



“CIE Automotive India Limited
Q4 CY '25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to CIE Automotive India Limited Q4 CY '25 Earnings 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Smit Shah from ICICI Securities. Thank you, and over to you, Mr. Shah.

Smit Shah: Good afternoon, everyone. On behalf of ICICI Securities, we would like to welcome you all to CIE Automotive's Q4 CY '25 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, Mr. Shah. I welcome all the participants as also our CEO, Ander. We will present CIE India results for Q4 CY '25 as well as full year CY '25. We refer to the investor presentation that we had uploaded last evening. Let me begin with the section that provides an overview of the company. Page 5 shows the legal structure of the company, where there has been a small change in CY '25. BF Precision Private Limited, which used to be a direct subsidiary of CIE India, stands dissolved by the Hon'ble National Company Law Tribunal, Chennai with effect from 5th June 2025.

Pages 6 and 7 provide details of CIE India's geographic, technological and market-wise segments. Plants in India accounted for 65% of the company's sales and the rest of that 35% came from Europe and Mexico.

There has been a revision in the way we report sales in these two geographies. For historical reasons, the Mexican forging plant was clubbed under India. But after the capital increase subscribed by Galfor, Mexican activity became a subsidiary of Galfor, CIE Galfor that is in Europe. So it is reported under Europe now from CY'25 onwards. So consequently, all the CY'24 numbers that you see for India and Europe in the presentation have been restated accordingly. So roughly, the breakup of sales is 65% for India, which is now completely India and 35% coming from Europe and Mexico. The Mexican operations is very small, roughly about INR3 billion.

Our India business is very diversified in terms of technologies and segments. In India, we supply to a variety of segments with the segment-wise dependence of our India sales in CY '25 is as follows: light vehicles, 53%; 2- and 3-wheelers, 23%; tractors, 13%; and heavy trucks, 11%. In contrast, our European business is more focused on forgings, which is 80% of European sales and light vehicles, which is more than 50% of European sales.

Page 8 provides a snapshot of our key product categories in different market segments, including the emerging portfolio for electric vehicles.

What you can see from the above discussion is that CIE Automotive India is unique as a large diversified auto components group with presence across many processes, product lines, locations and customers.

Let me now proceed to the section on Q4 CY '25. The results of the India operations for Q4 CY'25 are on Page 10. Sales of INR15.4 billion, which were 12% higher year-on-year. The sales growth was slightly lower than the corresponding market growth, but we would request you to look at the larger picture rather than just the growth snapshot in this quarter. There has been a steady improvement in the growth performance in the India operations over the last few quarters. The growth was 2% in Q3 C '24; 4% in Q4 C '24; 3% in Q1 C '25. And after that, a steady improvement, 7% in Q2 C '25; 9% in Q3 C '25; and 12% in this quarter. In fact, this was the highest quarterly sales that we have achieved in India. As discussed earlier, some of the new orders that have been delayed are coming back on stream. We expect this improving trend to continue into the next few months. And when we discuss our annual results, we'll also talk about some specific reasons, which attenuated our growth rate to an extent on an annual basis.

The India operations achieved an EBITDA margin of 16.8% in Q4 C'25 versus 17.1% in Q4 C'24 and 17.3% in Q3 C'25. The drop in margin is due to 2 reasons, energy tariff increase in Maharashtra state, which reduced margins by 0.3% and the new labour code impact on gratuity, which has a negative -- and one-off impact, it's a negative. One-off impact of around 0.8%. If we adjust for these 2 factors, the EBITDA margin for Q4 C'25 in India would be 17.9%. In Q4 C'25, EBITDA grew 9% year-on-year, EBIT 9% and EBT 12% in the Indian operations.

On Page 11, we have the Q4 C'25 results for our European operations. Sales of INR7.8 billion in Q4 C'25 are 21% higher year-on-year versus Q4 C'24, but there was an exchange rate translation impact of 17% and the real growth in sales in euro terms was 4%. And this is very much reflective of what is going on in the market. The EBITDA margin in our European operations in Q4C'25 was 12.7% versus 14.9% in Q4C'24 and 14.1% in Q3C'25. Margin reduction was largely due to the one-off restructuring cost at CIE Legazpi of EUR 2 million, which amounted to approximately 2.5% of sales. Adjusted EBITDA margin for Q4 C'25 would thus be above 15%. In Q4 C'25, EBITDA grew 3% year-on-year, while EBIT shrunk by 9% and EBT by 1%.

On Page 12, we have the consolidated CIE India Q4 C'25 results. Consolidated sales were INR23.3 billion, 15% higher versus Q4 '24 and fractionally higher sequentially. EBITDA was INR3.6 billion, EBIT INR2.6 billion and EBT INR2.6 billion, higher year-on-year by 8%, 4% and 9%, respectively.

Let's move on to the section on full year CY '25 results.

The full year CY '25 results for our Indian operations are on Page 14. Sales increased by 8% versus CY '24 to INR15.4 billion and this growth was actually double digit during the second half of the year. On a yearly basis, the growth was close to the weighted average market growth, but it could have been higher.

We would like to highlight a few reasons that reduced our sales growth. First, the restructuring of our business portfolio that we are carrying out at our aluminum and magnetics verticals. Second, the way we recognize sales for a few categories at our aluminum vertical, wherein only the value add is being recognized Q4 onwards. Third, in a couple of large customers, some of the new platforms where we have a high share of business did not grow as expected. For example, in the CNG bike, which did very well in Q4 C'24, but the corresponding sales in Q4 C'25 were much lesser, maybe roughly about 10% of what was in the corresponding quarter last year.

In the next few quarters, we have some good projects, both domestic and exports, lined up for start of production, and this should help our growth performance. The outlook for the Indian automotive industry is positive. The reduction in GST levied on the Indian automotive industry in September of last year led to an immediate jump in automotive sales across segments, and we expect this positive momentum to continue in the current year.

The EBITDA margin of our Indian operations in CY'25 was 17.5% versus 18.2% in CY'24. The gratuity implication of the new labour code had a negative impact -- negative onetime impact of INR132 million. That is about INR13 crores in CY'25. Please also note that CY'24 margins were boosted by 0.4% due to the extra subsidy of INR220 million received by the aluminum vertical in Q1 C '24. On a like-to-like basis, CY '25 EBITDA margins in India were same as that in CY '24. While sales grew 8% in CY '25, EBITDA grew 4%, EBIT 3%, EBT 6% and PAT by 6%.

On Page 15, we have the full year CY '25 results for our European operations. Sales increased by 2% versus CY '24 to INR31.9 billion. In euro terms, sales declined by 6%. As can be seen on the table to the right, there was a small drop in production in both light vehicles and MHCV segments. The European forgings market, our largest vertical in Europe, continues to be weak on account of competition from China as well as India and also transition to EVs. This had a cascading effect with EBITDA declining 14%, EBIT 22%, EBT by 16% and PAT by 13%. Our European business showed its resilience by recording an EBITDA margin of 13.3% versus 15.7% in CY '24. The CY '25 EBITDA margin was lower by 1.5% due to onetime restructuring costs at the Metalcastello and Legazpi plants. So if you add that 1.5% to 13.3%, we are more or less close to the 15% mark that we are targeting. PAT continued to be healthy at INR2.1 billion in CY '25 in spite of a second successive year of decline in net profits.

On Page 16, we have the CY '25 consolidated results of CIE India. Sales were INR91.2 billion, which is 6% higher than CY '24. Growth trend accelerated in the second half of the year, supported by Indian markets positive sentiment. The EBITDA margin was 16% versus 17.3% in CY '24, EBIT 12.1% versus 13.4% and EBT 11.9% versus 12.6%. Of course, there are exceptional costs that we have talked about earlier. The consolidated PAT in CY '25 is INR8.3 billion, almost same as last year. But if we exclude the exceptional costs on gratuity in India and restructuring in Europe, consolidated PAT would have grown by roughly 3% to 4%.

Next up is the section on balance sheet and cash flows. On Page 18, you will see our abridged consolidated balance sheet, which shows the healthy state of CIE India. Return on net assets is 18.4%, a tad lower than last year. A part of this is explained by forex translation inflating our euro assets, especially the goodwill on our balance sheet. Return on equity is 11.1%, largely due

to the cash on our balance sheet. Net financial debt has further improved and is negative INR18.8 -- negative INR18.8 billion versus negative INR12 billion last year. We are actively evaluating organic and inorganic growth opportunities to utilize the cash on our balance sheet.

The cash flows are shown on Page 19. The company generated operating cash flows to the extent of 71% of consolidated EBITDA. Growth capex was INR2.3 billion, concentrated mainly in India. Overall capex was INR3.8 billion, which is within our norms of 5% of sales. As PAT has remained almost similar to that in CY '24, the Board of the company has recommended dividend payout of INR7 per share, which is same as last year. This, of course, is pending approval in the AGM scheduled later in the year.

We move on to the summary of our strategy on Page 22. The market trends in the two primary geographies that we operate in, India and Europe are slightly different. The strategy adopted in these two geographies reflects these trends.

We are confident in the short- and long-term potential of the Indian automotive market. India is one of the priority global markets identified by our parent CIE Automotive. We'll continue to invest in expanding our production capacity within India to cater to both domestic and export customers. The focus in India is on strengthening our customer portfolio, prioritizing high-volume value-added parts and developing a product portfolio for EVs. We have identified product categories that will drive growth in each of our business verticals. At our Bengaluru forgings operations, for example, we are developing low-pressure fabricated fuel rails for petrol and CNG vehicles as well as large fully finished precision forgings for vehicle drivelines. The aluminum business is developing competencies for different housings that will be used by electric 2-wheelers and electric 4-wheelers. The aluminum vertical is also planning to develop capabilities in high-tonnage machined castings. The iron castings business is focused on increasing the proportion of machining in its portfolio and is adding capacity and technology for the same. The stampings business is focusing on high-tonnage press panels, which may require investment in new press lines. The gears and composite verticals are upgrading process technologies to cater to EV requirements, among other projects. So there is a whole slew of growth projects, which are planned.

On the other hand, the European automotive industry is dealing with uncertainty around transition to EVs and competition from cheaper Chinese cars. Light vehicle production in Europe is expected to remain stagnant in the next 2 to 3 years. In Europe, we are focused on optimizing margins and protecting profitability and are adapting our manufacturing facilities to evolving volume requirements. We also seek additional business opportunities as the supply chain consolidates. While the pace of EV adaptation in Europe is slower than anticipated, the company is developing products for the EV platforms being launched.

The next few pages after that present market statistics and forecasts from relevant sources, followed by the results submitted to SEBI in the prescribed format. CIE India's approach has been to attain an optimal balance across growth investments and returns. The company expects that its mix of organic and inorganic growth strategy will help it meet the aspirations of its stakeholders. Sorry for a slightly longish opening remark, but now we can proceed to Q&A. Thank you.

Moderator: First question is from the line of Nishit Jalan from Axis Capital Limited.

Nishit Jalan: Congrats on a good set of numbers in India. Two questions from my side. First is around India, can you talk about a little bit about the new order wins, which you have talked about that some of it got deferred and are panning out now. Even if you can't name the clients, I would understand. Maybe just give us some colour around how big those orders were, what led to the delays? And how should we assume this to ramp up over the next few quarters? Just trying to understand how meaningful these orders are. And how much can it lead to a stronger growth in our business over and above the industry growth. So some details on what got deferred and anything on new order wins that you can talk about.

My second question is in Europe. I think in the last few quarters, we saw a restructuring around Metalcastello and now we have seen in one of the PV names. So just wanted to understand how are we looking at this business? And are there more cost that we will need to incur over the next 1 to 2 years to restructure the European business to kind of align to lower volumes because your commentary or IHS commentary around European PV industry is negative for the next 2 to 3 years as well, right? So these are the 2 questions I have.

Vikas Sinha: So new order wins I'll talk about. In the opening remarks, when I talked about some of the projects that we are highlighting in our strategy section, I think those are the ones that are coming on board, some of which will require newer capacity also. But from earlier orders, the main one which was delayed to an extent, was CIE Hosur, which we have talked about. It's a very excellent plant that we have and -- but we took a little bit more time to fill that up. So now it should be reaching full capacity in the coming quarters. And that's a pretty significant large number plant that we are talking about. The other start of production, which is not delayed, we have large export orders in our iron castings business that we should start around the middle of this calendar year.

In terms of the new order wins, some of the things that we talked about are low-pressure fabricated fuel rails, inner races at our Bengaluru forgings. We're increasing our share of business in the races where we already have very high share of business there. Aluminum is developing a whole set of portfolio. We talked about the portfolio restructuring that we are doing and we are definitely looking at a lot of new parts in our aluminum HPDC business, some of it still under discussion. that may not rectify this year. The others that we have talked about for this year, gears and composites, of course, they are growing quite well, stampings is growing quite well. We have got a lot of press panels that we would require. It may also require a bit capacity or maybe debottlenecking for capacity addition.

So as I said, if you see how much it can add, of course, we don't make forward-looking statement, but I would certainly say, if you look at the trend that I highlighted, quarterly growth trend. Hopefully, it will continue in that direction. We are talking about the numbers precisely in the last 3 quarters -- our growth numbers were in the last 3 quarters, 7%, 9% and 12%. Hopefully, that arithmetic progression can continue. So that is what I would say on India. On Europe and any other thing that Ander wants to add, I'll request Ander to join.

Ander Arenaza Alvarez: Just to be specific on the new project allocation last year in calendar year '25, we got new businesses for a value of INR8.7 billion per year, in India and around INR2.1 billion per year in Europe. In India, approximately 10% of these new businesses are for EVs, 90% are for internal combustion engine. That's the share that we got last year. And what I think it's important to say that in this moment, we are opening and we are expanding our plants in most of the verticals. We are planning to expand our composite business, we are expanding also stamping business, we are expanding the aluminum business. So let's say that there is a huge ramp-ups coming up, iron foundry is also, as Vikas explained, we will start ramping up the new project for an export program to U.S. in mid of the year. Approximately, the SOP will be in June. So the expectations are really, really good. Probably it's the best time, and I think that everybody knows that the automotive industry in India now is having a boom, especially after solving the tariff issue with U.S., I think in a proper way with this 18% tariff that was negotiated between Mr. Trump and Mr. Modi. So I think that is -- we have eliminated one uncertain point that we had in -- for exports. Also the free-trade agreement between Europe and India will boost the demand of Indian components, especially in certain technologies like forging and iron casting. So I think that is also a very good move. And on top of that, the GST reduction that the Indian government accomplished last year -- last September, is now paying its fruits and is coming -- the demand and the boom -- of the demand is coming.

So we are very optimistic on the future. We see that the trend is positive and most of the businesses are recovering. And in fact, we are adding capacity in very fast mode in order to cope with the demand that is -- our customers are claiming. So that would be my message on the future. You know that I'm usually very conservative. In this case, I can say that India is in a very good path. And the company is doing well and automotive sector in India will be one of the winners in 2026 for sure.

And coming back to the European question. Yes, this 2025, we had 2 restructuring activities in Europe. One was done in Metalcastello during, I think, it was Q2 2025. After this restructuring, the restructuring is finished. I mean, the company and the manpower capacity is adapted to the new demand scenario. We are waiting for the growth on the next year. But okay. Right now, we are perfectly aligned with the current capacity. So there is no any additional restructuring expected in Metalcastello in the next quarter -- in the next few years. So that's for us is sold and the profitability of Metalcastello is now again in the profitability that we had before the downsizing of the business. So Metalcastello, we can say that it's closed. Regarding the Legazpi plant, we made this first restructuring activity. And now we are waiting for the market behavior. In Legazpi, we made a big bet on electric vehicle components. You know that, unfortunately, the electric vehicle, let's say, share is not going up or it's going up but slower than expected. So we are waiting for this, let's say, growth -- electric vehicle growth to come in Europe. So if the volumes come and we, let's say, we are able to produce for these different carmakers, these components, we will probably in a good shape. If the electric vehicle delays more, perhaps we will need to do some additional activity. So it will depend on the market evolution, especially on the electric vehicle.

- Nishit Jalan:** Thank you so much for detailed answer and positivity on India business. Just one last follow-up on India's aluminum casting business, right? We -- obviously, since we have acquired this company in the last 3, 4 years, it's been all flattish or low single-digit growth, right?
- We acquired it for one big customer. So just wanted to get a sense, aluminum casting as an industry seems to be doing well. Have you been successful in adding more newer customers or getting more orders? So should we expect growth to revive in this vertical as well because this is something which is -- which the expectation is that this segment as a whole is going to become big over the next few years? That would be my last question.
- Ander Arenaza Alvarez:** Yes, we expect to grow in this vertical. Also, we are already adding additional customers. We have, in fact, added new customers. And we are entering into a bigger tonnage components, I mean, higher added value components that we are launching. I mean, we are now in the investment phase, and we expect to start production during calendar year '26. I mean, I would say in the Q3, Q4 of calendar year '26. So that is a fact. Also, we are working with other customers to add new products to our portfolio, and we will probably launch a new factory for these products. So yes, we expect that the aluminum business will go up. You know that till now, our performance was not very good because in terms of sales because we were -- we are mainly dependent on Bajaj 2-wheelers. And also with the CNG programs that did not succeed, and we were caught on that CNG drop. But in the near future, we are expanding our portfolio. We are expanding our customer base, and we expect to have a great aluminum division in India with further factories.
- Vikas Sinha:** And in aluminum, as I pointed out, there was a little bit on the sales recognition side also. So cumulatively between CNG and that issue, there was a significant drop on the growth side because of that. So otherwise, as Ander pointed out, we are very optimistic about aluminum and looking at a lot of additions. Of course, we are considering a lot more than Ander has talked about, but we'll come back at the right moment on what further we are doing there.
- Moderator:** Next question is from the line of Apurva Desai from Kotak Securities.
- Apurva Desai:** So I just had one quick question to ask you. So in your balance sheet, you -- it was -- I noticed that there was the net loans driven due in the quarter to the tune of INR2.3 billion. Could you add a bit more light on that? And that is the only question that I have.
- Vikas Sinha:** Apurva, can you just repeat. JP, he didn't catch it fully. So on the balance sheet, what is the issue?
- Apurva Desai:** Sir, you have a line item regarding net loans, which were given during the quarter. It was during -- so I'll just tell you the numbers. So it was INR2.3 billion during the quarter?
- K. Jayaprakash:** Yes, yes. So we have good cash generation in Europe. And our loans -- and we invested within the group at a good market rate. So we had a good cash flow in Europe, where we reduced our debt as well as we were able to deploy the surplus in loans within the group.
- Apurva Desai:** Okay. So was this related to just the Europe entity? Is that so?

K. Jayaprakash: Yes, it is entirely in Europe.

Moderator: Next question is from the line of Ganeshram from Unifi Capital.

Ganeshram: I just want to drill a little bit more into what Nishit was saying. If you could just give us a quantitative sense of the new orders that have been slow that you expect to ramp up because the divergence between industry growth and CIE growth in India has been material.

So that would help. And also, what was the extent of the impact because of the change in aluminum reporting -- if reporting was not changed, what would have been the growth in the India business?

Vikas Sinha: you are saying that the difference between our growth and market in India, at least in Q4 was quite material. Otherwise, over the entire CY '25, the difference between the market growth and us would not be that much. In Q4, it was, as I said, a large part of that explanation is due to just 2 factors. One is the impact of sales on the CNG bike as well as this change in reporting. That would account for, I would say, a large part of the discrepancy between the market growth and us in India. Let's not get into assigning actual numbers around that because that's a part and parcel of business. But the point we are trying to say is it's not that there is a certain loss of business or anything like that. That's as far as your explanation with market growth is concerned.

On your second thing around new orders, I think to be very simple -- Ander talked about the order book addition and generation in CY'25, normally, that is the rate at which we add orders in India every year, anywhere between INR8 billion to INR10 billion of new orders we almost add every year. So there has been no slackness in addition of new order book. It has been in this range. If you refer back to our commentary at the same time last year, you will hear the same thing. The numbers were pretty much, I think, around the same number. Maybe this is -- this year is slightly higher. But that's the case. We add about INR800 crores to INR1,000 crores every year. So that addition is there, in which areas we have just talked about, both in the opening commentary and the question that Nishit had asked.

And Ander has specified almost all verticals. If you look at this, he mentioned almost all verticals where we are growing except maybe magnetics, where we may be requiring some like either enhancement in capability or enhancement in capacity that may be required. And it includes -- we are considering a whole slew of options, including debottlenecking, brownfield, greenfield. Of course, our preference would be to do it as quickly as possible, so between the first and the second options, but we are considering all options. So I would say that, yes, order book is not an issue.

Now coming back to your question, can we be -- how much with relation to the market growth rate in CY '26. Again, I would say, let me not directly answer that question. But again, to Nishit, I tried to point out that if you look at our growth trajectory every quarter, we have been improving, and I think we'll keep on improving. If you can allow me to end my answer there that would be that. We would be improving.

Ganeshram: That's very clear. And just one last question is incrementally, are there any areas where you're seeing a degrowth or weakness? Or is it your view that most of the weakness is already in the business? And how do you sort of mitigate the foreign exchange volatility do you have any ongoing headwinds?

Vikas Sinha: On where the weakness is there, in our opening remarks, I said that we are going through restructuring in our aluminum and magnetics business. I think magnetics business, obviously, it's a very small business. And I think when our annual report comes out, you will see the sales number there. It's a very small business, less than INR200 crores. But yes, it faces a lot of competition from Chinese suppliers as well as a lot of technology changes that are happening there. So we have to up our game as far as magnetics is concerned, to be more competitive, in fact, on a global basis, we must do that.

Also Aluminum, Ander has talked about how we are looking at product portfolio changes, how to meet the requirements of our anchor customer better there. So we have worked a lot. And I think you could have heard from the optimism in his voice about that business because the team has worked really hard for the last 2 or 3 years. And as I think you or the previous questioner had pointed out the aluminum business was a little stagnant for a couple of years, and I think that was the time spent in restructuring some of the operations. Is it fully done? Answer is no. It is always an ongoing process. And -- but we are at that stage where we can feel confident about placing a lot of bets on capex in that area, which we will do in aluminum now because as you have pointed out, aluminum business will certainly -- have certainly a good future in India, given electrification, given light-weighting and everything else. So not just 2-wheelers, I think 4 wheelers will also be a good area for that business, and that is certainly what we are looking at.

Moderator: Next question is from the line of Pratik Kothari from Unique PMS. The line for the participants dropped.

The next question is from the line of Khush Nahar from Electrum PMS.

Khush Nahar: So, my question first if you could tell us how much is your manufacturing capacity that we have in Europe versus India? And then a follow-up on that, as a strategy, do we see some capacities being shifted to India since like you mentioned, we are seeing a very strong domestic growth over here. So we are faster to market in that way and also exports because of the trade deals that has already happened with EU and U.S. compared to having a manufacturing setup in Europe where costs are comparatively higher?

Vikas Sinha: As I said in my opening remarks, Europe is largely forgings and gears for us. Almost 80% of Europe is forging and 20% is gears. And in India, we are looking at capacity addition in every area, iron castings, aluminum, magnetics, stampings. So those have -- like -- the one area where there is an overlap is forgings. In gears, Ander, pointed out, the business is doing quite well in Europe after the restructuring. We are back to the pre-restructuring margins also, which is pretty much high double digits. So that -- so the question is around forgings, we do think -- Ander did mention in his earlier remarks that forgings and iron castings are two areas where you do see a lot of churn happening from Europe to other emerging nations.

It is not necessarily India. It can be other places also. These are those two areas, and we will consider what can happen in forgings. A lot of it depends on what the OEM wants, but I will ask Ander to opine on that.

Ander Arenaza Alvarez: And just to give you some more details. We are moving -- we are planning to move certain capacity from our European sites to India. We are executing this plan. I mean, probably by April, we will start moving some presses, fully automatized presses, also some gear production cells that we will transfer from our units over, let's say, overseas to India. So we are doing this activity. And we are -- on top of that, we are increasing our capacities in India. I told at the beginning that we are expanding our factories, and we -- last -- during this week in the different operational reviews that I had with each of the verticals.

We approved certain factory expansions in composites, in stampings, in aluminium. I mean, we see a lot of activity here, and we are preparing ourselves to increase our capacities to, let's say, to take the advantage of the growth that is coming. We have already the orders from the customers. We -- I think we are preparing everything.

And my message would be that we could have done this before that could be one of the questions from the investors. And the answer is yes, but we decided to do it in the same way with -- in a conservative way, I would say, with the proper teams in place with the capacities, with the technology, so we can -- we will not fail to our customers in all these ramp-ups that are coming.

So we are quite confident that we are a very solid company, very reliable company, and that's what we have been trying to do. And we will see this growth coming steadily, and we will see also improvement in our margins in the company. So we are quite satisfied. I mean, the Board - - our Board yesterday was also satisfied with the evolution and with the security that we are giving to them. So that's the approach that we have. And coming back to your question, yes, we are transferring certain capacities that makes sense to India to increase our potential capacity here to cope with the demand.

Khush Nahar: Right, sir. So just one follow-up on that. So just want some clarification since this EU India FTA has happened. So since you already have a presence in Europe in a certain way, so once we shifted, do we see that our wallet share with our existing customers and onboarding new customers have become easier because since we already have a presence and then we have a cost arbitrage also to offer to the customers?

Ander Arenaza Alvarez: Yes. What we are doing is as we have the customers in Europe and the customers are approaching us in India, we are negotiating with them the proper way to get the advantage of Indian cost and also get the advantage of our reliability being close to them in Europe. So yes, we are working with them on that. Some -- during some period, they were reluctant to work in that way, I mean, making this mixed solution. Now looking at the geopolitics, looking at the risks that they are having, especially with all what's going on with tariffs, with wars -- war in Ukraine, the different logistic issue, difficulties that are happening in the world, they are very, very keen to work in the way that we were proposing. So we think that our proposal is a win-win proposal where we use our capacity and our lower costs in India, but we give them the safety and the assurance of the proper delivery and lower risk in the deliveries and of course, in the

quality because we can react immediately from Europe. So I think our position is probably the best in the market, and we will take advantage of that.

Moderator: Next question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: Because this aluminium recognition change, this happened in Q4 for alone or was it for the full year?

Vikas Sinha: Largely in Q4, but the impact is for the full year, of course.

Pratik Kothari: Correct. Because if we look at the tractor contribution, I mean, well tractor industry has grown at 15%, 20%, we see a 20% degrowth. INR1,000-odd crores has gone to INR800 crores. What explains that? What happened there?

Vikas Sinha: Where are you seeing tractor degrowth?

Pratik Kothari: So last year, tractor was about 18% of our revenue mix, it is 13% right now.

Vikas Sinha: I don't think Tractor has degrown. Possibly, we can check the number. It's about how -- those are approximate breakups. I think tractor as a proportion has come down a little bit, but I think there, there might be some more revenue recognition. I don't think tractors has come down. In fact, in Q4, the tractor growth -- market growth rate in production was higher than the 20%. And in fact, it was closer to 30%, and our growth rate was even higher than that. So that is -- tractor is not a problem for us. In fact, tractor was a saviour for us in Q4.

Pratik Kothari: No, I meant for the full year. But -- and you stand by this comment that had this aluminium recognition and CNG not been there, we would have seen industry -- our weighted average industry growth which is about 20%?

Vikas Sinha: I don't want to get into very definitive statements. It would have been much higher.

Pratik Kothari: Reason to ask is because the underperformance for now seems very, very material. I mean 21% weighted in the average industry versus 12% for us. So -- and this is at times when we were expecting the older orders to start and hence, we should have done even much better than industry. And so it's a very negative surprise, honestly, and hence this question.

Vikas Sinha: Of course, like the gap that we are talking about, I think, largely has come from that area, but it will definitely not explain the full thing. That's more for our relevant weighted average, it will be closer to 17%, 18% for us, and that gap would have been closed to a very large extent because of these two reasons, they were very material. Let me put it this way, let's not get into definitive numbers but it was very, very material. Let's put it this way. I don't want to make any excuses saying this is the reason why that growth has happened. We do recognize that we need to do more growth. There is no question about that and that is the reason why we would rather emphasize on what are the new projects and new capacities that we are looking at rather than just trying to explain this and that.

Yes, it did make a difference, but that's part and parcel of the business. So yes, it explains the reason why we are giving that explanation is only to give an assurance that we are not doing something wrong. There is not anything drastic that is going on, which might occur to some people. Everything is all right. In fact, our new order book, capacity additions, the condition of our plants, all of them have improved significantly our ability to serve the customer. Everything is way better. As I said, some of the new plants that we are inaugurating are really world-class. So that is -- that is the only reason why that explanation is given, but I'd rather emphasize that new orders are there, new orders are picking up. We are considering new capacity, some are being added, some are being considered, and some will be considered. We will also look at inorganic growth opportunities, whatever we can. But as Ander said, could some of these projects have been done a little earlier? Maybe that question will always remain -- that is a criticism we'll happily take. But I would rather focus on this and rather than trying to explain this or that there. Yes, it's very material, the number for Q4.

Pratik Kothari:

Correct. And lastly, on Europe, I mean why we say that we have betted heavily on EV. So -- but if you just look at data EV for the first time in December crossed gasoline vehicle sales in Europe, I think there was a 50% growth back then. So is it the Chinese EV, which is being sold, which we don't cater to and hence, we are not seeing any growth because EV is doing well in Europe in general?

Vikas Sinha:

It is doing relatively less well, on a small base, obviously, you will see growth, but the EV penetration in Europe, if you look at it between CY '24 and CY '25 is 13% to 16%. So there has been an increase. So there is no denying the fact that there has been an increase, but that increase is much lesser compared to what we -- what would have happened in the number of platforms, etcetera, that have been launched. In fact, one of the reasons why the European auto industry is struggling is because of the large investments that a lot of these OEMs have made in the new EV platforms and the new norms on the ICE engine side, on emission and so on. And a lot of investment are yielding no result. In fact, the market numbers -- production numbers as far as IHS is giving us is really stagnant between INR16 million to INR17 million for the next maybe till CY30. IHS is reputed to be conservative. So hopefully, some pent-up demand will come at some point of time. But nevertheless, that's why the auto industry in Europe is struggling.

Now to your question on whether EV growth is fully translating to demand for us in Europe. yes, you are right, it isn't, as the Chinese have their own supply chain, and everybody is struggling because of that. If the Chinese become bigger in the European market, then obviously, we'll have to make double the effort of entering their supply chain because they are OEMs we don't know. Neither CIE at the parent level nor we in India, know them. It will be a new OEM that we'll have to access. And Chinese OEMs will also have to be open to the idea of developing their supply chain in Europe and so on. So that's a long drawn process. So Chinese presence will obviously make life a little more difficult for everybody in the European supply chain. There is no doubt about that.

And therefore, we are considering what Ander just talked about, greater synergies between Europe and India subject to what the OEMs feel because at this point of time, even European

OEMs are willing to consider out-of-the-box solutions, which they were not willing to consider even 5 years back.

So the situation is a little different from India. And it will be managed differently. So to your question, yes, Chinese are making an impact. We don't have a presence with the Chinese OEMs. And yes, their growth does pose a risk to us. There is no doubt about it.

Moderator: Next question is from the line of Viraj from SiMPL.

Viraj: A couple of questions. First is on the European operations. So if one is to understand, say, the cost base for us and competition in Europe. So if we are at 100 and the kind of margins where they be at? And in relation to that, how is the consolidation played out so far? So in terms of new wins we got, is it from competition? Or any color you can give on that? And then the related second part of the question is, if one has to understand the similar cost base to a facility from India or China, how does the dynamic work between the 2?

Vikas Sinha: Three big questions. what is our cost base compared to competitors in Europe. CIE is one of the most efficient producers in Europe, not just what is part of CIE India. But in general, our parent CIE Europe is, I cannot produce any study to prove my point, but perhaps the most efficient producer because if you look at the margins and the numbers that CIE generates in Europe. I don't think there's any other competitor, which is as efficient as the them, that's 1 point.

Now your next question was cost vis-a-vis India and Europe. Now that's a really complicated question because yes, India, there are some costs, which are low, some costs, which are high. For example, if you look at power costs, now power costs are not very low in India. There are states where the power cost is low, but there are states where it is extremely high. So it depends. yes, labour cost is low. Other costs are also low in India. But then you have to add logistics and so on and so forth. So frankly, difference will be there, but that difference will depend whether we are efficient in India or not. That is a point that Ander has been making for the last 7, 8 years now. But yes, if India has to -- or Indian manufacturing has to take advantage of any of these labour cost advantages, efficiency is most important. If the Indian plants are not efficient, it is not going to happen. Some of the best exporters from India are actually efficient. They don't export on the basis of just cost difference. They are actually efficient plants. So that was the second part to your question. And the third part, what was that? I think you're talking about shift. How do OEMs view the shift.

Viraj: Yes. Just to understand the consolidation. How has that played out? So is that reflected in our new wins?

Vikas Sinha: We do expect consolidation to happen, but consolidation takes a little bit of time. Consolidation will certainly happen. The average production of automotive cars in Europe, light vehicles in Europe used to be in the range of 19 million to 22 million per annum. Including Russia. Normally, we report without Russia, but I remember the numbers with Russia. So those are 19 million to 22 million post -- until about 2019. But after COVID, everything changed. I think after that, they have been hovering in the range of 15 to 17 million units -- 15 to 16 -- not 17 million -- mostly 15, 16 million.

So now if you see such a 20 to 25% reduction in production, obviously, there will be stress in the supply chain, and there will be consolidation. But consolidation takes time because the consolidation actually happens when the production goes out of the supply chain -- it is completely scrapped. That will take some time before that happens. And to your point, when it happens, we will definitely gain, as I said, CIE is one of the most competitive plants. We have some of the most competitive plants in Europe. So we'll gain -- will certainly gain as long as it remains in Europe. Of course, as I said, some of in forgings and iron castings, there will be a shift out of Europe also.

So as I said, yes, it will happen. Some of it will come to our plants in Europe and some of them will shift out to other emerging markets depending on which is the most efficient country for that to produce.

Let me say it is very uncertain. And that is the reason why there is so much stress Ander is putting on protecting profitability in Europe. If you look at our investor presentation also, that is a point that we are stressing because of this situation, which is uncertain.

Somebody asked about Chinese competition, you are asking about consolidation. We are talking about change in norms, Euro 7 and all that. We are talking about electric vehicle. So these are very big changes that are happening in Europe. And I think that's the reason why we are stressing so much on protecting profitability before we talk about whether we can get this extra business or that extra business. Extra business will come because we are a good company. But over and above that, there are a lot of other factors. So in Europe, we need to wait and watch. India is much more straightforward, much happier situation. So there's a huge contrast in strategies between the 2 geographies.

- Moderator:** Next question is from the line of Rajas Joshi from ChrysCapital.
- Rajas Joshi:** So first question is on capex. Given the demand outlook and where we are currently standing with regards to capacity, what is the capex figure for CY '26 be?
- Vikas Sinha:** We'll have to wait for that. It is too early for that, but it will be higher than last year for sure.
- Rajas Joshi:** Understood. Secondly, on margins, our margin expansion journey, it seems to kind of have flattened. Where do we go from here in terms of margins?
- Vikas Sinha:** Margins were, in India or Europe?
- Rajas Joshi:** Both, so to speak, India specifically.
- Vikas Sinha:** Margins in India, Ander said will improve. This year, there were some specific issues that we have talked about, there was power tariff increase. And then there was the impact of gratuity, which was about 130 million-odd. Impact of power tariff was also substantial. So there was some diminution in margins in India because of that. But other than that, in India, Ander, mentioned that we are going to improve. That should not be an issue. In Europe, we are looking at protecting wherever we are at this point.

Rajas Joshi:

Understood. And lastly, with regards to growth, I just wanted to get some sense on strategy to break into non-anchor customers, be it, for example, like TVS or Honda or Toyota, just our strategy to break into those kind of customers where we have a lower exposure or no exposure, so to say?

And secondly, on opportunities outside auto, right, we've seen our peers, some of them have now begun to get exposure in, let's say, industrial powertrains or defense. So how are we looking at all those opportunities?

Vikas Sinha:

As far as the other companies that we are talking about, I'll not get into names. As I said, we have 4 anchor customers, roughly that we talk about M&M is actually 2 customers, auto and tractors. And then we have Bajaj and we have Maruti. So together, they are good account for close to 50% of our business in India. And then there is a set of 10 to 15 customers who are in the range of anywhere between 1% to 5% of our India business. The largest among the lot will be Hyundai, Kia followed by Tata Motors. And then we have many such customers where we are trying to grow. Hyundai, Kia, Tata motors, these are focused for growth. There is Royal Enfield where we are growing, then there are some exports that we are talking about. So our focus is to grow these -- among these 10, 15 customers, at least a few of them, so that they become much larger for us. We are getting a lot of traction there. Our order book is not just with these customers, it is with other people. Among the ones that you named, yes, we are moving ahead with a few of them, not all. So we -- as I said, like on the non-anchor side also, we don't have an issue per se. It is a question of how fast we can grow.

On your question on non-auto -- defense and industrials, we are not considering. It's a very different business as far as we think the way the business model is, it is very, very different. We have some non-auto business, but largely in composites and L&T is a very big customer for our composites business.

Of course, we include tractors in auto and not in non-auto -- including even off-road - customers like JCB and Caterpillar, we consider them as part of auto. So those are -- like Caterpillar is definitely a very big focus customer for us in our gears business, both in India and Europe, and it will be a growing business.

So other than these, I think the non-auto that people talk about defense, etcetera. No, we are not in defense, oil and gas. No, we are not considering that. It's a very different business model as far as we understand. And as I said, we have our hands full in our existing areas where there is ample opportunity to grow at a good margin, and that's why we will rather focus on that.

Rajas Joshi:

And last one, sorry. On strategy, right? I mean, in this call, Ander earlier elaborated that we are planning to move some production from Europe to India. And on capex otherwise as well, there seems to be a positive outlook on this call. So just wanted to get a sense on, has there been any change in strategy with regard to either manufacturing for Europe from India now or on capex as well, a bit on that, please?

Vikas Sinha:

Manufacturing in India was always a priority. What Ander did mention was we could have done some of the things that we are trying to do now a little earlier. But I don't think there was any

lack of priority or lack of capex for India. I think we have enough capex available for India. That's not the point. The project should be good. So as far as that strategy is concerned, it is not about focus. Focus on India was there. It is still there and will continue to be there. India is, as I said, in a happy spot in a good spot at this point of time, and it will remain a priority for CIE. As far as capex is concerned, it was more about evaluation of projects rather than evaluation of the geography that we are concerned. And now we feel more confident, and therefore, you will see much more capex happening in India.

But again, as I said, we will not -- we will invest it in a very prudent manner. I understand we require new projects, but these projects will be made on a prudent basis. That will continue to do that. So I don't think strategy has changed as far as India is concerned.

Now the other question that you asked is in terms from like coming from Europe to India or India to Europe, etcetera. Of course, those opportunities are opening but the domestic opportunity is also quite large. And those when they open up, we are happy to take those. Look, it is a lot of rethinking is going on among the European OEMs also. And as and when that happens, we're happy to take it. But as of now, there are enough opportunities everywhere, domestic, export everywhere.

Moderator: Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

Ander Arenaza Alvarez: So, thank you very much for the interest in our company for the well-directed questions you made, and we hope that we answered properly. I just wanted to say that we are very optimistic on the evolution of the company in the near future. We all know that the automotive sector in India is now in a very good shape and we will be able to demonstrate that in the next quarter.

So from our point, I would like to send the optimistic message to the investors and to the people. And of course, as always, I would like to thank to our team in India that is doing a fantastic job, and they will be the great executors of this growth that is to come. So thank you very much, and see you next week -- next quarter, sorry.

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

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