

Investor Presentation

Q1 CY17 Results

Mahindra CIE Automotive Limited

27rd April 2017 | Mumbai



Mahindra CIE

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MCIE Overview

Legal Structure

CIE Automotive S.A., Spain

51.38% (CIE's holds this through PIA2 of Spain)

Mahindra CIE Automotive Ltd, India

Forgings India (Original Mahindra CIE)
 Foundry India (formerly M Hinoday)
 Magnetic Products India (formerly M Hinoday)
 Stampings India (formerly MUSCO)
 Composites India (formerly M Composites)

18.53%

**Mahindra Vehicle
 Manufacturers Limited
 + Promoter Group**

21.63%

Public

8.46%

**BFPL
 Shareholders**

100%

**Mahindra Gears &
 Transmission Pvt. Ltd**
 Gears India

100%

Bill Forge Pvt. Ltd
 Forgings India

100%

**Mahindra Forgings
 Europe***
 Forgings Germany

100%

Stokes Forgings
 Forgings UK

53.32%

Metalcastello
 Gears Italy

100%

46.64%

CIE Galfor
 Forgings Spain

100%

CIE Legazpi
 Forgings Spain

100%

CIE LT Forge
 Forgings Lithuania

Note: MCIE holds stake in Mahindra Forgings Europe and Metalcastello via Mauritius companies

* Includes GSA, Schoeneweiss, Falkenroth & JECO Holdings all in Germany. For business purposes, Stokes is considered part of Mahindra Forgings Europe

 Investor  Company

MCIE India

Q1 CY2017 Results

Financial Update

(INR Mio)	Jan-Mar 2017 (***)	Change	Jan-Mar 2016	Oct-Dec 2016 (**)
Sales (without Excise)	6,234	+53%	4,086	5,649
EBITDA (*)	790	+84%	430	665
EBITDA%	12.7%		10.5%	11.8%
EBIT (*)	511	+91%	268	392
EBIT %	8.2%		6.6%	6.9%
EBT	515	+103%	253	341
EBT%	8.3%		6.2%	6.0%

(*) EBIT: EBT + financial results, EBITDA: EBIT+ Depreciation

(**) Includes Bill Forge numbers

(***) Q1 2017 includes a revenue of 46 INR mio of positive Exchange rate differences.

Sales is only product sales and does not include any other operating or non operating income while EBITDA includes all income

Market Update (Production)

	Jan-Mar 2017 v/s Jan-Mar 2016	Jan-Mar 2017 v/s Oct -Dec 2016
PV+UV	10.3%	7.9%
Tractors	Growth > 25%	-1.9%
Two Wheelers	-1.2%	3.5%
M&M + Tata#	7.5%	9.7%

M&M and Tata Motors combined – MCIE Addressable market only - Includes production for which the segments considered are for M&M includes PV+UV+LCV+Tractors but excludes two wheelers and 3Wheelers, while for Tata Motors it includes PV+UV+LCV but excludes MHCV

MCIE Europe

Q1 CY2017 Results

Financial Update

(INR Mio)	Jan-Mar 2017	Change	Jan-Mar 2016	Oct-Dec 2016
Sales (without Excise)	9,041	+4%	8,714	7,713
EBITDA (*)	1,156	+13%	1,026	536
EBITDA%	12.8%		11.8%	7.0%
EBIT (*)	777	+19%	655	168
EBIT %	8.6%		7.5%	2.2%
EBT	639	+24%	515	39
EBT%	7.1%		5.9%	0.5%

Market Update (Production)

IHS data is not available.

We have looked at other sources, and as per European Automobile Manufacturers' Association (ACEA) the registration of passenger vehicles across Europe has grown by about 8.4% in this quarter. However, the production of passenger vehicles in Germany (as per VDA which is the German Automobile Industry Association) has grown marginally by 2%.

Similarly as per VDA, Commercial Vehicle production in Germany in Q1 has fallen by approximately 5% as compared to the same period last year.

(*) EBIT: EBT + financial results, EBITDA: EBIT+ Depreciation

Exchange Rates considered for Jan-Mar 2017, Jan-Mar 2016 and Oct-Dec 2016 are 71.97, 74.06 and 74.69 INR/Euro respectively

Sales is only product sales and does not include any other operating or non operating income while EBITDA includes all income

MCIE Consolidated

Q1 CY2017 Results

	Jan-Mar 2017 (**)	Change	Jan-Mar 2016	Oct-Dec 2016 (**)
Sales (without Excise)	15,212	19%	12,743	13,300
EBITDA (*)	1,946	+37%	1,420	1,185
EBITDA%	12.8%		11.1%	8.9%
EBIT (*)	1,288	+39%	924	543
EBIT %	8.5%		7.3%	4.1%
EBT	1,170	+49%	785	380
EBT%	7.7%		6.2%	2.9%

(*) EBIT: EBT + financial results, EBITDA: EBIT+ Depreciation

(**) Includes Bill Forge numbers

Exchange Rates considered for Jan-Mar 2017, Jan-Mar 2016 and Oct-Dec 2016 are 71.97, 74.06 and 74.69 INR/Euro respectively

Sales is only product sales and does not include any other operating or non operating income while EBITDA includes all income

Other Details

Q1 CY2017 Results

(INR Mio)	India			Europe			Consolidated		
	Q1 CY 17	Q1 CY 16	Q4 CY16	Q1 CY 17	Q1 CY 16	Q4 CY16	Q1 CY 17	Q1 CY 16	Q4 CY16
Excise Duty	676	465	656				652	465	656
Other Operating Revenue	321	309	315	248	224	36	569	526	342
Other Income	31	29	62	16	37	74	47	66	121

Annexure 1:

- Results Declared to SEBI

1Q-2017MCIE STANDALONE

₹ in Lakhs

			STANDALONE			
Part-I			Quarter Ended			Year Ended
Particulars			Mar 31, 2017	Dec 31,2016	Mar 31, 2016	Dec 31, 2016
			Un Audited	Audited - Note 6	Un Audited	Audited
I		Revenue from operations	51,247.97	44,734.02	44,777.26	178,689.46
II		Other Income	291.31	612.66	431.41	2,166.06
III		Total Revenue (I+II)	51,539.28	45,346.68	45,208.67	180,855.52
IV		Expenses				
	a)	Cost of materials consumed	25,210.54	20,349.17	20,299.86	81,528.45
	b)	Changes in stock of finished goods, work-in process	46.05	444.67	407.09	465.64
	c)	Employee benefit expense	5,663.93	5,331.62	5,289.14	22,272.99
	d)	Finance costs	255.11	302.21	103.61	710.45
	e)	Depreciation and amortisation expenses	1,711.52	1,779.34	1,832.60	7,102.90
	f)	Excise Duty on Sales	4,842.87	4,624.92	4,357.90	17,671.55
	g)	Other expenses	11,172.78	10,822.13	10,614.30	42,313.91
		Total Expenses (IV)	48,902.80	43,654.06	42,904.50	172,065.89
V		Profit before exceptional items and tax (III-IV)	2,636.48	1,692.62	2,304.17	8,789.63

1Q-2017 MCIE STANDALONE - Continued

₹ in Lakhs

			STANDALONE			
Part-I			Quarter Ended			Year Ended
Particulars			Mar 31, 2017	Dec 31, 2016	Mar 31, 2016	Dec 31, 2016
			Un Audited	Audited - Note 6	Un Audited	Audited
V		Profit before exceptional items and tax (III-IV)	2,636.48	1,692.62	2,304.17	8,789.63
VI		Exceptional items (Refer Note 5)	-	-	-	901.75
VII		Profit before tax (V-VI)	2,636.48	1,692.62	2,304.17	7,887.88
VIII		Tax expenses				
	1)	Current tax	1,260.28	564.82	480.75	2,734.96
	2)	Deferred tax	(287.72)	34.30	302.62	7.84
		Total tax expense (VIII)	972.56	599.12	783.37	2,742.80
IX		Profit for the period (VII- VIII)	1,663.92	1,093.50	1,520.80	5,145.08

1Q-2017 MCIE STANDALONE - Continued

₹ in Lakhs

			STANDALONE			
Part-I			Quarter Ended			Year Ended
Particulars			Mar 31, 2017	Dec 31, 2016	Mar 31, 2016	Dec 31, 2016
			Un Audited	Audited - Note 6	Un Audited	Audited
IX		Profit for the period (VII- VIII)	1,663.92	1,093.50	1,520.80	5,145.08
X		Other Comprehensive income				
	A	i) Items that will not be reclassified to profit or loss	-	(289.85)	-	(289.85)
		Income tax relating to items that will not be reclassified		100.31	-	100.31
		ii) to profit or loss	-			
		Total Other Comprehensive Income	-	(189.54)	-	(189.54)
XI		Total comprehensive income for the period (IX+X)	1,663.92	903.96	1,520.80	4,955.54
		Earnings per equity share face value ₹ 10 each				
		1) Basic	0.44	0.29	0.47	1.53
		2) Diluted	0.44	0.29	0.47	1.52

STATEMENT OF STANDALONE UNAUDITED RESULTS FOR THE QUARTER ENDED MARCH 31, 2017.

Notes:

- 1 The statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (IndAS) prescribed under Section 133 of the Companies Act, 2013 and other recognized accounting practices and policies to the extent applicable.
- 2 The Company has invested in Mahindra Forgings Europe AG (MFE AG), Germany through its wholly owned subsidiaries in Mauritius namely Mahindra Forgings International Limited (MFIL) and Mahindra Forgings Global Limited (MFGL). The actions (such as improving operational efficiencies, close monitoring, improving price realization and reduction in people) have been initiated by the management under guidance of CIE's European Technical team to improve the operations. Accordingly, no provision for diminution in the value of the investment in MFE AG in the standalone accounts Rs. 76,375 lacs has been made. The auditors while taking note of the actions initiated by the management, have mentioned this as a "Matter of Emphasis" in their report.
- 3 During the quarter ended March 31, 2017, the Company concluded negotiations for a price increase with vendors with a corresponding increase in sales price to two of its customers w.e.f April 1, 2016. This has resulted in increase in revenue by Rs. 3,743 lacs with corresponding similar increase in cost of material consumed for the quarter ended March 31, 2017.
- 4 The Company manufactures automotive components and is of the view that it constitutes a single business segment in accordance with IndAS 108 "Operating Segments" notified pursuant to Companies (Accounting Standard) Rules, 2015.

- 5 The exceptional item included in the results for year ended December 31, 2016 pertains to Voluntary Retirement Scheme in the Magnetic Plant of the Company.
- 6 The figures for the quarter ended December 31, 2016 are the derived figures between the audited figures for the year ended December 31, 2016 and published reviewed figures upto September 30, 2016.
- 7 The above results have been subjected to Limited Review by the auditors of the Company in terms of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) reviewed by the Audit Committee and approved by the Board of Directors of the Company at their respective meetings held on April 27,2017.
- 8 Previous period's / year's figures have been regrouped / reclassified, wherever necessary to conform to the current period's classification.

Annexure 2: Market Overview and Outlook

India Market: Key Segments Update - Quarterly

Demand Improving

Market - Production Numbers

Period	Cars + UV's		CV's		Tractors		Two Wheelers	
	Units	Δ%	Units	Δ%	Units	Δ%	Units	Δ%
Q1 C17	961,935	10.3	227,601	-1.7	Growth > 25%		4,671,778	-1.2
Q4 C16	891,404	13.1	188,257	1.3	170,893	51.5	4,512,823	-3.7
Q3 C16	948,290	11.8	188,856	-3.2	182,101	10.1	5,564,467	14.0
Q2 C16	806,507	4.1	205,567	16.4	170,708	17.7	5,173,563	14.1
Q1 C16	852,951	3.1	228,685	19.5	125,000	12.2	4,730,570	7.0

Source: SIAM, TMA

* Δ % - means comparison of Quarter volumes of this financial year with that of the same quarter of the previous financial year. E.g. Q1 C17

Volume is compared to Q1 C16
volume respectively.

Market Outlook - India



- **PVs+ UVs:**
“CRISIL Research expects demand for passenger vehicles (PVs), which rose 7.2% in 2015-16, to accelerate 9-11% on-year, in 2016-17.”... CRISIL Research report dated 31 Jan 2017
- **CVs:**
“LCVs to continue its growth momentum; MHCV sales to remain weak in 2016-17 and 2017-18” ... CRISIL Research report dated 21 Feb 2017
- **Tractors:**
“*CRISIL Research now expects* Sufficient water levels in reservoirs are also supporting rabi sowing, and assuming a normal rainfall scenario for 2017-18, we expect tractor sales volumes to post a healthy growth, reaching peak levels of 2013-14.”... CRISIL Research report dated 21 Jan 2017
- **Two Wheelers:**
“*Until 2019-20, CRISIL Research expects domestic two-wheeler sales to record an 8-10% CAGR. The payouts as per the Seventh Pay Commission recommendations are expected to boost two-wheeler sales over 2016-18. Although the growth rate tapered in FY17 due to demonetisation, we estimate the demand to bounce back and normalise in FY18. .*” ... CRISIL Research report

Market Outlook - Europe

Growth returning, but gradually

- EU – Cars:
 - *IHS Global has forecasted that the Passenger Vehicle production will grow at a slow but steady pace of 0.7% CAGR.*
- EU - CVs:
 - *IHS Global has forecasted that the Medium and Heavy Commercial Vehicle production will grow at a steady pace of 2.1% CAGR*



Thank you

Mahindra CIE