what we see is a certain recovery to the previous forecast, there is no big, big jump on that. And we still think that the problems on the EV adoptions are still the lack of infrastructures and the range anxiety that is not yet solved. I mean the ranges of 500 kilometers, 450 kilometers are not enough to convince the massive -- the mass consumers, okay?

So we see certain acceleration. We are okay with that because you know that we have been in the last years working on the EV side also. So we are comfortable with that. So we are adapting our production to the demand of the customers. We have look for balance between the 2 technologies.

Bharat Sheth: Okay. And last question on India side because earlier, we had a lot of tail end of customer win, but which we were not -- I mean, for one or other reason, were not able to really ramp up and grow. So how do we think about despite, I mean, this new deal win, how do we see this real year tail end can start making a bigger, I mean, contribution to our sales?

Vikas Sinha: A lot of these new orders, are for customers beyond the 4 main anchor customers, M&M, AS, FES, Maruti and Bajaj. Ford is becoming a very big customer. Hyundai is very important. Royal Enfield is very important. So a lot of these new orders -- Allison is getting more important. We have been steadily working with John Deere over many, many years, very, very small increases every year, but now very substantial. So that part is happening. As we have pointed out, given that the diversity in our customer base, sometimes when M&M was growing, Bajaj was not growing. Now when Bajaj is growing, Hyundai is not growing as much. So this -- that portfolio balancing will happen. But as I said, we are quite okay with the new order situation.

Few quarters back, we had the issue with our CIE Hosur production, then there were certain electric vehicle orders that had not come about. All of this had got bunched together. But now hopefully, it is being more balanced. So now we are seeing much more balanced growth. So I don't think we have any -- to put it very simply, we don't have issues with either our customer base or even the diversity of products or even new orders. As Ander was pointing out, our new order performance has been pretty good. So even going forward, next 15, 18 months also, we don't have much of an issue around new orders. So we are quite comfortable there.

So you are seeing a much more balanced growth that you are seeing now. Like, for example, in Q1, the exports did not do very well. Exports, they didn't do that well. But the domestic side did well.

Hyundai didn't do well. Hyundai grew only 2% or something like that in Q1, which is lower than what the light vehicle market grew, almost 10%. It didn't impact us that much because that balancing is happening now. So that's how we are quite comfortable on the new order side, on the diversity of products, diversity of customers. I don't think those are issues. The issue earlier was the bunching of delayed orders, which I think, hopefully, that's behind us now.

Moderator: The next question comes from the line of Priya Ranjan with HDFC AMC.

Priya Ranjan: Just a couple of things. One is on the capex side. Do you see there is acceleration in capex this year? Because last year, we were short of capacities in many of the quarters. And -- I mean, when the demand has picked up? And how do we see this -- do you need to increase the kind of presses, maybe higher tonnage presses, etcetera, is required now? I mean what is the capex and capacity increase?

Vikas Sinha: Priya Ranjan, I'll, of course, leave it to JP and Ander to answer -- give more color on the details. But the answer to your question is, in India, the growth capex will be much higher this year and probably next year also. And the other part, are we looking at different tonnage of presses in forgings and aluminum casting, et cetera? Yes, we are looking at that also. So with that, Ander, I'll request you to give your perspective.

Ander Arenaza Alvarez: Yes, in India, in this quarter, we have already invested around a little bit more than INR900 million. That is around close to 6% of our sales. So it's in line with our internal, let's say, control targets. But you are right. And the second half of this year, we expect to boost the capex, and we will, let's say, probably surpass this 6%, 7% of the turnover in India that we are, let's say, fixing as a control target.

Regarding the different presses and machineries and everything that we are now looking for, you are right. I mean, we are adding at least 3 new forging lines in our forging business. We are also adding stamping line -- I mean metal stamping line for our customers because we are also fully booked in this moment. We are also adding iron casting molding line also to the -- to increase our capacities and to cope with the demand that is coming for next year. So as you can see, we are adding machinery and capacity.

All this capacity will be installed in the next quarters. So we expect that our capacity will increase. And of course, our production will increase. So we are aligning the demand with capex, and that's why we control perfectly the situation. I can tell you that we have not been short of production in this period. Yes, we have been tight in certain technologies, but not short.

And in the future, we are adding the capacity to, let's say, to go with our customers to be in line with our customers' requirements in terms of capacity. Some of them, they are expecting big growth. The new projects are also there. And of course, we need to be ready for growth when it's coming. So that's the more or less the -- it would give you a flavor of, let's say, adding capacity in almost all the technologies. I would say that except in magnets, that is a very specific business, the rest of the businesses will add new capacities.

Priya Ranjan: So for full year, I mean, how much capex we are planning now, I mean, this year if we...

Ander Arenaza Alvarez: You can imagine that we have done INR1 billion in -- or close to INR1 billion in 1 quarter, we can talk about this INR4 billion to INR5 billion, that would be the capex that we can be expecting in India in this calendar year.

Priya Ranjan: And I mean I'm just a little bit puzzled about your Metalcastello performance. I mean, if I look at the Caterpillar global growth, they have been growing very, very strongly. I mean the North America market, et cetera, is growing like 18%, 17% if you look at. So what category of the Caterpillar you are catering to and that's why you are underperforming? I mean, if you look at the Caterpillar numbers, I mean, it doesn't show that, I mean, there is a weakness. I mean, why should we underperform there unless we have certain segments which Caterpillar is also underperforming and why?

Ander Arenaza Alvarez: We are working for Caterpillar in the transmission sector. Our production depends because Caterpillar has its own internal capacities and then they outsource part of the components to, let's say, reliable customers and strategic suppliers like us. And also, they are producing part of the production in Asia, in India and other countries.

So let's say that with Caterpillar, we had this slowdown because of the product mix that unfortunately, we were there. And we expect that this production and at least with the comments coming from Caterpillar is that this will ramp up, mainly as -- when there is a situation when the customer is producing and deciding make or buy, then we -- our position is weaker, but we expect to grow and to recuperate our market share in the next quarters. So the point on Caterpillar is we depend on them partially in Italy.

And with all these probably the tariff issues and geopolitical issues, they decided to integrate or to in-source more than outsourcing the production, that's the balance or the decisions that our customers are doing. They are not always very transparent with the suppliers. They make their own decisions depending on the situations. So we are expecting this growth to come, and we are ready. And the relations and the strategic relation we have with them is fantastic. So no issues there.

Moderator: Ladies and gentlemen, this will be our last question. It's from the line of Viraj Kacharia with SIMPL.

Viraj Kacharia: Just 2 questions. First is, you talked about us benefiting from consolidation starting in the next few quarters. Any color you can give, how is the conversation -- in your conversation with customers, do we benefit more from the European entity, or you see a further ramp-up in exports from India to Europe?

Vikas Sinha: Raj, let me take this question first, and then Ander can add more details based on his experience. So first question around consolidation in Europe. Yes, as Ander pointed out, consolidation is happening. Some manifestation is we are able to maintain our crank shaft production even in a declining market. But that consolidation takes time. As you know, it does not happen at one go. Yes, consolidation will happen eventually. It is not going to manifest itself in the next quarter or the next 2 quarters or something like that. Eventually, it will happen. And because we have such strong players with strong manufacturing capabilities as well as a very good financial position,

we expect to benefit in the medium term. It's not going to happen in the next 1 year or so, something like that.

Because when we say consolidation will happen, if you recollect, Europe used to do about 20 million car production, say, pre-COVID or whatever, and that's now down to 16 million plus, there is the threat from Chinese imports or Chinese supply in Europe, which will even make -- that is the reason why consolidation will happen. But these things are stretched over a period of time because what happens is that the capacities don't go out of the business.

Like most of the time, they are either bought by a private equity guy or by somebody who tries to buy all the underperforming assets. And then it takes some time before it leaves the market. That's really on consolidation. It will happen. It will take time.

The second aspect on whether the European light vehicle industry will start outsourcing more to India. Now that question Ander had answered in the last call, but I'll repeat that. The outsourcing from Europe to India has been more on the truck side and less on the light vehicle side. What is happening is that with the Free Trade Agreement that India and Europe had, I think there has been an interest and a lot of buyers in the light vehicle space are also looking at outsourcing from outside Europe. And they are, of course, considering different geographies.

But the first places where that's going to happen are in iron castings, where we are seeing the impact. We are seeing a lot of RFQs coming in gears and machining, where India has a very big competitive advantage, that's happening, some on the forging side and perhaps at some point of time on aluminum casting. But unfortunately, aluminum casting India is not that competitive at this given point of time.

So yes, that will also happen, but none of -- neither the consolidation nor the exports will happen in a hurry. That's something we'll ask you to keep in mind. So it's not going to happen in this calendar year, for example. There will not be a tangible impact. But over the next 2, 3, 5 years, definitely, both the things will happen. And on both, we will gain. So with that generic remark, I'll request Ander to add details and his perspective.

Ander Arenaza Alvarez: There is a clear situation now and a clear interest from most of our customers here in Europe to localize the production in India. I mean we are in contact with them. They are absolutely really interested in our capacities in India, and we are developing, we are quoting, they are visiting us, they are auditing our facilities in aluminum, in forgings, machining, in the gear castings. I mean, we have a very strong commercial activity in this moment regarding this transfer of the potential exports from India to Europe.

So we are optimistic, very optimistic on that, okay. We are preparing ourselves to be ready to supply properly to Europe in the next years. So that will be a reality. So I think that India will be a winning market, winning region on this European supply, especially because of the competitiveness and, let's say, price pressures that European OEMs are having.

So in this sense, we are perfectly located to supply from -- prepared to supply from India to Europe, and we will do that, let's say, according to our customers' demand. So that's why we are adding our capacities, and we are preparing ourselves to be in a very good position in terms of

quality and delivery because that's the main risk that we -- all the suppliers we can have. I mean the quality requirements and the delivery requirements on European OEMs are very, very extreme.

So we need to be well prepared not to fail them. So that's the challenge and that's the reality. And so we are optimistic and we are preparing the company to continue growing, both internally, locally in India and also, of course, with additional export that we will see happening in the next quarters.

Viraj Kacharia: Okay. Just one last question. See, you mentioned about INR400 crores to INR500 crores of capex in the Indian entity. That is a step-up. I get that. But even post that, your cash accretion will just further expand, right? I mean the surplus cash which you have. Any color in terms of new products or acquisitions or anything in...

Ander Arenaza Alvarez: Okay. Yes, this is also -- you know that we are in a cash position, as you said, and we have the capability to continue increasing our capex and increasing our capacities, and that will be one reality. The second growth area that could be the inorganic growth, I mean, growing through M&A. We are also active on that field. It's true that it is difficult to close operations in India in this moment.

Also the price and the expectations are very high. So -- but we continue in a very active way to look for potential partnerships where we can grow our business, we can join forces with other players. So this is an activity that we are also active. So unfortunately, in the last years, we did not close any operation, but we continue to be active on this area, and we would like to have one additional operation. So that will boost also our growth.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Ander Arenaza Alvarez: So I would like to thank you all the participants for the questions and the well-directed questions, as always, very interesting. It was a big pleasure to be with you and to answer, and I hope we answered properly and all our team answered properly to your questions. And also, I would like to thank, as always, to all CIE Automotive India's team for the great work done in this quarter, and we expect that we will continue doing well and showing good results in the next quarter. So thank you, everybody, and have a nice day.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: Transcript has been edited to improve quality of communication alone.