

Interim Update: M&A Announcement

Mahindra CIE Automotive Limited

12th March 2019 | Mumbai



Mahindra CIE

Disclaimer

Mahindra CIE Automotive Limited, herein referred to as MCAL provides a wide array of presentations and reports, with the contributions of various professionals. These presentations and reports are for informational purposes and private circulation only and do not constitute a prospectus, a statement in lieu of a prospectus, an offering circular, offering memorandum, an advertisement, an offer, or a solicitation of any offer, or an offer document to purchase or sell any securities under the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, or any other applicable law in India. These presentations and reports should not be considered as a recommendation that any investor should subscribe for or purchase any securities of MCAL or its subsidiaries (collectively, the "Group") and should not be used as a basis for any investment decision.

Further, these presentations and reports do not purport to be a complete description of the markets conditions or developments referred to in the material. While utmost care has been taken in preparing the above, none of the Group or any of its affiliates, advisors or representatives accept any liability whatsoever for any loss howsoever arising from any information presented / contained in these presentations and reports, or the opinions expressed by the presenters. We shall not be liable for any direct or indirect losses arising from the use thereof and the viewers are requested to use the information contained herein at their own risk. Furthermore, no person is authorized to give any information or make any representation which is not contained in, or is inconsistent with, these presentations and reports. Any such extraneous or inconsistent information or representation, if given or made, should not be relied upon as having been authorized by or on behalf of the Group.

These presentations and reports are confidential and should not be copied, reproduced, re-circulated, redistributed, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of the Group. Any unauthorized use, disclosure or public dissemination of information contained herein is prohibited. The distribution of these presentations and reports in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of the aforesaid should inform themselves about and observe any such restrictions.

Unless specifically noted, MCAL is not responsible for the content of these presentations and/or the opinions of the presenters. Individual situations and local practices and standards may vary, so viewers and others utilizing information contained within a presentation are free to adopt differing standards and approaches as they see fit. You may not repackage or sell the presentation. Products and names mentioned in materials or presentations are the property of their respective owners and the mention of them does not constitute an endorsement by MCAL. Information contained in a presentation hosted or promoted by MCAL is provided "as is" without warranty of any kind, either expressed or implied, including any warranty of merchantability or fitness for a particular purpose.

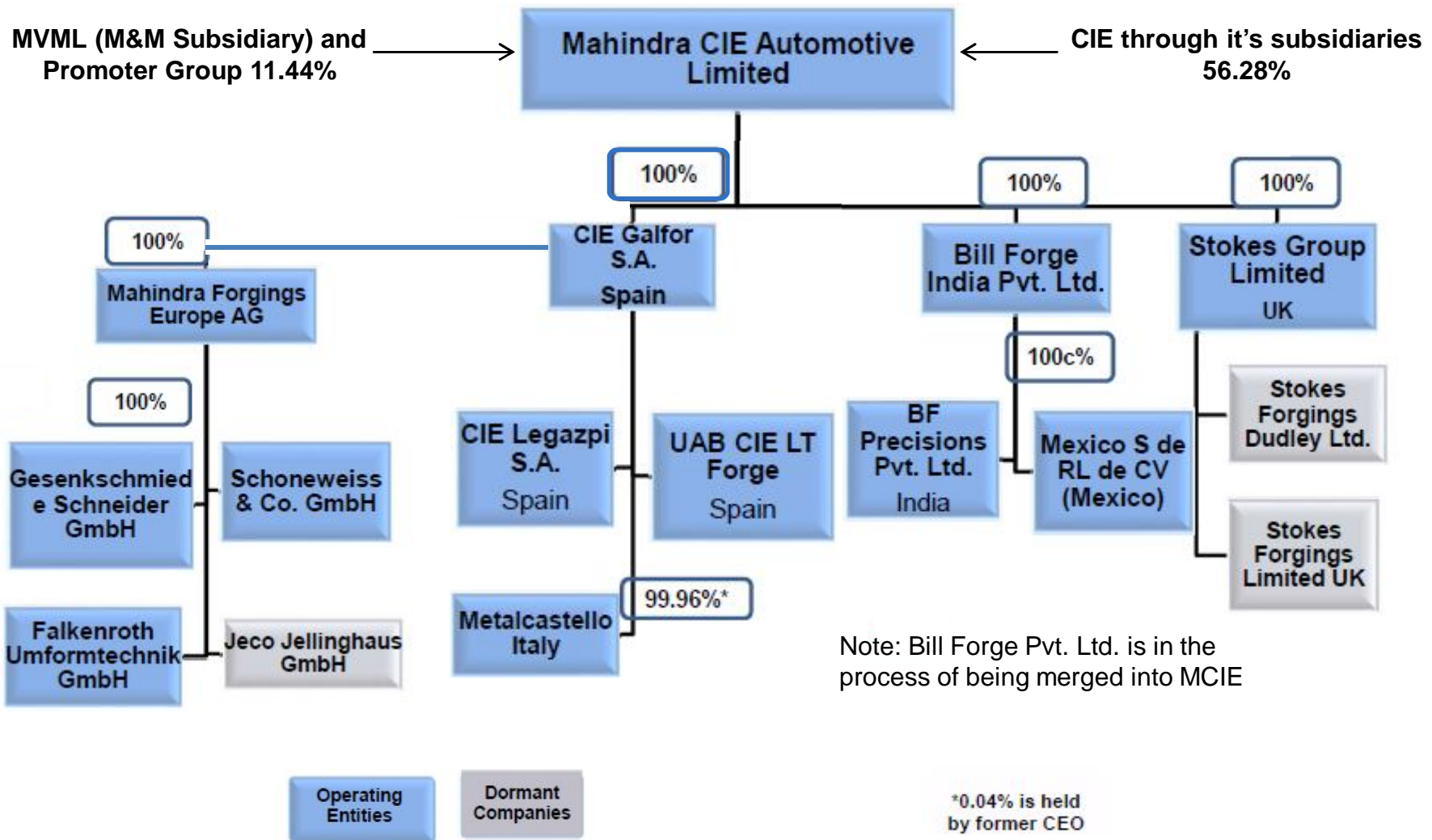
The information contained in these presentations and reports are only current as of their date and have not been independently verified. The Group will not update you in the event the information in the above becomes stale. You must make your own assessment of the relevance, accuracy and adequacy of the information contained in these presentations and reports and must make such independent investigation as you may consider necessary or appropriate for such purpose. Moreover, no express or implied representation or warranty is made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in these presentations and reports. Further, past performance is not necessarily indicative of future results. Any opinions expressed in these presentations and reports or the contents of these presentations and reports are subject to change without notice. The presentation should not be construed as legal, tax, investment or other advice.

These presentations and reports contain certain statements of future expectations and other forward-looking statements, including those relating to the Group's general business plans and strategy, its future financial condition and growth prospects, and future developments in its sectors and its competitive and regulatory environment. In addition to statements which are forward looking by reason of context, the words 'may', 'will', 'should', 'expects', 'plans', 'intends', 'anticipates', 'believes', 'estimates', 'predicts', 'potential' or 'continue' and similar expressions identify forward looking statements. All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results, performances or events to differ materially from the results contemplated by the relevant forward looking statement. The factors which may affect the results contemplated by the forward looking statements could include, among others, future changes or developments in (i) the Group's business, (ii) the Group's regulatory and competitive environment, (iii) the information technology service sector, and (iv) political, economic, legal and social conditions in India and the United States.

The information contained herein does not constitute an offer of securities for sale in the United States or in any other jurisdiction. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Certain numbers in these presentations and reports have been subject to routine round off and accordingly figures shown as total in tables and diagrams may not be an arithmetic aggregation of the figures that precede them.

MCIE Overview: CIE Automotive's Indian Arm



CIE Strategy & Culture: Diversification & Value Generation



INTEGRATION AND MANAGEMENT OF PROCESSES IN A SUSTAINABLE AND PROFITABLE WAY.

- UNIQUE BUSINESS MODEL DEVELOPED SUCCESSFULLY SINCE 1996, WITH A SOLID TRACK RECORD AND AN IRR OVER 20%.
- CARRIED FORWARD IN THE CONTEXT OF THE NECESSARY CONSOLIDATION OF THE ATOMIZED TIER 2 SECTOR.



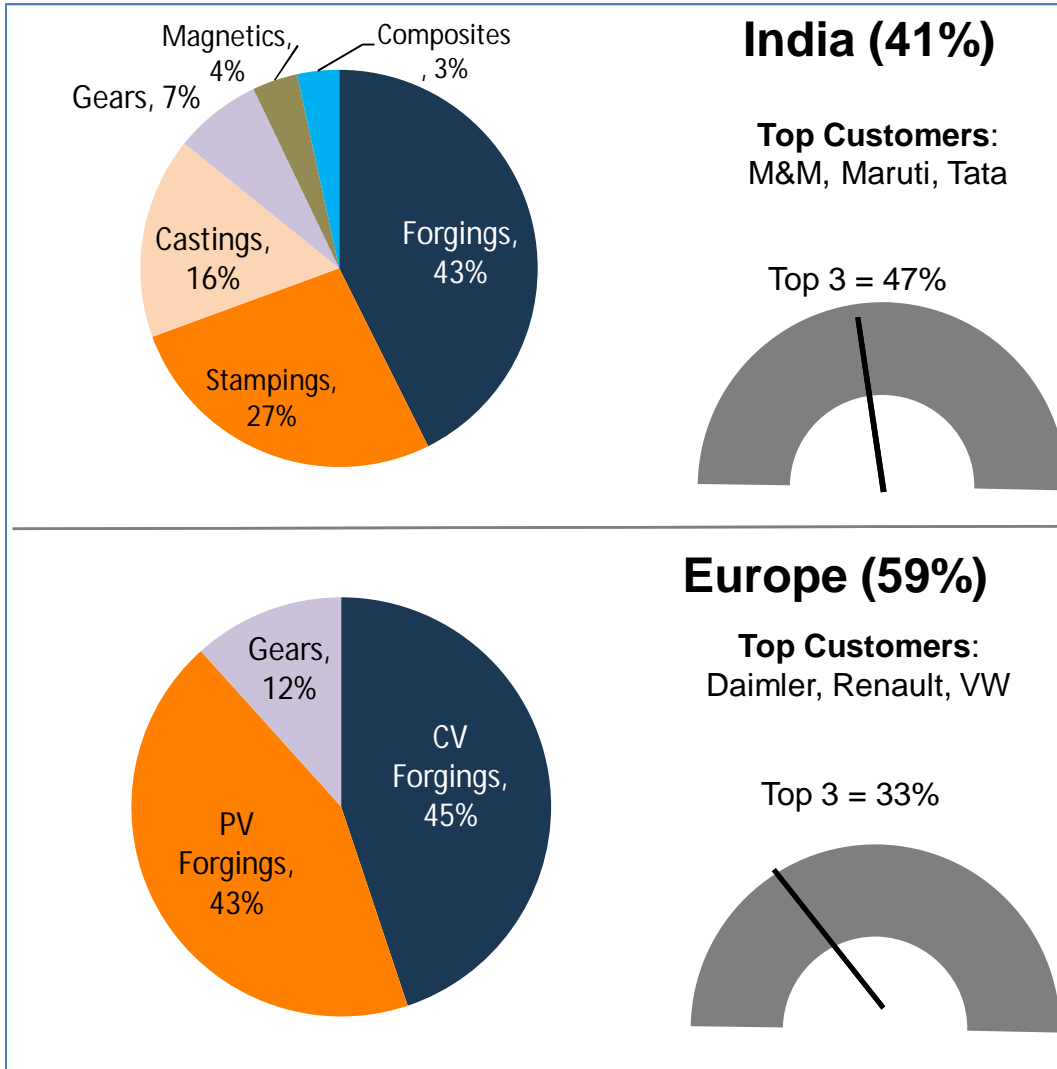
CIE grows through a mix of organic & inorganic initiatives –
it has done more than 70 M&A transactions since 1996, with over 20000 people integrated in Europe, North America, South America & Asia

Source: CIE Company Presentation, March 2019 accessed at

<http://www.cieautomotive.com/documents/125060/137252/Company+Presentation/1b391d2e-bca3-4cf6-ac11-90ef80ff3a53>

MCIE replicating CIE global strategy

Diversification : Geographic, segments, customers



Operational Excellence

INVESTMENT DISCIPLINE AND RETURN EXIGENCE	
STANDARD FLEXIBLE MACHINERY	Valid to produce for different customers and platforms
STRICT INVESTMENT DISCIPLINE	Investment analysis discipline, always requiring high returns.
EBITDA CONVERSION INTO CASH	Optimization of productive capacity and investment control

*Data for CY18

MCIE performance has been consistent and it is in a position to focus on growth initiatives

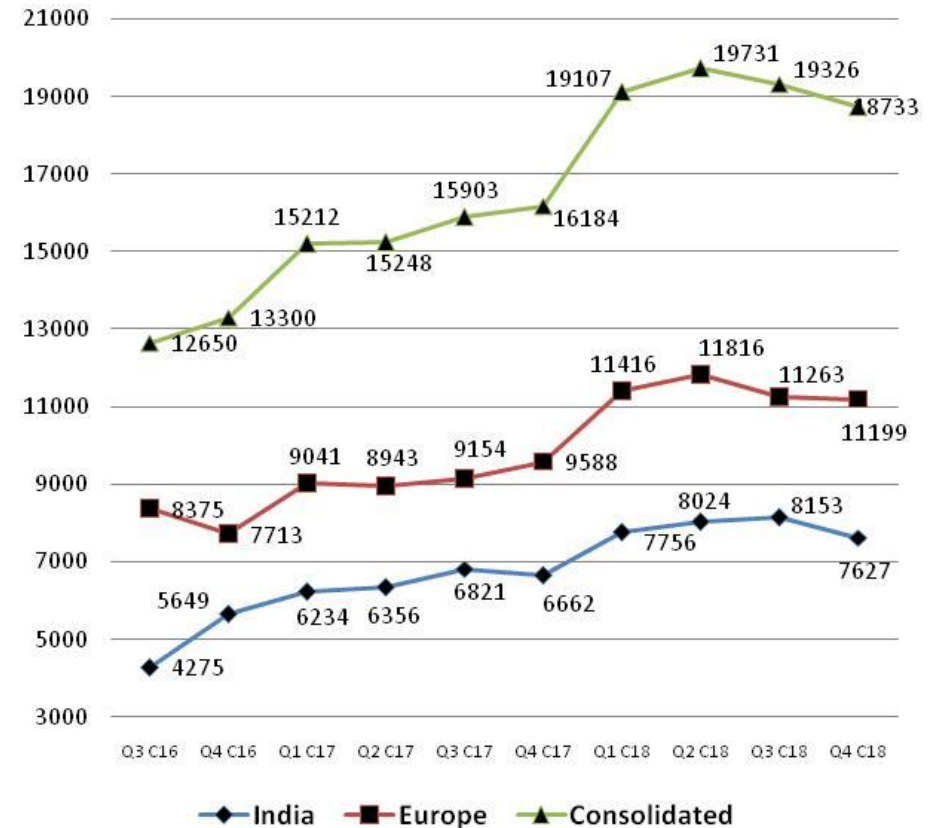
RATIO	CY 2018	CY 2017	CY 2016
EBIT% ⁽¹⁾	10.5%	9.2%	6.3%
RONA ⁽²⁾	15.8%	11.9%	9.0%
Operative Cash Flow /EBITDA	66%	44%	46%
NFD/Equity	0.17x	0.24x	0.3x
NFD/EBITDA ⁽³⁾	0.67x	1.1x	1.6x
ROE	11.6%	9.6%	5.2%
ROE Continuous Operations	12.8%		

(1) The EBIT numbers for CY 2017 and CY2016 are excluding Stokes

(2) RONA = "Return on Net Assets": EBIT / Net Assets (Fixed Assets + Net Working capital + Goodwill).

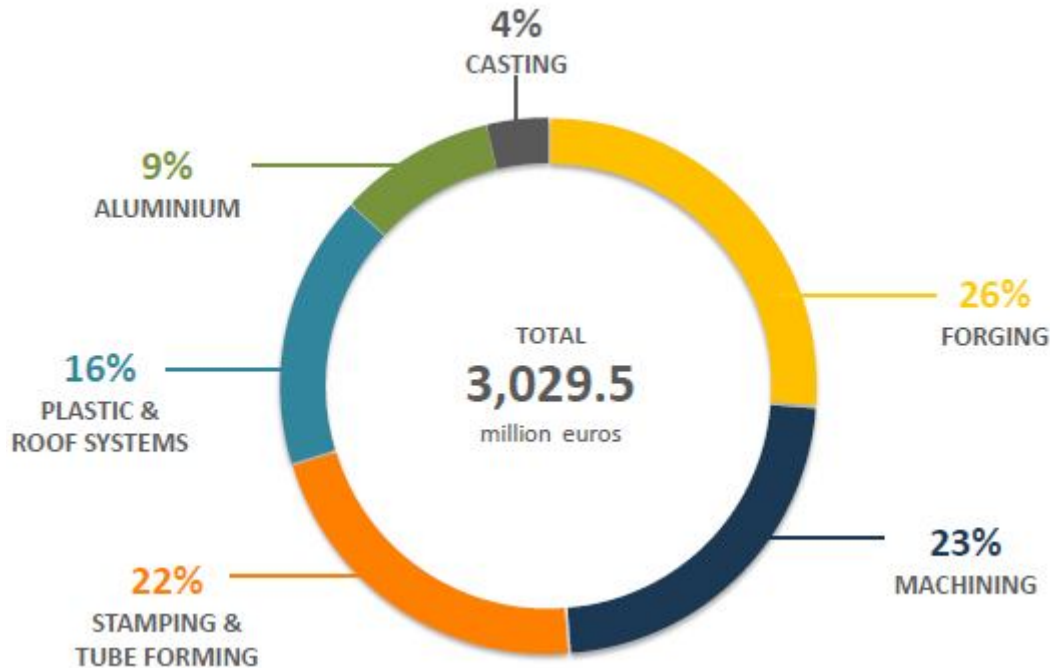
(3) For all ratios of 2016, Bilforce last 12 months EBITDA and EBIT has been considered

Revenue (Rs millions)



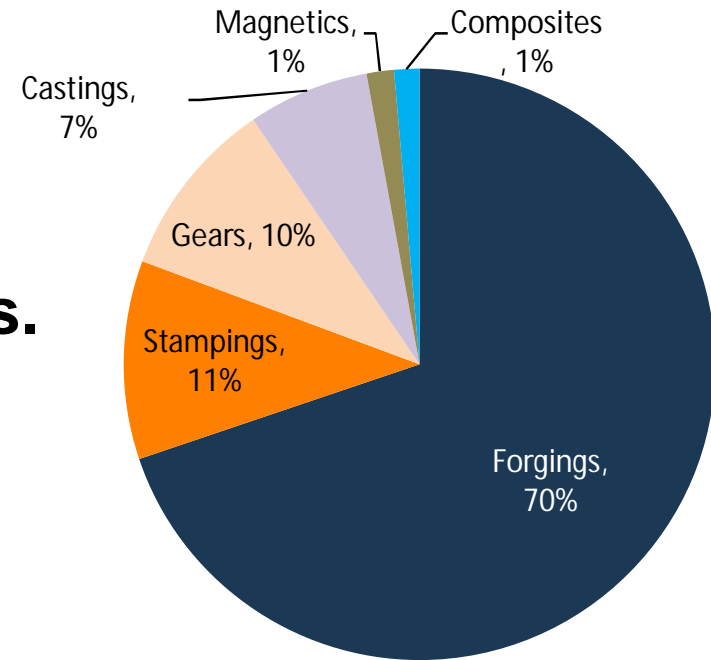
Entry into Aluminium is a key part of replicating CIE portfolio

CIE Consolidated (CY18)



Vs.

MCIE Consolidated (CY18)*




*MCIE is the forgings arm of CIE and CIE's vehicle in Asia – Forgings will continue to have higher weightage in MCIE than in CIE

Aurangabad Electricals: Aluminum Die Casting & Machining

Announcing acquisition of business of Aurangabad Electricals (AEL) – Aluminum die casting company for two wheelers & passenger cars primarily in the areas of body, brake & engine parts

Plant Locations



Plant N1
HPDC (17 presses: 150-900 T) + Machining

Plant 3
HPDC (22 presses: 150-650T) + Machining

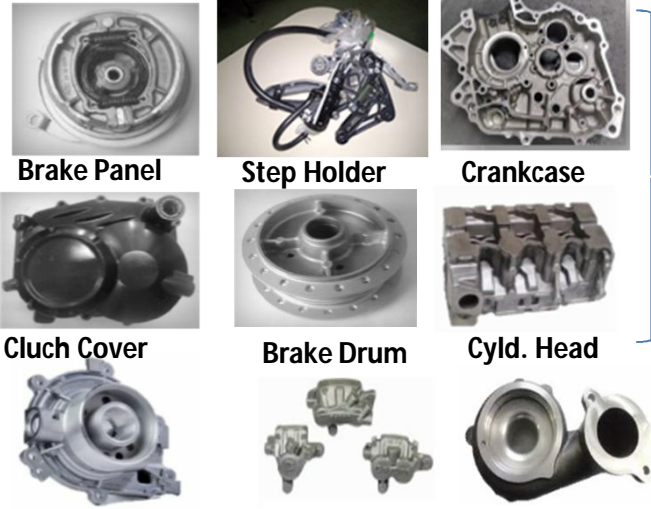
Plant 3A&B
HPDC (7 presses : 840T) + Machining

Plant GDC
GDC(32 machines) + Machining

Tool Room

Plant 6
HPDC (10 presses: 250-840T) + Machining

Products



Brake Panel **Step Holder** **Crankcase** **HPDC**

Clutch Cover **Brake Drum** **Cyld. Head**

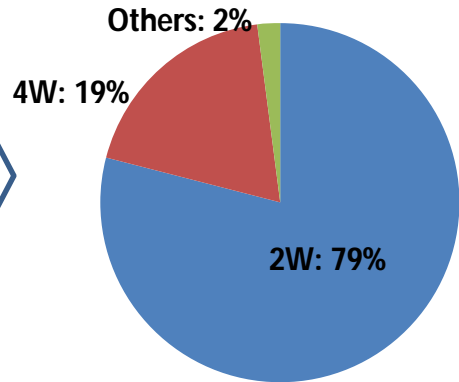
Oil Pump Hsg (HPDC) **Brake Caliper (GDC)** **Turbo Cover (GDC)**

+ Capabilities for Heat Treatment, Powder Coating, Assembly & Leak Testing

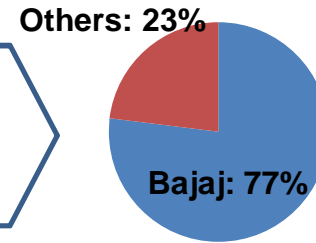
*HPDC= High Pressure Die Casting
 GDC = Gravity Die Casting

Aurangabad Electricals: Overview (H1FY19)

Market Segments

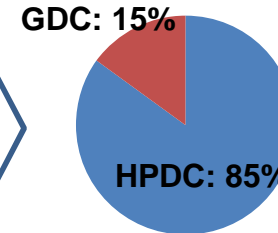


Customers

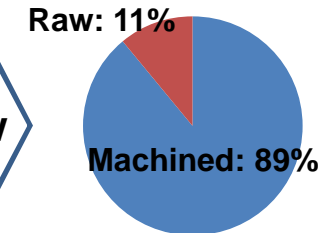


Others include Nidec-GPM, Brembo, Mitsubishi, Bosch, Valeo, Ashok Leyland etc.

HPDC vs. GDC

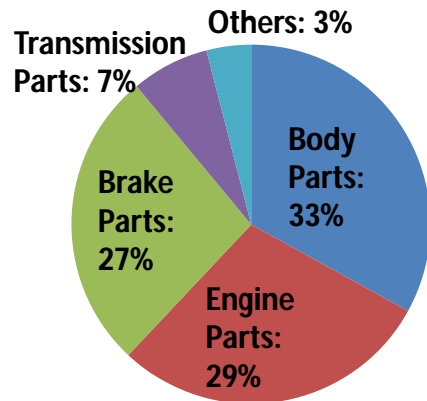


Machined parts vs. Raw Parts



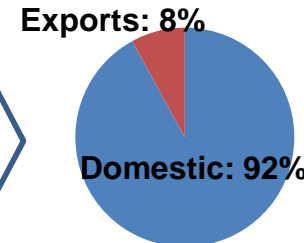
HPDC : >90%
GDC : 60%

Product Categories



100% share of business in many product categories

Domestic vs. Exports



~40% of Bajaj production is exported. Overall dependence on exports is 35-40% of revenues

**Strong Customers + Strong Goodwill + Strong presence in 2W + Increasing Exports
&
Diversified Product Mix + High Machining Content + Competitive position in top products**

Aurangabad Electricals: Financials

P&L*

- Net Operating Revenues F19 (E): INR 8586 Mn
- PAT% F19 (E): 4.7%
- EBITDA% F19 (E): 11.8%
- Revenue Growth
 - F19 (E): 34%
 - F18 (A): 14%



*Numbers are estimated for FY19 and as of March 31, 2019

(E): Estimates

(A): Actuals

Excellent Track Record

Aurangabad Electricals: Going Forward



- Market – AEL dependent on 2W market & especially Bajaj Auto
 - Two Wheelers is traditionally a segment with the least cyclical and will remain largely stable
 - Rise in Rural income and penetration leading the growth
 - Scooters & Premium motorcycles demand growing
 - Exports growth led by Latin America and South Asia
 - Bajaj continues to be one of the strongest auto OEMs domestically and one of the largest exporters

- Exports – AEL expanding export portfolio
 - As Europe and other advanced economies curtail Gravity Die Casting (GDC), export opportunities are arising

- Strategy
 - Continue to add new products in the 2W portfolio
 - Focus on GDC to increase exports
 - Optimise operational efficiency especially in new products & lines

- Capex & Growth
 - Aiming at double digit growth in the near future
 - Most of the capex for growth already done – from next year, 4-5% of sales as per norms

Deal Parameters

- 100 % of acquisition of business of AEL through equity
- All Cash Deal
- MCIE will pay through cash on its balance sheet
- Enterprise Value* of Rs 8756 mn
- EV/EBITDA – F19: 8.7, F20: 6.7
- Management team fully retained

*Enterprise NPV includes future deferred payment estimated upto INR 622mn associated with NPV of future cash flows of subsidies for AEL under the Government of Maharashtra's Package Scheme of Incentives, 2013



MCIE's Rationale for Acquisition & Subsequent Integration



- Ensures entry into AI die casting
 - AI will play a larger role as electrification of auto industry happens; will help MCIE in future
- Increases revenues & profits in India
 - MCIE's dependence on India: 41% to 47%
- Strengthens presence in 2W segment
- Diversifies customer base
- Is Value Accretive
 - Improves ROE% & EPS
 - Marginal impact on EBITDA% & RONA%
- Integrates a well run company
 - Strong historical performance
 - Excellent management team, led by industry veterans, team is being retained fully
 - Good internal controls
- Provides synergies with CIE
 - Expands GDC footprint of CIE
 - Opportunity to improve efficiencies via CIE manufacturing excellence model
 - More European business for AEL



Thank you

Mahindra CIE