



**“CIE Automotive India Limited
Q2 & H1CY '25 Results Conference Call”**

July 22, 2025

\



**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
MR. SWAPNIL SOUDAGAR – DGM STRATEGY – CIE
AUTOMOTIVE INDIA LIMITED**

**MODERATOR: MS. VISHAKHA MALIWAL – ICICI SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the CIE India's Q2 CY '25 Results Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vishakha Maliwal from ICICI Securities Limited. Thank you, and over to you, ma'am.

Vishakha Maliwal: Thanks, Nidhi. Good afternoon, everyone. Thanks to CIE Automotive India Limited management for giving us the opportunity to host the call. We have here in the call the senior management represented by Mr. Ander Arenaza Alvarez, CEO; Mr. K. Jayaprakash, CFO; Mr. Vikas Sinha, Senior VP, Strategy; Mr. Oroitz Lafuente, Business Controller; and Mr. Swapnil Soudagar, DGM strategy.

Over to the management to take this ahead. Thank you.

Vikas Sinha: Yes. Thanks, Vishakha. This is Vikas. I welcome all of you on this call, as also Ander, our CEO. I will present CIE India results for Q2 C '25 and H1, the first half, of C '25. We start with the legal structure on Page 4 of our presentation. We would like to mention a change in this, where we have completed the formalities of liquidating Bill Forge Precision, and it has ceased to exist.

We now move on to Q2 C '25 results. We start with the India operations, which is on Page 6. In Q2 C '25, India business sales were at INR14.5 billion, which has grown at 7% year-on-year versus Q2 C '24 and marginally higher on a sequential basis. The growth is also higher than the weighted average market growth. Among the various segments, the market growth in Q2 C '25 for light vehicles and 2-wheelers was sluggish. It was below 5%, but tractors and trucks recorded healthy growth.

With the prediction of a good monsoon, market is expected to remain steady, if not better than this, but we'll need to watch out for issues that may have negative impact like the potential tariffs from the US government or the impact of restriction on rare-earth magnets by China. So steady, but of course, with a wait-and-watch attitude, that's how we look at the market going forward.

Now the EBITDA margin in India for the quarter was 17.5%, just marginally lower year-on-year and sequentially. This is largely due to product mix issues. We should also note that the reported EBITDA margin of 18.6% in India in Q1 C '25 included a one-time government grant at our Stampings business, and without that, the India Q1 C '25 EBITDA margin was roughly about 18%.

On Page 7, we have the results for the European operations of CIE India in Q2 C '25. Sales were at INR8.3 billion, which are down year-on-year by 1%, but that includes a positive exchange rate effect of 7%. Without the effect of raw material prices drop also, the real drop in sales

volume in Europe was 4% in Q2 C '25. This is an improved performance compared to the double-digit reduction in sales that the European business experienced in the last 3 quarters.

The quarterly sales also improved on a sequential basis. Now, this is because there has been some improvement in the market situation with the Light Vehicles market being down by only 2% in Q2 C '25. The reduced base effect has also played a part in this improvement. But overall, the market situation in Europe continues to be difficult. Now we know that the second half of the year is normally worse than the first half due to seasonal factors. So that is something we'll have to keep in mind.

The EBITDA margin in the European business for Q2 C '25 was 12.5%. Now, this includes a onetime restructuring cost at Metalcastello without which the margin would have been closer to 15%. We have been taking proactive corrective actions to adjust our operations to the difficult market conditions, and this is a reflection of that.

On Page 8, we see the consolidated CIE India Q2 C '25 results. Consolidated sales were INR23 billion, a 4% growth over Q2 C '24; EBITDA, INR3.6 billion at a margin of 15.7%; EBIT, INR2.7 billion at a margin of 11.9%; and EBT, INR2.7 billion at a margin of 11.8%.

The first half H1 C '25 results for our Indian operations are on Page 10. Sales increased by 5% versus H1 C '24 to INR28.7 billion. The EBITDA margin was 18%; EBIT, 14.3%; EBT, 14.5%; and PAT, 10.8%. Given the prospects of a good monsoon and the upcoming festive season, we expect H2 to be better than H1 in India.

On Page 11, we have the H1 C '25 results for our European operations. The impact of declining vehicle sales and slowdown at Metalcastello has contributed to 11% drop in sales to INR16.2 billion. EBITDA margin in H1 C '25 in Europe was 13.1%; EBIT, 9.1%; EBT, 7.9%; and PAT, 6.2%.

On Page 12, we have the H1 C '25 consolidated results of CIE India. Sales were INR44.9 billion, which is marginally lower by 1% versus H1 C '24. The EBITDA margin was 16.3%; EBIT, 12.4%; EBT, 12.1%; and PAT, 9.1%.

On Page 14, we see the average consolidated balance sheet, which shows a healthy state of CIE India. Return ratios have reduced marginally, mostly on account of lower sales on a consolidated basis and restructuring costs in Europe, but they continue to be healthy.

The cash flows are shown on Page 16. The company generated operating cash flows to the extent of 76% of consolidated EBITDA. Capex is being monitored closely, and growth capex for the first half of the year was INR0.7 billion, largely focused on projects in India. Cash outflow on account of dividend was INR2.6 billion due to the dividend payout of INR7 per share.

Going forward, we are confident that we can utilize future opportunities and face future challenges with agility. We believe that we are well prepared to face any situation going forward.

And now we proceed to Q&A.

- Moderator:** The first question is from the line of Rajas Joshi from ChrysCapital.
- Rajas Joshi:** So just a bit more, could you elaborate on the growth outlook for the second half, as you mentioned it to be better? Do you -- any segment you see would be growing faster than our underlying industry, specifically for India business? And additionally, has European business stabilized now?
- Vikas Sinha:** I'll talk about India, and then, I'll request Ander to talk a bit about Europe. In India, of course, you see that 4-wheelers and 2-wheelers are roughly around 3% to 5% growth. Tractors are doing well and probably will continue to do well because of the monsoon situation, both tractors and trucks. That is how we look at it. I think it's not that there is one segment or the other, which is driving this growth. Overall, our -- we had talked about some of our order book was delayed.
- I think what we are -- what you are seeing is a gradual coming back of that order book. It has -- whatever delay was there is now getting addressed. That is the main factor rather than the market growth. The market growth is steady. There is nothing dramatic happening around the market growth. That's on India. On Europe, I'll request Ander to give you a better flavor.
- Ander Alvarez:** Yes. Good afternoon, everybody. This is Ander speaking. Regarding European market, we can say that the European, let's say, both passenger car and commercial vehicle markets are quite weak. They remain weak. But we think that this value that we have now will not go down further, okay?
- So let's say that we are now in the valley of the sales, we can expect that the market will continue in this level during the next 1 or 2 quarters, but our customers are already saying us that they expect a certain recovery by beginning next year. So let's say that -- okay, they were also saying this 6 months ago and this did not happen. So let's say that the market will continue weak and we will continue in this level. That's our expectation for at least in the next 2 quarters.
- Rajas Joshi:** Okay. And in the last quarter, you had mentioned that the order -- you had received the highest order inflows of around INR350 crores. How has this trend been this quarter?
- Ander Alvarez:** Regarding the new order book?
- Rajas Joshi:** Yes.
- Ander Alvarez:** Yes, the new order book that in the first quarter was quite strong with INR3.5 billion of new orders that we have been -- we allocated. At this moment, we are around INR6 billion in the first half of the year. So we continue this trend. So the order book is quite healthy, and we continue getting new businesses from the customers. So that said, everything is on track.
- Rajas Joshi:** Just on exports from India. So when do we expect our India plus -- our export business growth to reach double digit? Do we have any large export order in the India business currently in our pipeline which can contribute to growth faster than the market?
- Ander Alvarez:** Our export rate is not big. It's around 12%, 13%. That is the export rate that we have. In this moment, these export rates, let's say, that are under certain scrutiny because of the tariffs that

are not yet clear. So in the -- I would say that until this tariff issue is not clarified, we will not see these figures going up.

Then also, there is one important position from CIE, as we are a global multinational and we are located in all the regions, and our global strategy is to be local to local, okay? We try to supply in each region what is consumed in each of the regions. So the export trade and the export products that we now are focusing on mainly are on iron castings or gears where we don't have much more capacity in the rest of the regions, okay? Just we have gears only in Europe, and we have only gears -- sorry, castings in Brazil. So that's the approach. We will continue growing the export, but it's not our main strategy.

Rajas Joshi: Okay. And capex in 1H has been relatively low. Should we expect a lower capex for CY '25 or higher capex in the second half to meet the 5% to 6% of revenue capex guidance?

Ander Alvarez: Yes. We are controlling the capex because of the, let's say, weak situation of the market. But in the second half, we will -- we have a lot of, let's say, new projects, as I mentioned about the new order that we allocated and the capex will revamp. So we will be close to this 5% in the complete year.

Rajas Joshi: Okay. And how do we see the margins evolving in India and Europe?

Ander Alvarez: Okay. The margins, you saw that in Europe, we have been affected negatively because of the first -- because of the drop of the market. We see this drop thing that -- this minus one, that you saw in the second quarter is supported by the 7% of the currency increase. I mean, the depreciation of the rupee that helped us in 7%. Otherwise, the drop was around 8%.

And also, we have had this restructuring activity in Metalcastello. So that's the -- that's why our margin has been negatively affected. We consider that we can be in a recurrent margins in Europe, around 14% to 15%. That's the -- what we see the future.

And regarding -- in India, we expect also to improve slightly the margins in the next quarters, thanks to the growth that we expect because we think that with a good monsoon and the festive season coming, we can expect certain recovery on sales and higher recovery, and that will support our margins, too. So let's say that we are -- we can be optimistic or -- in India and let's say that we will continue suffering in Europe.

Rajas Joshi: Got it. Just one last clarification. So our exports from India will also include castings and magnets -- apart from magnets?

Ander Alvarez: Yes. Yes. We export castings. We export gears. We export magnets, yes. We export -- for certain customers, we export also aluminum castings, a small part. So yes, we are exporting. But as I told you, let's say, on average, we can be around 12%, 13% of our total turnover is exported from India.

Rajas Joshi: Sir, in castings, are we seeing any traction because of the China Plus One, Europe Plus One kind -- benefits flowing from there?

- Ander Alvarez:** Not from that. I mean, in the castings, what we are getting benefited is that this is a technology that is not being developed in the rest of the -- let's say, in US or in Europe, as it is not, let's say, really evaluated business. So we are exporting, and we are starting to export for American customers in a good way. So we expect to grow importantly in the casting exports in the next, I would say, from the beginning next year, okay? So in that sense, we will have a good opportunity to grow and to grow our exports mainly to the US
- Moderator:** The next question is from the line of Pratik Kothari from Unique PMS.
- Pratik Kothari:** Sir, last quarter, in our India business, we had made this comment that we had appointed new head of business development and also we were kind of refocusing back on anchor customers versus the tail that we kind of were trying to target 2, 3 years back. So some color, some highlights how the same is progressing?
- Ander Alvarez:** No, we have started this activity. We have the new business development head working properly and also contacting all the customers. We have a scheduled and weekly review with all the COOs -- sorry, CEOs and the, let's say, business development heads. So we are actively working on that. So I can say that we are very positive. We are very optimistic with these activities that we are having, and we will see results soon, okay?
- In fact, I'm also personally involved in all these weekly meetings, and also, I'm personally involved visiting the different purchasing directors of our -- all our customers. So I think we are doing this commercial job, and we are trying to be much more active on this commercial role that in the past, we were not so active.
- So I think that we will see the results in the next -- okay, you know that this has a period of -- let's say, development period to get the orders, make the -- launch the new lines, make the validations and start the SOP, that it takes around 1 year, 1.5 years, but the activity is there and, let's say, that we are very, very happy with the -- at least with the first fruits that we are getting from the market.
- Pratik Kothari:** Correct. Fair enough. And just wanted to double check, I think Vikas made a statement at the beginning saying that the order book, which was getting delayed for the last year or 2 is kind of getting sorted out. Just some more comments and if you can expand on that India business?
- Vikas Sinha:** I mean, we have talked about that. We have talked about that basically CIE Hosur, which is getting in place. There were some specific customers. So they're all getting sorted out, and we are basically on track now. So that is the main area that will help us get back on the trend that we are talking about.
- Pratik Kothari:** Correct. Right. Correct. So this is the EV part that you are developing in Hosur.
- Vikas Sinha:** No, no, no. Not EVs. No, these are not EVs alone. So we were talking about 2-wheeler crankshafts at CIE Hosur. We are talking about common rail. We are talking about inner races. So these were all new developments that we had done at CIE Hosur, so these were completely new product developments that we had done. So -- and this includes both domestic and exports as well as ICE as well as EVs. So it is not exclusively EVs.

There are certain other EV orders, which are there at other places, but specifically on -- around these areas, there were -- for example, at aluminum, there were some EV orders, but -- for 4-wheelers, but that continued to be muted. You know what is happening on the 4-wheeler EV side in India. So really, the major focus is CIE Hosur getting back on track on the order book. That is where you will see this trend going forward.

Pratik Kothari:

Got it. Fair enough. And sir, again, like you mentioned, like Ander mentioned, anecdotally, even we hear that Europe kind of is talking about turnaround weight in CV, the kind of spends they want to do. But from a comment, I just want to make sure that this is all in -- 2026 is when everyone expects, right? This is nothing on ground or in schedule for next 6 months that things are changing.

Vikas Sinha:

Of course, there is -- I did mention that in Europe, we are looking at the base effect also. You have to remember that Q1 of C '24 was very good in Europe. So that was also distorting the base a little bit. So you're seeing the base effect. But if you look at it in euro terms, Q1 and Q2 have been fairly similar. That is what it is. But -- so we are not out of the woods as far as Europe is concerned. Your question, what will happen in C '26? Let's see what happens. Like right now, the market situation in Europe continues to be difficult. And, therefore, you are seeing a whole lot of restructuring activities that we have done, especially at Metalcastello. We have presented that.

So whether the market will turn or not, we are not 100% sure at this point of time. So we continue to assume that the market in Europe will be difficult, and we will continue to focus on restructuring profitability, etcetera. So that's how we are looking at Europe.

Ander, if there's anything more you want to add?

Ander Alvarez:

No, you explained perfectly Vikas, that's the situation. Unfortunately, that is the situation. We cannot be very optimistic in Europe. Let's see if there is a certain revamp next year, that we all hope, but not sure yet. I mean, we are not very optimistic on that.

Pratik Kothari:

Fair enough. And sir, just last on this Metalcastello restructuring, what did we do? What was it about?

Ander Alvarez:

Okay. Yes. In Metalcastello, as you know, the Metalcastello is working mainly for off-highway vehicles and commercial vehicles that are in a very, very, let's say, low market situation in this moment. During these months, we have been applying temporary layoffs.

That means that the workers are out of the company some period, and then, they come back. So we rotate the workers. In that process, the workers, they lose part of their salary, and it's paid by the government. This activity is supported by the government. But it's painful for the workers, it's painful for the management also because it's very difficult to organize the production, okay?

So as this, let's say, low volumes or the market continues, and we expect that this low trend will continue, we decided to make voluntary dismissal scheme, so we offer some money to the workers to exit the company voluntarily. And we did it very smoothly, agreed with the unions, and everything was done perfectly. And in June, 30 people left the company, okay?

Now, the total amount of workers in this moment are about 170. We were 200, now 170. So the temporary layoffs will be reduced importantly, so the company will be better aligned to the new real market conditions. That's what we did, and we expect to recover again the margins that we had before this situation.

Moderator: The next question is from the line of Basudeb Banerjee from CLSA.

Basudeb Banerjee: I joined a bit late. I might have missed, sorry for repeating maybe. Just going by the P&L, your stand-alone other expense look quite on the higher side. Any one-offs in that or any specific reason?

K. Jayaprakash: No, Basu, there were some reclass of raw material to other expense.

Basudeb Banerjee: Okay. But overall, also margin got impacted slightly on a sequential basis.

K. Jayaprakash: In the standalone -- yes, yes, in India, it is. As Vikas explained, it is more to do with the mix. We have more of growth in Stampings. So that's the only reason there. And I think -- I mean, we should be back at our normal margins.

Basudeb Banerjee: Second thing, sir, if I look at the presentation, in the consolidated cash flow statement, working capital variation showing INR590 crores of cash outflow, which is consuming more than the operating cash flow. So any specific reason or this will reverse back, how to look at it?

K. Jayaprakash: Yes, yes. Yes. Basudeb, we did in December discounting with Mahindra, the big customer. We did not do in June, and that's the impact there. It will reverse if we do it again in December '25. That's the only reason.

Basudeb Banerjee: Yes. Because from INR1,200 crores net cash, it has come down and normal capex management is pretty fine. So that's why this is the main reason behind that?

K. Jayaprakash: Yes. Yes.

Basudeb Banerjee: And last but not the least, like if I look, obviously, it is beyond your control to some extent, but last time when India business saw -- our stand-alone business saw double-digit growth was some 19 quarters back. So with the launch pipeline, your discussion points with various manufacturers, any outlook on the growth revival for stand-alone core India business, if you look at?

Vikas Sinha: Vikas here. Of course, you are seeing a steady improvement in growth performance in India. Last 2 quarters, we were mostly around the 3% to 5% mark. This time, we are roughly around 6.5% to 7% mark. It will keep on increasing. To your question around double-digit growth, look, if the market situation improves a little bit, there was a question around the market. So the base market right now, 2-wheeler and 4-wheeler, which accounts for roughly about 70% to 75% of our business, they are at roughly about 3% to 5% or maybe 3% to 6% growth that we are looking at.

If there is a bit of improvement there, which is very much possible, given the festival season is also bunched up this year largely around October. So yes, you will see improvement. Double

digit is hard to make a conjecture given the base itself is a little not that strong. I'm not complaining about the market in India. It is doing okay, steady, but it is not doing fantastic. So that is the situation. If that improves, then we can -- we could be at the double digit that you're talking about. Right now, let's see if we can keep on steadily improving upon this. I think that is what we are focusing on.

Basudeb Banerjee:

Sure, sir. And last question, like with the regulatory changes, premiumization happening and cash on book, so any new specific area product you are looking at, like, for example, ABS to become compulsory for all 2-wheelers so that will open up a huge window for other manufacturers to target. So any such specific product you are looking to add to the revenue and scale it up with balance sheet being pretty much clean?

Vikas Sinha:

Basudeb, again, to answer your question, specific area, we are not saying just because there is an ABS, we will do this product. But in each of our areas, we are definitely looking at -- and that is the reason why in response to Pratik's question, I had talked about what we have done specifically at CIE Hosur, which was lagging for some time because if you look there, the product categories there are completely new.

We are talking about 2-wheeler crankshaft, which is a very complex crankshaft for Royal Enfield. We are talking about common rail, which we have developed from scratch. We are talking about a very complex inner race that we have developed for a large OEM.

So these kind of activities will continue. Ander mentioned, a very big export order to the US in iron casting area. That is also -- so these are all new product development that we are doing, so -- and in response to more stringent technology or manufacturing technology requirements. So we are looking at that. But it's not that we choose an area like ABS and now we'll do ABS parts, not like that. But in every area, we are definitely looking at upgrading our product offering.

In gears, we have always talked about, for EVs, a very specific profile grinding requirement is there. We are investing a lot there. So in every area, we are definitely looking at these kind of products, and -- because not only growth, one -- you are right, one aspect, the growth will come there. But more importantly, it will help retain our competitive advantage. Like for existing parts, the competition keeps on increasing. It never decreases. So there is always a risk of more pricing competition in existing areas. So this is something we keep looking at it.

Ander, you want to add something to this, like...

Ander Alvarez:

No. You covered it perfectly, Vikas. It's okay.

Basudeb Banerjee:

And surely to the last point of the US export order hope, all these tariff issues are resolved in the pricing and it won't be any margin- dilutive supply as such?

Vikas Sinha:

For this particular order, yes, it has been done. Of course, going forward, there's always an uncertainty. But as far as this order is concerned, everything is settled.

Moderator:

The next question is from the line of Priya Ranjan from HDFC AMC.

Priya Ranjan:

Just a couple of questions. One is just to extension of what Basu was talking about the new product development. So we always -- I mean, whenever we talk about the new product development itself, so as in the crankshaft we have been doing since ages, this is may be complex, but we have been doing since ages.

So what are the new products area where you want to enter or you have the capability to enter or we will be just improvising on the existing product line or the new segment on that product line? I mean, until and unless we move into the really new segment of the product lines, I mean, within the metallurgical forms.

I mean, some -- so maybe, like, say, camshaft, maybe -- I mean, there are multiple parts within the engine also. I mean we have never heard that we want to enter that, I mean, so how also we look at, I mean, the product development approach of the company?

Vikas Sinha:

Priya Ranjan, it's a good question that you are asking. So it has to be a mix of both. The things that I've talked about, the 2-wheeler crankshaft that I'm referring to, is very different. The moment you see it, maybe in the next -- like annual presentation, we'll put the photograph of that particular crankshaft. You will see it is completely different from what you would expect a crankshaft to look at.

So it is something we are quite proud of. So you will have those kind of -- if you look at gears, for example, the EV gears are completely different from ICE gears. So yes, they are gears, but they are different. So they are completely -- the precision requirements are completely different. Even the size, etcetera, is different. In fact, we make very good money on EV gears.

So to your question, yes, they are an improvisation, as you said, on existing gear, but a very strong improvisation. New areas, yes, we are also evaluating, especially in Aluminum Casting, Stampings. If you remember in Stampings, we had done value add in terms of welding that we started to do, welding plus stamped, which was a major thing that we attempted. And some of the product categories that you talked about in forgings, we will also look at that.

So it's not that we are not looking at completely new product categories. We are looking at that. But certainly, of course, as I told you, it is not just about new product categories, we also want to secure our competitive advantage in our areas. So it is very important for us to keep on improving our offerings, even in our existing areas. So to your question, yes, right now, we have more to offer in our existing categories, but you will hear more about the others also going forward.

Ander Alvarez:

Yes. And also, Vikas, allow me just to make a comment because most of all, all these new product activities are confidential, okay? We cannot show our technology and our ideas to the rest of the competitors. So -- and of course, we signed the nondisclosure agreement with our customers, so we cannot disclose them. So allow us to keep them internally because this is mainly our know-how and we need to protect it against our -- the rest of the world and the rest of the competitors.

- Priya Ranjan:** Yes, I agree. I agree. I mean, with this is confidential part, but I've been, say, last 4, 5 years -- I mean, how much is the new product development contribution in your top line?
- Vikas Sinha:** When you say new product development, you are not including things like what we just spoke about. You are just looking at completely new areas, like, for example, completely new categories. Right now, that's not readily available, Priya Ranjan, but let me go back and check internally, and I'll revert to you.
- Priya Ranjan:** Sure. Sure. And in terms of -- what is this ramp-up you are expecting from the casting order, which you talked about the Europe and -- sorry, the US casting orders? And how do you see the ramp-up, etcetera?
- And secondly, in Europe, are we looking at getting more business because the market is shrinking? So at least retention of the top line should also be one of the areas, right, to at least protect your top line and margin. So any thoughts on that?
- Ander Alvarez:** Yes. So regarding the casting program, we expect the ramp-up to start in the first quarter on 2026. That means -- so -- and we expect to be at probably full rate at the end of 2026, okay? That's the ramp-up we are expecting. And regarding European market, you are right. I mean, we are now in the protection mode because there is huge capacity installed in Europe for all the components.
- So there is a kind of fight on for the existing volumes. But I think there is also -- a very, very important fact is that a lot of companies in Europe are in a very, very bad financial shape, okay? The amount of bankruptcies that we are seeing is quite -- it's terrible. I mean, the companies are suffering a lot in this moment. So the customers are approaching us in order to consolidate the market and to be sure that they have the sound and solid suppliers.
- So we see there an opportunity. So let's say that it is that the risk is the lot of capacity that there are in the market. Let's say, the positive side of this is that there will be a consolidation. So we expect to be the winners in this consolidation. So this is already happening in the market, and we will see this to happen in the next quarters. So that's how we see the European market. So we think that we will maintain our current situation for sure in the next years.
- Priya Ranjan:** And for Metalcastello, I think the -- so your thought process of some of the orders, which -- on which we have established or we have expanded the capacity or the capability, etcetera, is not happening? Is it what your base case assumption now?
- Ander Alvarez:** No. In Metalcastello, we made a big bet for electrification. So we entered into this very big electric vehicle program. And unfortunately, this electric vehicle program is idled. I mean, it's delayed. And we expect that in the next 2, 3 years, nothing will happen on that. So that was our main, let's say, problem in Metalcastello because our growth was based on that program, and this is not happening.
- Then, after Trump winning the elections, also the electrification in the US will probably slow down, that's what we expect, so these programs will come. That's our view it will come, but it will come later. So now we need to navigate in this weak market situation, and that's what we

are now trying to solve, entering into other customers and offering our capacities to the different customers in -- both in Europe and in the US

Priya Ranjan:

Sure. Great. Sir, just one last question is on the -- I mean the magnet side, what is your usage of Rare Earth, etcetera? And how do you see this panning out that division?

Vikas Sinha:

We don't do Rare Earth Magnets. We don't have access to any raw materials. Of course, for doing Rare Earth, you'll have to make some process changes, like heat treatment, etcetera, which we can evaluate, but we have no access to Rare Earth raw material. So all our magnets are non-Rare Earth. But even there, we are facing a lot of competition from China in that area. So it is one area which is our focus on improving our business there in terms of profitability, etcetera, to become more competitive in that area. So we have to really pull up our socks in the area of magnets.

One, we don't have access to Rare Earth raw material, and two, even in our existing areas, we are facing a very strong competition globally. So that is something that we are focusing on in this year. And in fact, we have made a lot of changes in those areas beyond, of course, in Q2, the margin drop that you are seeing a little bit, a very small portion has also come from whatever we are trying to do at magnets. But going forward, we should be much better off competitively in that area.

Priya Ranjan:

Sure. And just last question from the -- Ander, there is a lot of talk about the defense expenditure increase in Europe. I think then -- I mean, the armored vehicle and the other segment of the defense will also -- I mean, the land base system, etcetera, will also -- or even the airway system will also come into picture. So are we thinking in that line also that we can be a defense supplier in Europe? I mean, are we actively pursuing that opportunity?

Ander Alvarez:

Yes. We are in contact with the Spanish government on this in Spain. You know that all these defense activities are driven by the governments. So we have had several meetings with the Spanish government on this subject and offering our capabilities, and we have been talking to them. We have had certain programs. We are going to produce certain components for the defense, but it's not a big business.

It's -- let's say that the -- as the volumes on the series on the defense are very, very low and a small series, those products does not fit perfectly to our long series production lines, okay? So we are going to do some small things in defense, but it will not be, let's say, important and will not be significant in our portfolio. We're expecting something more, but it's not -- it will not be the business that we will develop strongly in Europe, just some products, some small products, where we can have certain capacities, but not more.

Moderator:

The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh:

So sir, basically, I wanted to understand what is current capacity utilization we are having. And also, like we talked about on the new product side. So if we can give a little bit deeper knowledge on the content per vehicle, if there is a much increase from the existing product. So that will help us to understand better for the future recovery. And also, like you mentioned, H2 will be better

than H1 led by the industry growth. So apart from the industry, what are all products and what are all OEMs that we are expecting good demand that will lead to better growth because also we wanted to understand more on a growth perspective?

Vikas Sinha:

Yes. Thanks, Jyoti. I'll try and answer the last of your questions first. Capacity utilization, I'll refer you back to Ander. On new -- first, where are we expecting, again, to reiterate, it is some of our own order book that is going to get us a boost. The market -- the reason why we are saying H2 market will be better than H1 market is purely because of the festive season. That is normally what you expect. The market itself is at a more middling kind of situation in India. But of course, we are looking at our order book ramp-up.

New product development, we talked about that in the previous with Basudeb, with Pratik, and specifically with Priya Ranjan, we had a specific discussion around what kind of new products that we have done. So these are the ones that are ramping up. It is -- and a lot of it is something that we have developed specifically. We talked about 2-wheeler crankshafts for a particular OEM. We are talking about shafts. We are talking about inner races, very complicated inner races, common rail, also some products in aluminum and iron casting, gears, the new gears for EVs that we have developed.

So these are the specific areas that we have developed, and they are going to go up, but it is based on the order book that already exists. So there is -- the new order book situation, Ander explained, we are close to INR6 billion this year itself. So normally about INR1,000 crores of new order booking we do every year. So it's -- the growth really depends on how those order book ramps up. So that is really around new product development, new orders and so on, and why we think we'll do better than the market going forward. That is number one, in the reverse order.

Then you talked about wallet share. Now that's very, very difficult to specify because we are in many areas. Let's put it this way, if you look at our forgings business, for example, from Chakan, we do crankshafts largely for light vehicles and tractors. That is that area that Priya Ranjan was also referring to that we have been leaders in that area for long. So we have very high share of business, more than -- like more than 50% -- a lot more than 50% in that area.

So that -- and that is why whenever new models come, we are the first choice for most customers in that area. More than wallet share, what is happening is we are looking at making a more complicated products in these areas so that we retain our competitive advantage. So that really is, say, for example, our Forgings business in Chakan.

If you look at Bill Forge, again, we are into 4-wheelers, where we make driveline parts. Again, we are very -- our share of business is very strong. So here, we are looking at adding newer customers, be it in the 2-wheeler space, where, again, we have a very large share of business. So at Bill Forge, for example, we never used to do 2-wheeler crankshaft. So we are good at crankshaft, but we never made 2-wheeler crankshafts. We were doing races and retainers for 2-wheelers. So we have developed this 2-wheeler crankshafts, which has helped us diversify a little bit. In fact, now that will become one of our major product offerings at Bill Forge.

So what I'm trying to say is, we have a twin challenge not only have to -- have we to retain our strong share of businesses in some of the areas where we have been market leaders for long, and we are doing that by doing -- by improving our offerings in terms of precision and so on and so forth. And the other is, as Priya Ranjan was pointing out, maybe we can do that a little better is to get into newer customers, like, for example, 2-wheeler crankshaft. Here, we have added a new customer as well as a new product offering in our area. So that is what we have done in Bill Forge.

Say, for example, you go back to aluminum castings. Again, there, Bajaj is our anchor customer, and we try and participate in whatever activity they do. We don't lose orders with Bajaj. We try and make sure that we don't lose orders with Bajaj, but steadily, we have increased. At the time of acquisition, Bajaj used to be 75% to 80% of our aluminum business. Today, it is down to 60% to 65%, not because we have neglected Bajaj, we have developed other players, Nidec GPM and so on. So there are other players that we have developed.

So this is the focus that we do, defend wherever we are in a market-leading situation by becoming -- by offering more precise parts and try and see if we can keep on adding at least new customers if not completely new product offerings. And this is what Priya Ranjan was referring to, can you do the latter part more? Yes, we'll focus on more. And hopefully, going forward, we'll give you better news around that also, but we are doing that. Like, for example, the 2-wheeler crankshaft was a completely new part. We never did 2-wheeler crankshaft before, we are doing now.

So that is on your second question on wallet share. What I'm trying to say is wallet share, I cannot give you a direct answer, but we are cognizant of what we are trying to do, defend our share of business and try and see if we can add new customers first in our existing product categories and even newer product categories. That is number 3 or number 2 category -- number 2 question.

And your first question was around capacity utilization. I'll ask Ander to talk a bit about capacity utilization, both in India and Europe.

Ander Alvarez:

Yes, capacity utilization is different in each of the verticals, okay? Unfortunately, in Europe, we have a lot of capacity -- free capacity. We can say that we could have, I don't know, 40% or 50% of capacity free in this moment. But in India, as an average, we can say that we are around 75%, 80% of capacity, okay? So we could produce 20% more with the same facilities that we have. Then, in certain specific machinery or technologies, we need to invest. That's what we are doing now. So we will adapt our capacity to the demand than the customers require, okay? So that's the way we manage the capacities.

Moderator:

The next question is from the line of Devang Shah from Asit C Mehta.

Devang Shah:

So by listening the way you are saying about new product development and innovation and that is going to have some kind of growth in our future. So I would like to have one question that, can we expect that downside from here on will be -- we can say that -- it is a bottoming-out phase? Because as Ander mentioned that we are going to have some kind of stable possibility of

H2 in a European business. And we have somewhere growth, yes, H2 would be better for India. So as far as your performance is concerned, we may see -- it's been bottoming out as far as worse is concerned. And secondly that we may see somewhere close to and some kind of better show as far as close to high single-digit kind of growth as far as revenue is concerned in this particular calendar year.

Vikas Sinha:

Like let's not talk about what exact number will emerge at the end of the year. Yes, we expect H2 to be better than H1 in India because, one, the market itself normally is better because of seasonal reasons, some of our order book is ramping back and you are clearly seeing that -- an improving growth performance over the last few quarters. So that's going to happen. .

Europe, H2 in Europe is normally worse off than H1. You have to remember that August, you have 3 weeks, and in December, almost 10 days. So normally, H2 is lower by 15% from a market perspective itself compared to H1. So you have to keep that in mind. That is the reason why on Europe, we have to -- we cannot lower our guard as far as the European results are concerned. H2 will -- by seasonality, H2 is normally worse off than H1. So we have to take that in mind.

So to answer your question, what the overall year will look like, yes, because of high double-digit drops in Europe, we have seen an impact over the last 2, 3 quarters on a consolidated result. That impact will certainly be lower, largely because of the base effect. The H2 last year was also particularly bad. So you will have less impact on that. But overall, what the number comes like, let's not speculate on that. Yes, in India, it will be better. And hopefully, in Europe, it will be more stable kind of situation is what we think it could be. But let's see, let's not speculate on an actual number.

Ander, you would want to add anything towards H2?

Ander Alvarez:

You explained it perfectly, Vikas. Thank you.

Vikas Sinha:

Yes.

Devang Shah:

Okay. And second question, the way we impacted marginally because of our European operation as far as EBITDA is concerned. Moving forward, sir, you expect that on a consolidated basis we will be -- we will have a normalcy as far as our EBITDA margin is concerned, somewhere close to 15% kind of on a consol level?

Vikas Sinha:

India is still at 17.5% in spite of the product mix issue. And I think JP did mention that we expect India to be around that 17.5% to 18% kind of margin that we are talking about. In Europe, this time, we were at 12.5%. But if you take away the one-time expense around Metalcastello for -- and Ander explained that we have been reducing people on a large scale, almost 30 out of 200 people have been reduced at Metalcastello. If you take that out, that particular expense out, we're already close to 14.5% to 15% when it comes to Europe.

And that, we think unless and until there is a drastic reduction further even though the market is very low in Europe at this point of time, we don't see a big impact -- negative impact on our margins on either India or Europe. In India, we hope to improve a little bit. In Europe, I think

the recurrent EBITDA in Europe will be closer to 14.5% to 15%, even in these market conditions.

Ander, anything specific you want to add there?

Ander Alvarez: No. It's okay, Vikas. It's perfectly explained.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ander Alvarez: Okay. So thank you very much to all the participants for the good questions and for the interest in our company. We hope that we answered properly and you have now a better knowledge of how our company is deploying. And we expect to continue having the confidence and the trust in our company in the next quarters and next years. And I also thank to all our CIE India team, thanks for their commitment and the good job that they have done in all this period, and I expect to continue showing good results in the near future. Thank you very much, everybody.

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

Vikas Sinha: Yes. Thanks, guys. Have a good day. Bye.

Note: This statement has been edited to ensure quality