

**Mahindra CIE Automotive Limited**

Questions asked by the members at the 21<sup>st</sup> Annual General Meeting  
held on 25<sup>th</sup> June, 2020

<b>1.</b>	<b>How we are gearing up for challenges emerging from electrical vehicles</b>
Ans.	<p><b>a. Demand for EVs</b></p> <ul style="list-style-type: none"><li>i. EVs are a minuscule part of vehicle sales today: &lt;5% in all geographies and segments.</li><li>ii. It is expected that EVs will become more prominent in the coming 3-5 years viz. buses and 2W. In 2W segment in India, scooters are expected to be electrified more and motorcycle segment by virtue of being more price sensitive as it has large sales in rural and semi urban areas is expected to be affected less</li><li>iii. The Covid crisis will shift emphasis in the vehicle industry from EVs to plain survival in the next couple of years</li><li>iv. EVs require lot of investment in public infrastructure by way of charging stations. This will also slowdown both in India and Europe as govts focus on reviving the economy</li><li>v. EV demand is very dependent on govt subsidies as the price differential between and ICV and EV is quite high. While some European govts have announced increased subsidies to EVs in the light of covid crisis, countries like India may not be able to support EV subsidies on a large scale</li><li>vi. Thus, EVs are not expected to make significantly large inroads in the next 2-3 years. In the long term, there will steady increase in its share as price of EVs decline steadily</li></ul> <p><b>b. MCIE dependence</b></p> <ul style="list-style-type: none"><li>i. Roughly 25% of MCIE consolidated sales (20% in India and 25-30% in Europe) are towards powertrain parts that will be affected by the EV dependence</li><li>ii. As EV demand is expected to remain muted in the next 2-3 years, we do not expect any real decline in these revenues</li><li>iii. On the contrary, as OEMs invest less and less in IC technology, there will be more outsourcing of IC engine parts and we will benefit due to this outsourcing. For example, machining of crankshafts was done inhouse by OEMs, but many are considering outsourcing this as they do not want to invest in this area anymore.</li></ul> <p><b>c. MCIE preparedness</b></p> <ul style="list-style-type: none"><li>i. CIE as a group is working closely with Tesla and Renault on EVs. It already supplies parts to these EVs largely plastic and stamped parts</li><li>ii. MCIE supplies to M&amp;M Electric Vehicle platforms and includes E2O and the alfa e-rickshaw. MCIE's Bill forge division has also bagged orders for supply to KIA motor's electric vehicle.</li></ul>

	<p>iii. Shift from ICV to EV would mean reduction in forged, cast, and machined parts and increase in stamped, aluminum and plastic parts. CIE/ MCIE being a multi technology group that covers forgings, castings, stampings, machining, Aluminum and Plastics (currently MCIE is not into plastics) is well positioned to make this transition</p>
<b>2.</b>	<b>Brief us on the steps initiated to win new business in the existing segments.</b>
Ans.	<p>a. Our teams are working with customers to understand demand and delivery scenario.</p> <p>b. As many suppliers' face difficulty, we are being asked to increase our share of business at many OEMs</p> <p>c. Some of our businesses are also benefiting as global customers de-risk their supply chain by reducing dependence on China</p> <p>d. We are also constantly contacting OEMs for new business - our internal target is to ensure that at least 10% of sales in any year is through new business</p>
<b>3.</b>	<b>Do you foresee any business conflicts of interest with CIE Automotive globally?</b>
Ans.	<p>MCIE is CIE's vehicle for forgings worldwide and for other businesses in India and South East Asia. The CIE and MCIE operating teams work seamlessly. Currently, experts from CIE are working in many MCIE plants on joint improvement projects. CIE does not charge any royalty for any knowhow transfer. MCIE has seamlessly integrated in the CIE system and we have not come across any such conflict.</p>
<b>4.</b>	<b>What is the outlook for the coming quarters and the year as a result of COVID-19?</b>
Ans.	<p>a. Revenues at Indian plants in April was close to zero and in May it was at 20-25% of capacity utilisation. Operations in Europe were approx. at 10% of capacity in April and this has increased to 40% in May. During following months, we expect a gradual recovery.</p> <p>b. The demand is expected to reach a semblance of normalcy towards the end of this calendar year.</p> <p>c. We generally do not make forward looking statements but given this crisis we will definitely say this much</p> <p>d. The sudden and unexpected drop in the demand will generate a relevant drop on the profitability of the quarter (Q2C20).</p> <p>e. MCIE team has taken it upon itself to try and achieve cash breakeven at a consolidated level in difficult circumstances.</p> <p>f. The performance will improve progressively in following periods as the demand recuperates. In the short term, the cash position of the company is solid, and the liquidity is assured, having enough unused financial facilities.</p>
<b>5.</b>	<b>Is there any possibility of any new acquisition?</b>
Ans.	<p>There are only two things we would say, we were always looking at opportunities which may be available in the market so like we did in the past. We will keep our eyes and ears open for opportunities which can come up. As of today, we don't have</p>

	anything in hand which we can discuss with you and between you and us, it's a transparent way of working.
<b>6.</b>	<b>When the Company would pay the dividend?</b>
Ans.	<ul style="list-style-type: none"> <li>a. MCIE is a foreign owned, foreign operated company in India and as such not allowed to take domestic debt to acquire companies</li> <li>b. That's why, we have conserved our cash to make acquisitions</li> <li>c. As part of this strategy, the acquisition of Aurangabad AEL was an all cash deal financed by cash on MCIE's balance sheet</li> <li>d. But we are aware that paying regular dividends is something on the minds of our shareholders.</li> <li>e. We will revisit the issue after current Covid situation has eased</li> </ul>
<b>7.</b>	<b>Maharashtra government has raised the electricity charges by 7 to 8 per cent in addition to that rising sanitation cost, labour cost as well as social distancing norms are there.</b>
Ans.	Yes, it hurts. But our team in production continuously works on reducing electricity consumption by improving productivity.
<b>8.</b>	<b>how are we coping with extra cost to COVID situation and what is impact on P&amp;L?</b>
Ans.	Whatever it takes is being spent on health as safety of our Employees is our topmost priority.
<b>9.</b>	<b>M&amp;M is a large customer on standalone basis. What are prospects?</b>
Ans.	M&M Continuous to be an important customer. Efforts to develop Non Mahindra business continues and various new customers have been added like PSA, Kia are getting added.
<b>10.</b>	<b>Out of the Goodwill balance of Rs. 1017 crores merger of Bill Forge contributed a massive Rs. 978 crores during the year, whether the company has any proposal to write it off for the over year</b>
Ans.	Goodwill of Bill forge or of subsidiaries in Consolidated accounts is tested for impairment annually and appropriate decisions taken.
<b>11.</b>	<b>There is no hearing on the writ petition filed against the irrigation department. Company-paid some amount 58 crores and what is the present status?</b>
Ans.	This is related to old case coming from MUSCO. Unfortunately, the case has not come up for hearing so far hence there is no change in status of the case.
<b>12.</b>	<b>What is the present status of liquidation of Stokes Group? Is there any liability provided regarding this?</b>
Ans.	The production of Stokes was already discontinued. Last set of formalities are going on before it can be formally wound up. At the moment there is neither any production nor any commercial activity; that has been already ceased. No further liability is expected.
<b>13.</b>	<b>What is the possibility of merger of Aurangabad Electricals with Mahindra CIE Automotive Limited?</b>
Ans.	We will wait for complete integration and the business to settle down before thinking of any merger. No such plans at this stage.

<b>14.</b>	<b>How the Bill Forge unit is doing in the current year.</b>
Ans.	Bill Forge acquisitions has served the purpose of diversification of our order book and is doing well considering the very bad market situation.
<b>15.</b>	<b>Why the company has showed levy of cross subsidy and additional surcharge on account of power consumption under exceptional items instead power and fuel under other expenses?</b>
Ans.	It is shown as exception because this is a one time claim made by MSEB on incorrect grounds and is being contested by the company. Provision is made as good accounting practice.
<b>16.</b>	<b>Mahindra Forgings Europe AG has a negative reserve balance of Rs 366 crores including this year loss of 43 crores the calendar year 19. What is the present status of the company?</b>
Ans.	MFE in Germany continues to suffer due to high cost and low demand. The management team is working on various alternates to improve the performance and is hopeful of success in the future.
<b>17.</b>	<b>Is there any possibility of Acquisition during the current year? Whether Company is thinking for any inorganic and organic growth?</b>
Ans.	<ul style="list-style-type: none"> <li>a. Automotive OEMs and our Tier 1 customers continue to look to partner with well capitalized suppliers like MCIE, who can serve them with the best in class technology and products. Given the Covid situation, many suppliers are facing difficulties.</li> <li>b. Our current priority is to ramp up production. In case customers approach us to acquire struggling suppliers our preference is that they shift the business to us rather than we acquire those suppliers.</li> <li>c. At the same time, we continue to evaluate acquisition opportunities. Currently, there is no opportunity at an advanced stage of discussion.</li> </ul>
<b>18.</b>	<b>Are you confident that you will be able to tide over the downturn caused by the Covid crisis and why?</b>
Ans.	<ul style="list-style-type: none"> <li>a. MCIE's Cash position is secure, and it has unused working capital limits to be comfortable even if demand recovery is much slower than even what the worst-case scenarios are envisaging.</li> <li>b. MCIE plants have successfully worked on reducing their cash breakeven to less than 50% of their capacity in India and 60% in Europe.</li> <li>c. MCIE's parent, CIE Automotive of Spain, is a global MNC and has a robust system of managing cash across its worldwide businesses. It is willing and able to help MCIE in the event of any liquidity requirement. CIE has reinforced its faith in the company and recently bought MCIE shares in the open market.</li> </ul>
<b>19.</b>	<b>What is the existing demand situation post lockdown?</b>
Ans.	<ul style="list-style-type: none"> <li>a. Revenues at Indian plants in April was close to zero and in May it was at 20-25% of capacity utilisation. Operations in Europe were approx. at 10% of capacity in April and this has increased to 40% in May. During following months, we expect a gradual recovery.</li> <li>b. The demand is expected to reach a semblance of normalcy towards the end of this calendar year.</li> </ul>

<b>20.</b>	<b>What is expected to be the Covid impact on Q2C20 results? What is MCIE breakeven levels and will it lose money in Q2C20?</b>
Ans.	<p>a. We generally do not make forward looking statements but given this crisis we will definitely say this much.</p> <p>b. The sudden and unexpected drop in the demand will generate a relevant drop on the profitability of the quarter (Q2C20).</p> <p>c. MCIE team has taken it upon itself to try and achieve cash breakeven at a consolidated level in difficult circumstances.</p> <p>d. The performance will improve progressively in following periods as the demand recuperates. In the short term, the cash position of the company is solid, and the liquidity is assured, having enough unused financial facilities.</p>
<b>21.</b>	<b>Have we planned any CAPEX this current year and what kind of other products you would like to add in our future?</b>
Ans.	About 250 crores is kept for CAPEX. For growth, capex will not be restricted. However, discretionary spend will be held back.
<b>22.</b>	<b>Any other product development in forgings</b>
Ans.	Business development is a continuous activity.
<b>23.</b>	<b>Does our MD sit in Spain sir or does sit here and look after everything?</b>
Ans.	MCIE is a multi-national business You know we have as much business in India as much in Europe and Mexico. So, while the business headquarters is in India the business is global. Therefore, it is only fair that the CEO will be travelling all over the countries, however, he spends a fair amount of time in India and as you can see from the video conference he is also available on the video conference to the team wherever he may be in Europe or Mexico. So, therefore, rest assured in today's world with remote working, availability of a person is assured notwithstanding where he is in fact it doesn't even matter if a person is at the office or home or even sitting at the airport or railway station.
<b>24.</b>	<b>With the current tough situation, what is going to differentiate men from boys – productivity and reliability?</b>
Ans.	First and foremost, we are a multilocation company and therefore if one market goes up and down there are other markets which do well that is a very good advantage in today's world. We are a global company. Secondly, we are multi-technology company which means if one segment of the market is down another segment will be doing well. Therefore, a multi-technology company has the advantage over other. We are a multi-customer as we have been acquiring new customers inorganically and every year organically. Our customer base is getting Diversified every year whether it is India or in Europe. We have an increasing range of customers who come to us because of our multi-technology portfolio. So, a customer buying one particular segment say forging or casting, when the time comes also, becomes our customer for other segments. It allows us to address the same customer for different products to different Technologies. These three are the biggest advantages for us which we call hard advantages. When we come to what is known as soft advantages, as Mahindra CIE, we have access to the best technology from CIE which is a global leader. The

	<p>other soft advantage come from being a well-capitalized Company, which is a big advantage in difficult times like the current COVID Crisis. So, if we see our hard and our soft advantages together you will find that we are well placed under our management team to compete with any company and these advantages differentiates us very well from others.</p> <p>In addition to the above:</p> <ol style="list-style-type: none"> <li>MCIE's Cash position is secure, and it has unused working capital limits to be comfortable even if demand recovery is much slower than even what the worst-case scenarios are envisaging.</li> <li>MCIE plants have successfully worked on reducing their cash breakeven to less than 50% of their capacity in India and 60% in Europe.</li> <li>MCIE's parent, CIE Automotive of Spain, is a global MNC and has a robust system of managing cash across its worldwide businesses. It is willing and able to help MCIE in the event of any liquidity requirement. CIE has reinforced its faith in the company and recently bought MCIE shares in the open market.</li> </ol>
<b>25.</b>	<b>Why the company's FII holding is zero, when you have all over worldwide plants and you are progressing?</b>
Ans.	It is not zero, March end 14.5% holding was of FPI's.
<b>26.</b>	<b>How much money we have donated for the good cause for the COVID affected people under CSR.</b>
Ans.	CSR which mostly gone to COVID would be approximately 25 million.