

**Mahindra CIE Automotive Limited**  
**Summary of Frequently Asked Questions**

<b>1.</b>	<b>Covid-19 Pandemic impact</b>
Ans.	<ul style="list-style-type: none"> <li>a. End Demand <ul style="list-style-type: none"> <li>i. Based on experience of first wave, automotive demand gets pushed back but is not lost unlike some other sectors</li> <li>ii. Rural demand still looking good – normal monsoon forecast by both IMD &amp; Skymet</li> </ul> </li> <li>b. Supply side – there could be loss of production at OEMs &amp; suppliers. <ul style="list-style-type: none"> <li>i. Micro Lockdowns could affect the supply chain by affecting the ability of plants to remain open and may delay production.</li> </ul> </li> <li>c. Steel <ul style="list-style-type: none"> <li>i. Supply may get affected as oxygen diverted for Covid issue.</li> <li>ii. Prices may increase further from a high base.</li> </ul> </li> <li>d. Manpower <ul style="list-style-type: none"> <li>i. Contract workers could be scarce as migrant workers go home.</li> <li>ii. Absenteeism could increase.</li> </ul> </li> <li>e. Semi-conductor shortage persists.</li> <li>f. Costs could increase due to <ul style="list-style-type: none"> <li>i. Overtime costs</li> <li>ii. More precautions &amp; testing at plants</li> </ul> </li> </ul>
<b>2.</b>	<b>Readiness for Electric Vehicles (EVs).</b>
Ans.	<ul style="list-style-type: none"> <li>a. MCIE commitment <ul style="list-style-type: none"> <li>i. MCIE is monitoring the transition to EV’s carefully. We will tailor our strategy and approach to this transition.</li> <li>ii. EVs will mean a greater emphasis on stamped, plastic and aluminium parts compared to forged, cast or machined parts. MCIE being a player with a presence across different processes especially in India, is also well placed to tackle this change.</li> <li>iii. MCIE is also able to draw upon experience of CIE Automotive about EVs. 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>iv. All our businesses are tracking the EV order book separately. MCIE India supplies to M&amp;M, Bajaj &amp; KIA electric vehicle platforms. While the orders to EVs currently are small, they are expected to grow in the future.</li> </ul> </li> <li>b. Demand for EVs <ul style="list-style-type: none"> <li>i. While the pace of electrification is going to be slow in India, it could be much faster in Europe. Battery Electric Vehicles (BEVs) which constitute roughly 5% of European</li> </ul> </li> </ul>

	<p>car registrations in Q3C20 is expected to grow to 15% by 2025. This change has been accelerated especially in Europe as introspection about the pandemic has led to a greater focus on green transport strategies.</p> <ul style="list-style-type: none"> <li>ii. A point to be noted here is that a shift to plug in hybrid EVs (PHEVs) as compared to pureplay Battery EVs (BEVs), will actually be beneficial to your company as number of parts available increases.</li> <li>iii. In India, this change will be more gradual with the first segments to make the transition being 3Wheelers, scooters and buses. MCIE India dependence on these segments is not very large. 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>iv. There are some caveats to the above analysis. 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 have budgetary constraints to support EV subsidies on a large scale. EVs require lot of investment in public infrastructure by way of charging stations.</li> </ul> <p>c. MCIE dependence</p> <ul style="list-style-type: none"> <li>i. Roughly little more than 1/4<sup>th</sup> of MCIE consolidated sales is towards powertrain parts that will be affected by the EV transition.</li> <li>ii. On the other hand, as OEMs invest less and less in ICE 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>d. MCIE preparedness</p> <ul style="list-style-type: none"> <li>i. Your company intends to utilize the next few years to implement a strategy that will help maintain capacity utilization at MCIE’s European forgings plants even after this change happens – increase share of business at existing crankshaft customers, focus on non-engine parts &amp; introduce Aluminium forgings.</li> <li>ii. MCIE India supplies to M&amp;M, Bajaj &amp; KIA electric vehicle platforms. While the orders to EVs currently are small, in the range of Rs 150-200mn per annum, they are expected to grow in the future.</li> </ul>
<b>3.</b>	<b>Company had spent INR 2 Million for the Captive Solar Power Project. When the same would start yielding results?</b>
Ans.	The Solar Power Plants are being developed by the respective developers and full benefits expected by way of reduction in power cost could be realized from the 2 <sup>nd</sup> half of this year.
<b>4.</b>	<b>Any business conflicts or conflict of interest with CIE automotive globally?</b>
Ans.	<ul style="list-style-type: none"> <li>a. MCIE is CIE’s vehicle for forgings worldwide and for other businesses in India and South East Asia.</li> <li>b. The CIE and MCIE operating teams work seamlessly.</li> </ul>

	c. MCIE has seamlessly integrated in the CIE system and we have not come across any conflict.
<b>5.</b>	<b>Explain other receivables and lease liabilities</b>
Ans.	<p>Out of 162 crores in other receivables, 100 crores are incentive receivable by AEL under the investment linked state government incentive scheme of SGST collected and paid by the company. Approvals have been received and basis cash availability with the state government this shall be received by the company. The other major item is value of Bank Guarantee (₹60 crores) received from AEL promoter against conditional consideration paid to them.</p> <p>IND AS 116 on lease contracts was made mandatory to the company effective 1<sup>st</sup> January 2020. As a consequence of this, all lease contracts are to be shown as 'Right of Use' Assets, basis future cash outflows fair valued. Similar amount is shown as financial liability.</p>
<b>6.</b>	<b>Would the CSR unspent amount be spent in coming two years? And what are the key CSR projects.</b>
Ans.	<p>The Company has spent an amount of INR 71.12 Million during the year. The unspent amount in CY20 of INR 45.01 Million has been allocated to existing long term CSR project. Implementation of some of these CSR Projects was delayed due to Covid-19 pandemic and related expenditure is deferred to next year. The implementation of these approved projects shall be on the track as the situation improves and although with some delays, the Company is confident of achieving its social objectives.</p> <p><b>MCIE's key CSR projects:</b></p> <p>During CY2020, the Company has made specific efforts to support / help the people including migrant labour affected by Covid-19 pandemic in the areas located around Factories of the Company, by way of distribution of food packets, sanitization kits (which includes Soap, sanitizer, masks and gloves) and creating awareness about Covid-19 pandemic. Further, the Company has participated in the initiatives undertaken by Mahratta Chamber of Commerce, Industries &amp; Agriculture (MCCIA) for setting up Jumbo Covid Centre in Pune by way of providing financial assistance. The Company has also contributed to PM CARES fund setup by the Central Government.</p> <p>Many of the long-term CSR Projects are in the area of Education and Skill Development. The Company has set-up CIE India Institute of School in Bhosari Pune. Various other projects like Project Saksham, Green Education Movement in Schools (GEMS), Project Lotus and Project Dhai Akshar were undertaken in this area.</p> <p>Another area of focus has been Health and Hygiene. Apart from the specific efforts made for Covid-19, Projects like Adoption of Helpline Charitable Trust, Project Mamta, setting up of Medicine Bank at Worli Mumbai, Project Santulan were key projects undertaken in this area.</p>

<b>7.</b>	<b>What is MCIE's ESG strategy?</b>
Ans.	<p>a. Generation of shared value for the Company and for Society by integrating Social, Environmental and Governance principles into the business model, business strategy and everyday operations is the objective of ESG.</p> <p>b. MCIE operates forgings, foundry, magnetic, aluminum casting &amp; machining plants. Most of these are required be operated under strict environmental control. MCIE adheres to all statutory norms laid down by the governmental authorities and periodically makes improvements based on their suggestions. The Company has been focusing external certifications for achieving world class environmental standards. All the plants will be upgrading their EMS to include the requirements of the revised international standard by June 2021.</p> <p>c. MCIE operational strategy focuses on reducing the consumption of water and energy at its plants. Details of these activities are reported in the Director's report and Business Responsibility Report.</p> <p>d. The Company continued its efforts to increase the proportion of green energy in the total energy consumption of the Company. The Company has installed roof top solar systems at seven plants. The Company has also signed long term contracts to source green energy from captive generating plants through open access. Due to various efforts, the Company has consumed 30.28% of total energy consumption through green energy sources.</p>
<b>8.</b>	<b>Reasons for closure of Stokes</b>
Ans.	The acquisition made in 2008. An investment of about 300 crores. UK was not growing well enough. The performance of our business is linked to the performance of the automotive industry in the country.
<b>9.</b>	<b>What is the preparedness of the MCIE to deal with uncertainties in the Market? How MCIE addressing growth opportunities differently? Is the market trying to reward us? What is the company doing to improve order book through new business?</b>
Ans.	<p>a. We have moved our EBITDA margin by almost 5% over 5 years through operational improvement and significantly grown the business organically &amp; inorganically. In order to tide over any uncertainties, we keep reviewing our break- even point. We also look to diversify ourselves geographically, product-wise and customer wise.</p> <p>b. All the market segments that your company operates in are expected to experience good growth in the short and medium term.</p> <p>c. MCIE plans to make use of these opportunities and grow faster than the underlying market segments, specially in India.</p> <p>d. We are increasing our focus on value added products and on exports.</p>
<b>10.</b>	<b>How we go about the cost reduction and benchmarking?</b>
Ans.	We constantly benchmark against CIE best practices and operating parameters.
<b>11.</b>	<b>Who are MCIE's Competitors? What is MCIE's market share or share of business?</b>
Ans.	<p><b>Competitors</b></p> <p>a. MCIE is a multi-technology company. We have Forging, Casting, Stamping, Plastics, Gears, Aluminum. We have our manufacturing facilities in India and Europe.</p>

	<p>b. So, we compete in India, as well as we compete in different countries of Europe as well as some other geographies globally. So, in every country, we have a different set of customers and we also have a different set of competitors.</p> <p>c. Europe</p> <ol style="list-style-type: none"> <li>i. Passenger Vehicle Forgings could be competing with Thyssen Krupp, Musashi, Hirsch Vogel, Sifcor, Farinia group</li> <li>ii. Commercial Vehicles Forgings -Thyssen Krupp, Bharat Forge, Parsan, Ramakrishna Forgings Limited</li> <li>iii. Gears Italy – Oerlikon Graziano, Ital Gear, Merlo, CIMA</li> </ol> <p>d. India</p> <ol style="list-style-type: none"> <li>i. Forgings - Bharat Forge, Ramakrishna, Roop Auto, MM forge, Happy Forgings</li> <li>ii. Castings – Nelcast, RICO, Brakes India, Sriram Foundries</li> <li>iii. Stampings – JBM, Mungi, Panse, Magna, Badve Group.</li> <li>iv. Aluminium Castings – Endurance, Rico and Rockman</li> <li>v. Gears – Bharat Gears, RIJ, Hi Tech Gears, Dana Graziano</li> <li>vi. Magnets - Delta Magnets, Cosmo Ferrites, Bajaj Electricals, Fulham</li> <li>vii. Composites – Devi Polymers, Sintex, Tata Advanced Materials</li> </ol> <p><b>Market Share</b></p> <ol style="list-style-type: none"> <li>a. Being a multi-technology company with various technologies operating in different geographies, our market share varies from product to product, technology to technology and country to country.</li> <li>b. Thus, it is very difficult to provide a definitive answer to this question. However, MCIE is a key player in the individual business areas in which they operate in.</li> <li>c. In India, MCIE is amongst the top crankshaft manufacturer, the top cast crankshaft maker, one of the more profitable gear manufacturers, the top supplier of sheet metal stampings to M&amp;M, the top magnetics maker for automotive purposes, key player in composites.</li> <li>d. In Europe, MCIE is one the top forged crankshaft makers, a key manufacturer of Front Axle Beams for Heavy Commercial Vehicles. MCIE Gears is one of the top supplier of gears and shafts to the off highway and construction industry as well.</li> </ol>
<b>12.</b>	<b>What are your Aspirations:</b>
	RONA of 15% and Growth ahead of markets in 3-5 years.
<b>13.</b>	<b>Role of R&amp;D</b>
Ans.	We are a process company, not a product company. Our R&D is focused on improving the processes so that we deliver optimum products to our customers in terms of price, quality and delivery.
<b>14.</b>	<b>Covid impact on the employees and precautions taken by the Company. Company policy about Work From Home.</b>
Ans.	We are testing our employees regularly. Sadly have had few fatalities but majority of the employees have recovered very well. We are helping them with whatever medical help we can provide, as well as vaccinations. We are doing our best to help our employees.

	<p>We are a manufacturing company. In a manufacturing company there is a limited scope for work from home. IT, Accounts, Finance, HR, some things can be done working from home. But when it comes to manufacturing, people need to visit plants and the factories. So, we have a rotational plan as far as officers are concerned, people go to office as and when necessary, work from home is working well for them, but in the plants and factories, we are taking utmost precaution all the standards of safety and hygiene have been put in place. As a result, we have been able to contain to some extent harmful effects of pandemic on our employees and we will continue to take utmost precautions to maintain safety, high levels of sanitation at our plants and factories.</p>
<b>15.</b>	<b>What is the impact of deferred tax?</b>
Ans.	<p>The Finance Act, 2021 has introduced an amendment to section 32 of the Income Tax Act, 1961 whereby Goodwill of a business will not be considered as a depreciable asset and depreciation on goodwill will not be allowed as deductible expenditure effective April 1 2020.</p> <p>In accordance with the requirements of Ind AS 12 Income Taxes, the Company has recognized a one time tax expense amounting to 1 425 million as the outcome of the difference between Goodwill as per the books of account and its updated tax base of NIL resulting from the aforementioned amendment, in addition to the current tax expense debited to the statement of profit and loss.</p> <p>This deferred tax liability is not expected to be a cash outflow in the future and its reversal is deemed unlikely as the value of its associated goodwill is expected by value in use.</p>
<b>16.</b>	<b>Why has the Company not paid any Dividend? When is the Company expected to start dividend payout</b>
Ans.	<ol style="list-style-type: none"> <li>the pandemic is not completely behind us. We need to conserve cash to meet unexpected operational requirements until we are sure that the Pandemic will no more have any impact on business.</li> <li>We also need to conserve cash for any organic or inorganic opportunity that may come up.</li> <li>But we are aware that paying regular dividends is something on the minds of our shareholders.</li> <li>We have therefore suitably revised our dividend policy.</li> <li>We will revisit the issue after current Covid situation has eased.</li> </ol>
<b>17.</b>	<b>Why market cap is not well? Why has the share price come down so much? Is there any major risk to the Company's Business or any other material development for such fall in market price?</b>
Ans.	<ol style="list-style-type: none"> <li>Reduction in the share price is a function of market dynamics. MCIE share price has suffered in the recent past but it is mostly in line with the trajectory of NSE Auto Index.</li> <li>We do not foresee any structural risks in our business. Covid continues to pose some immediate challenges which the company is confident of dealing with. We have built systemic capability which will be instrumental in our quest for delivering operating results consistent with our aim of generating better Returns on both Equity and Capital Employed.</li> </ol>

<b>18.</b>	<b>Does company have any niche products for EVs?</b>
Ans.	<p>a. Your company intends to utilize the next few years to implement a strategy that will help maintain capacity utilization at MCIE's European forgings plants even after this change happens - increase share of business at existing crankshaft customers, focus on non-engine parts &amp; introduce Aluminum forgings.</p> <p>b. MCIE India supplies to M&amp;M, Bajaj &amp; KIA electric vehicle platforms. While the orders to EVs currently are small, in the range of Rs 150-200mn per annum, they are expected to grow in the future.</p>
<b>19.</b>	<b>When will the Company become debt free?</b>
Ans.	We do have debt. In India we are relatively debt free, our European companies have debt. Your company has taken a balanced approach.
<b>20.</b>	<b>Which business vertical has good margin and has good future</b>
Ans.	All our verticals are expected to improve operations quarter on quarter. We expect to grow all verticals in India.
<b>21.</b>	<b>What is capex for the next three years?</b>
Ans.	5-6% of sales annually
<b>22.</b>	<b>Lesson we have learned from this covid?</b>
Ans.	We focused on cost reduction and cash protection. We were able to make sure that the drop in margins was not as high as the drop in revenues. This focus will continue.
<b>23.</b>	<b>Inorganic growth plans in near future?</b>
Ans.	<p>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 current situation, some suppliers could face difficulties, especially in India.</p> <p>b. Our current priority is to deal with the uncertainties that the 2<sup>nd</sup> wave has wrought. 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</p> <p>c. At the same time, we continue to evaluate acquisition opportunities. Currently, there is no opportunity at an advanced stage of discussion.</p>

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