



“Mahindra & Mahindra Limited Investor Analysts  
Conference Call”

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**Moderator**

Ladies and gentlemen good afternoon and welcome to the Mahindra & Mahindra Investor Analysts Conference Call with Mr. V. S. Parthasarathy, Group CIO, EVP – Finance and Mergers & Acquisitions; Mr. Artazcoz Ignacio, CFO, CIE – Automotive Group and other senior management members of Mahindra & Mahindra. As a reminder for the duration of the conference all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call you may signal for an operator by pressing \* and then 0 on your Touchtone telephone. I would now like to hand the conference over to Mr. V.S. Parthasarathy for opening remarks. Thank you and over to you, sir.

**V S Parthasarathy**

Thank you and I welcome each and every one of you to this conference call. I think this has been called at short notice but I understand already about 140 plus of you have logged in. Thank you very much for joining us at short notice. What I am going to talk today is about the businesses and the units in the Mahindra Systech i.e. the businesses like forgings, castings, composites; gears and stampings are involved in the transactions which we announced on Saturday. I now want to kind of take you through the steps that are going to happen and the sequence of the transaction. The first step that we announced is that Mahindra Forgings, Mahindra Composites and Mahindra Hindoday we will share sell the shares to CIE subject to regulatory approvals for a total consideration of Rs. 673.70 crores. The second step that will happen is that M&M will invest €96.24 million in CIE Automotive for a 13.5% shares. This will make Mahindra the second largest shareholder in CIE Automotive.

The third step will involve all Mahindra Systech companies as defined by me which is Forging, Casting, Composite, Gear, Stamping all of them will come together and be merged into Mahindra Forging and be rechristened as Mahindra CIE Automotive Limited. It will also have the merger of entities which were belonging to the Erstwhile CIE, our CIE's European Forging business will merge in to this Mahindra CIE Automotive Limited. What this results in to my mind is a global alliance and this global alliance will go from what today Systech is about \$750 million transaction to a \$3 billion revenue company. The second is that it will also have achieved the Systech vision of bringing all of it together as a single entity. The third one is that it will bring about a complete focus of having businesses across the globe with very special focus on BRIC countries. The South American footprint that CIE has and the Indian footprint that Systech has together will provide that kind of focus.

The other aspect is about responsibility, we had a responsibility to enable value creation by listing we believe that the ability and the opportunity to create value has been fully operationalised. Now once the final outcome comes in the Mahindra CIE Automotive Limited will have the shareholding wherein M&M will hold 20.2%, CIE depending on how the open offer pans out will hold between 45% to 53% and the balance will be held by PEs and public at large. So these are the broad steps that are involved and got objectives of doing it. It takes us from being a big player to being arguably one of the top 25 auto components companies in the world. I am not saying legalistically but it puts in a big league so that is broadly the step on

this. We have talked about the complementary business in some sense so let me expand on that by saying that the complementary business is not is one on products and other one is on geography while CIE has a huge footprint in North and South America we have it here big footprint in India and by bringing it together and consolidating in Europe with both our footprints are significant gives us a very big pan globe kind of a presence which is complementary in nature. Without adding more and leaving something for the Q&A that you will ask I will now turn over the mike to Ignacio so that he can make some opening comments on CIE Automotive and Autometal and then we can take your question and answers.

**Artazcoz Ignacio**

Good morning everybody. This is Ignacio Artazcoz from CIE Automotive. I am the CFO of CIE Automotive. So let me introduce briefly CIE Automotive. We are an industrial company an international industrial company, we defined ourselves as international because we have presence mainly in Americas, Brazil, Mexico, US and also in Europe. We are a company with market cap of around €700 million. Our turnover last year was €1.6 billion and we made an EBITA in 2012 of €2,024 million. So we are an automotive components company this is our core business and as said we have presence in different regions.

All our automotive components business is in Americas and that is Brazil, Mexico, US but also is starting in other emerging countries like China are under Autometal. Autometal is our listed company that we have in Sao Paulo it is listed in the Sao Paulo stock exchange. We hold 75% of Autometal the rest is free float and Autometal is a listed company that will be or is currently our expansion company for the rest of the world apart from Europe. So this transaction that Partha clearly explained we will be acquiring the stake in Mahindra CIE, let us say like that in the final company let us summarise like that through Autometal. So Autometal will be acquiring the stake in different companies and Autometal will be the one that will be consolidating Mahindra CIE Automotive in the future.

So regarding business and regarding complementary aspects as Partha said I would only add one that is from the customer's point of view. Both groups, we are not competing in any technology in the region but also not in customers. So there is a great synergy because we are able to combine the two groups bringing from CIE's side many new customers into Mahindra CIE but also from the CIE perspective bringing into CIE group new customers in a sector like the heavy duty sector, a sector where we have very, very low presence in CIE Automotive because we are much more focused as I said in passenger cars. So that is a great complementary in geographies, technologies, customers and so on and we are really happy with this transaction.

**V S Parthasarathy**

Excellent, thank you. Now can I request the Q&A to start?

**Moderator**

Thank you very much, sir. Participants we will begin the Question & Answer Session. We have our first question from the line of Aashish Poddar from Edelweiss Securities. Please go ahead.

**Aashish Agarwal**

This is Aashish Agarwal from Edelweiss. Sir, I had this question about the total cash inflow and outflow that we are seeing, so what I understand is that we are receiving about Rs. 674 crores as receipt towards the sale of shares and there is an outflow of about Rs. 740 crores towards the money that we are putting in CIE plus also there are the Rs. 340 crores transaction of where certain assets of Mahindra Ugin are being purchased by M&M. So does that mean that we are a net outflow of about Rs. 400 crores?

**V S Parthasarathy**

Yes, so first and foremost is that your point about Rs. 674 crores is absolutely correct. The second is we have to pay €96.24 million. If you take at Rs. 70 crores it will be Rs. 670 crores. If you take Rs. 77 crores which is the last one it means your point is correct. If it is lower than Rs. 70 crores on the date of transaction it could be lower, which is why I want to be in Euros and not in Rupees but it is largely cash neutral is what I will put it except for FX. No, just one second I will answer your question and then you can see if you are not. That is the portion between CIE and M&M this is the transaction. Now we are buying some assets from MUSCO which is in turns of some real estate or shares of steel and some land. So these two are what we are receiving value and for that we are giving Rs. 340 crores which is a fair value as being certified by the valuers. So from a cash outflow point of view you are right M&M gives an additional Rs. 340 crores and at normal which is the outflow plus any Apex impact.

**Aashish Agarwal**

Second aspect on the question was the Systech revenue was about Rs. 5,000 crores in FY13 as per the segmental reporting that we last had. Now I understand in this presentation we are saying this is about Rs. 4,000 crores so is this gap because of the other businesses that are not being part of it?

**V S Parthasarathy**

When we said Systech actually had the businesses which I talked about over and above there are three other businesses. First is Aerospace. Second is the Steel business which is a JV now between M&M and Sanyo and Mitsui. The third one is Mahindra Engineering Services which is the third business. These three businesses are not part of this transaction and if you remember the Rs. 340 crores which you asked about in the earlier question and I said that shares of Steel is being bought this is the shares of the JV that we hold, which is the Mitsui, Sanyo, M&M JV. So these three businesses are not part of the transaction because they do not represent the in a sense auto component. And if you look at, we had put up what is called as a press information booklet. Chandra, you put this up on the website and if you look at what is that page 12 I think in that you will get more clarity because it clearly states what is not in the part of the transaction, Steel, Engineering Services and Aerospace. Am I clear?

**Aashish Agarwal**

One final question for the Rs. 4,000 crores that will be a part of Mahindra CIE eventually so what will be the margin profile on a Proforma basis for FY13 because I understand that for FY13 Systech as a whole was -1% but how should it be for Mahindra Forging just what is being part of CIE now?

**V S Parthasarathy**

So you see what will happen is this is like I said step 3 is consolidation of all this. If you put it on a Proforma you will have to also add the CIE Forging Proforma and if you wanted to get a

feel of this listed entity called Forging including that we will be putting that together and at an appropriate time we will be able to share it with you.

**Moderator** Thank you. Our next question is from the line of Kapil Singh from Nomura. Please go ahead.

**Kapil Singh** Sir, couple of questions from my side. Firstly M&M is ceding control in what will be the new entity Mahindra CIE. So just wanted some colour on why you think that is a better approach and what is the growth vision for Mahindra CIE from Rs. 5,000 crores where do we see it going in next three years or five years and then secondly what will be the final number of shares assuming that open offers are fully subscribed for Mahindra CIE?

**V S Parthasarathy** So you had two questions. One was a very a philosophical one which says that ceding control. You said I started by saying two things, one is the aim and one is the responsibility. If I look at my aims I said I have to get a global alliance and a global skill and this particular alliance allows me to become global from that point of view. I also had a vision which is the one Systech. This allows this to happen. The third one is getting things complementary. I can go around trying to get acquisitions which gives me this but at times and even certainty both could be a question of both challenge and this and you know how M&As are. Having done 50 transaction and CIE have done many transactions we both can tell you how easy and how difficult this is. But coming back to the second part also the responsibility of value creation and in value creation you have seen that by listing and by enabling value creation we are doing what is best for the shareholders from that perspective. About the philosophy per se, Anand had handled that question and I am sure you have heard it if not I will send you a link of this answer, Kapil?

**Kapil Singh** Yes sir.

**V S Parthasarathy** But from a CFO perspective of answer what drives it both from the aim and responsibility point of view. Now, let me handover for the second part of the question about the future to Ignacio to answer that portion of the question and I just put it on mute just to tell him that we do not give guidance, okay so you can say by that philosophy of M&M.

**Artazcoz Ignacio** Okay so we are also a listed company and we also know that we cannot keep guidance on things that are not public for the moment. But in any case in CIE Automotive we have a clear strategy of profitable growth in different parts of the world. So in the past we have been growing quite a lot in Brazil, quite a lot in Mexico, in NAFTA market, also in Eastern Europe and so. So our next bid for growth and for the future is obviously Asia and for us in Asia our clear bet is India and obviously this alliance that will be created in the future. In any case what we expect from Mahindra CIE for the future is that the company grows, that the company becomes a bigger company not only in the Indian market but also for exports to other markets because we see India is a very competitive market for exports to other countries and we see also India as a clear hub for expanding in to other countries in Asia like Thailand, Indonesia

and so on. Countries that are also very interesting for automotive components. So we see a clear future of growth in Mahindra CIE coming from this company.

**Kapil Singh** Sir along with growth complementarities that we talked about like geographic and product, do you also see opportunities to supply to your existing customers out of India which will be where profitability could be better?

**Artazcoz Ignacio** Very clearly. We see very clearly I said that India is a very competitive market for exporting in to other countries we see clearly like when we analyze our global situation we see that two regions are getting more and more competitive that is one is Mexico that is really competitive for the United States. Mexico is more competitive than China currently for the United States for manufacturing into United States and India is the other region that we see other countries that we see also very competitive and from India we expect to produce for different countries like it could be for Europe, could be for Brazil because Brazil is losing a little bit of competitiveness currently in terms of very dependence on currency and you know when talking about currency there is a little bit more volatility in competitiveness. But in any case we see very clearly India as an export hub for other regions.

**V S Parthasarathy** And the fact that complementarities is very, very high both in geography and product. That means that and the size becoming substantially bigger than what individually components were allows for both the bottom-line and top-line growth.

**Kapil Singh** Yes sir, that is very helpful. Sir, I had asked if it is possible to share the final share count that will be there for Mahindra CIE if the open offers go through as expected?

**V S Parthasarathy** Easier question Kapil, isn't it?

**Kapil Singh** Yes.

**V S Parthasarathy** What you are asking is what will be after all the mergers happens Yes?

**Kapil Singh** Yes.

**V S Parthasarathy** Open offer is only changing hands from one shareholder to the other that will not change the overall number of shares for Mahindra CIE. If your question is what will be the Mahindra CIE number of shares after the complete merger takes place assuming the Government approves it and all the authorities approve it. So currently my understanding is that, somebody in the room should correct me if I am wrong, currently Mahindra Forging which is the earlier name of what will be eventually Mahindra CIE Automotive has 9.2 crores shares. After all the mergers has happened the total number of shares will be 32.57 crores. From 9.2 crores it will move to 32.57 crores. I am just rounding off in terms of crores so if you see the full breakup it could be 57 some odd or 56 odd. So that is the thing and this is on a fully diluted basis in a sense there are some ESOPS etc. I am assuming they will devolve by that time. If not, it may be a little shy of

this number. So for the international people it means it is a fair point of Chandra for this one in millions it will be 325.8 million to round off.

- Kapil Singh** Thank you sir, that is very helpful.
- Moderator** Thank you. Our next question is from the line of Aditya Makharia from JP Morgan Chase. Please go ahead.
- Aditya Makharia** In terms of the exports out of India could you just give slightly more colour on what kind of products we would be looking to export and would it be for any particular segment if you have already identified?
- V S Parthasarathy** Can I repeat Aditya, what you are saying is Mahindra CIE post this alliance what we are exporting out of India and what kind of products and what kind of markets, is that what your question is?
- Aditya Makharia** Yes.
- V S Parthasarathy** Sanjay can you?
- Sanjay Joglekar** Yes but I think this is something partly which Nacho already clarified as India will be the hub for exports in Europe and other countries where we are competitive and export of products could be for things like Forgings and Gears. Stamping of course due to volume it is generally not exported.
- V S Parthasarathy** So it is Gears and?
- Sanjay Joglekar** Forging, Gears, Castings.
- V S Parthasarathy** And we may do more impact in Thailand, Hemant was talking about expansion.
- Sanjay Joglekar** That could be from the expansion point of view right not from export point of view.
- S Parthasarathy** But from Mahindra CIE point of view Yes, from an export point of view.
- Sanjay Joglekar** Yes. From export point of view, yes.
- V S Parthasarathy** Aditya, first is the export because these are heavy parts the value addition is very high and transporting cost is an important criteria which is why in a sense Ignacio pointed out and Mexico is more competitive for North America than China. Transportation cost also adds up when you talk about landed cost. So similarly everywhere export is not possible there are two ways to answer your question. Export we have answered but Mahindra CIE may establish more footprints in Thailand and other kind of thing over and above other places exporting to other places from India.

- Moderator** Thank you. We have our next question from the line of Hitesh Goel from Kotak. Please go ahead.
- Hitesh Goel** Sir, can you just explain this MUSCO thing, that you are buying real estate and also stake in MUSCO? Secondly also is it possible to share what will be the net sales EBITDA or some financials of CIE Forging?
- V S Parthasarathy** So Sanjay, I will give you the second part of the question See first is that there is we have a JV with Sanyo and Mitsui and these shares actually came in to the joint venture because Mahindra was holding. So Mahindra is buying these shares from MUSCO and this is based on a valuation as I said does by terms by Arms length. There is also some surplus land. Both these are assets which the new Systech does not require, so these are required outside and also MUSCO may have some debt which they want to take care of before it becomes in a form then it is easy to treat it as only a Systech asset. Like I told you steel is outside. So these are the assets valuation at arm's length basis. In one case E&Y has done it for the shares and ICICI Home Finance for the land part of it.
- Hitesh Goel** So total out go on this is?
- V S Parthasarathy** Rs. 340 crores.
- Hitesh Goel** So M&M will have 100% stake of MUSCO plus they will buy land from MUSCO. The total outgo is Rs. 340 crores?
- V S Parthasarathy** Let me be clear; M&M will have the steel JV shares that MUSCO had.
- Hitesh Goel** So MUSCO has a JV in which basically full stake will be bought by Mahindra and some real estate the total value is Rs. 340 crores.
- V S Parthasarathy** Yes absolutely.
- Sanjay Joglekar** MUSCO had a 51% stake in JV which will be bought by Mahindra the rest 49% stake in the JV is held by Sanyo and Mitsui.
- V S Parthasarathy** Will remain with those people. Now the second part of the question is what is just give a little bit of feel of the business which are getting merged in to Mahindra CIE Forging?
- Hitesh Goel** Yes.
- Artazcoz Ignacio** So regarding CIE Forgings what we will include into Mahindra CIE is all the Forgings operations in Europe that are basically three plants, there companies that are based in Spain and Lithuania. Companies that are for forgings mainly for passenger cars and with the



advanced technology, very innovative technology for production of long series forged cranks shafts where we have very strong presence worldwide. So the financials of these three companies roughly speaking turn over of around €150 million and with an EBITDA of around €21 million.

**V S Parthasarathy**

So Ignacio, yesterday somebody asked you the question in the press conference in terms of how your European operations EBITDA mode and if you can tell them, the feel is that it is value adding to Mahindra CIE and I think it will...

**Artazcoz Ignacio**

Because in the press conference last Saturday people asked about Europe and everybody is typically concerned about the European operations of any company and specially also in automotive. So our experience in Europe in the last years has been that reasonably good. Regarding volumes it is true that the volumes that we are experiencing now in Europe are about 75% of what it was in 2008 that would be their peak year probably then came the crisis and currently we are at the 75% of those volumes. In any case in the last two years or in the two to three years we have been working very hard in Europe to reduce our breakeven we have spent a lot of money reducing breakeven, mainly layoffs of white collar employees that has been done and this has allowed us to, at this moment of time, to increase our EBITDA margins in Europe up to a level over 15%. And this situation makes that currently CIE Automotive in Europe is having profits in every company that we are running in Europe and we have better results now in Europe than what we had let us say three years ago or four years ago before the crisis. So what are we expecting now from the European market. So we are pretty sure that the volumes will come back what we do not know is when the volumes are coming back. It does not matter for us in this good situation of profitability of all the companies it does not matter really that they come back this year or the following year but in any case year 14, 15 or 16 all the volumes will be back and from this very good situation regarding profits and regarding margins we will increase our results in Europe where the volumes are coming back.

**Moderator**

Thank you. We have our next question from the line of Ambrish Mishra from JM Financial. Please go ahead.

**Ambrish Mishra**

Sir, there are two questions. One is can you share the capacity utilization of Mahindra Systech as a whole which actually becomes part of this transaction and the number two was in terms of the investment in to CIE's 13% stake eventually is that going to be directly through M&M or it is going to be routed through may be subsidiary, if you can just clarify that?

**V S Parthasarathy**

Okay, so easier part I will take first and then ask you to repeat your first part of the question is it CIE it will be routed through a subsidiaries what Yes we have publicly said we have waiting first for the statutory approval both from authorities here SEBI everyone and also competition commission and post that we can do so we have retained the flexibility to invest it directly or through subsidiaries.

- Ambrish Mishra** And sir, what would be the capacity utilization of assets which are becoming part of this transaction for example Mahindra Forgings, MUSCO and all?
- V S Parthasarathy** Sorry, I do not understand?
- Ambrish Mishra** The capacity utilization?
- Artazcoz Ignacio** Of each of the entities broadly?
- Ambrish Mishra** Yes broadly.
- Sanjay Joglekar** Of the Indian entities. Okay, at the moment it is around 70%.
- V S Parthasarathy** On a very broad level.
- Sanjay Joglekar** Yes I mean company wise I can describe in detail may be on a separate call but broadly 70%.
- V S Parthasarathy** So if it so felt actually along with the call of the Mahindra MFL or one of those calls we will be happy to share in detail but broadly Sanjay said 70%.
- Ambrish Mishra** And sir, finally just last question. Sir, post once you have Mahindra CIE Automotive in operations what would be the broad segmental revenue mix look like I mean cars CVs, can we get some broad sense on that?
- V S Parthasarathy** It is too early on this to comment on this so why do not you wait at an appropriate time we are very happy to share but it is probably jumping the gun at this point and I said this is step one is announced approvals step 2 and so on and what the revenue stands at that point of time and the segment could be described better at this point of time. But the five businesses which it will include so let me repeat that. It will be gears, forgings, castings, stamping and composites these are the business assets.
- Artazcoz Ignacio** One important point only here is to remark that what we are creating through Mahindra CIE is real global forging power house. So we are creating a global company regarding forgings technology with presence in most of the regions around the globe.
- Moderator** Thank you. We have our next question from the line of Chirag Shah from Axis Capital. Please go ahead.
- Chirag Shah** Sir, first question is just trying to understand what could be the total capital investment that you would have made in all the Systech entities over the years, equity contribution, direct as well as indirect; can you just share some ideas because it has been through various subsidiary levels.

- V S Parthasarathy** So overall we had invested, we would have in our books about Rs. 1,000 crores to Rs. 1,200 crores roughly on a very broad level. And if your question is coming on the other ones so you hold it to the next conference call. After Q1 we would have got the approval and I can share in more details but broadly I can tell you that there is no problem.
- Chirag Shah** And second question would be if you can just explain this share swap details that you have given on the third last page of presentation. Now for every 100 shares of MFL you get for example 284 shares, so how to read this so you are saying that every 100 shares of MUSCO will get 284 shares of MFL?
- V S Parthasarathy** Yes, that is right.
- Chirag Shah** So in that case this number of shares would be?
- S. Durgashankar** See let me clarify. Actually when we say it is 284 let us talk in one share basis even though it is 100 it is written but what people will be getting is that one MUSCO shareholder will actually get 2.84 shares of Mahindra Forgings. So if it is 100 it is set to 284 to 100.
- Chirag Shah** But if I look at the market cap of those two entities it gives me some...this is based on the current transaction or it will be based on all merged entities and how should one look at the combined market cap of Mahindra Forgings?
- S. Durgashankar** First is that the swap ratios are fixed and by the valuers appointed for this purpose, it is SR Batliboi and NM Raiji & Company. And with respect to the combined market cap as it will happen at that point in time it is not correct to that is not a guess already Partha has told you what will be the total number of shares it could be at the end of that entity and I do not think we would be hazarding a guess about what will be the share price at that point in time.
- V S Parthasarathy** Two is also because it is relative and it is not absolute. This is the swap is always a relative valuation and it should not be confused with absolute valuation more as the concept I am telling you rather than as a on this particular transaction. So this is the relative swap that they have given which they have valued on a certain basis Forgings and the same basis they would value MUSCO or any other company in that Gears and so on.
- Chirag Shah** So this would take in to account the current profitability of the entire entity or a single entity?
- V S Parthasarathy** This would take into account everything that a valuer deems fit to take and these are valuers who do not necessarily disclose all the detail to us in specific what they will do to the authorities like SEBI, etc., but to us they give a swap ratio. But even I will know what are the constituents of any valuation.
- Chirag Shah** Second point was just a broad question on thought process of this 13.5% stake in CIE because Mahindra generally has a much higher stake in any entity which has been observed. So this

13.5% stake that you are taking is there any clause that you can step it going ahead? You can increase this stake in CIE?

**V S Parthasarathy**

See first is that 13.5% makes us the second largest shareholder. Therefore can support this entire area of auto components in terms of becoming from whatever it is to a much bigger entity. So Mahindra can enable and thereby again going back to the responsibility value creation for the entire... both for M&M and all the people who have invested in this company. So that is the first and foremost thing. And beyond that in terms of the second part of your question was, is there any clause, etc., we are talking about listed company therefore there are no such clauses, simply putting. And second is that when we are entering in to partnership this will have to be a partnership. So both CIE and M&M are saying that we believe that jointly they can take it higher up. it is not to say I want more control or less control but how jointly we can take this organization two steps higher.

**Chirag Shah**

But do you have scope to take your levels at least till 26% right that would give you equal interest also it will not have an impact on the existing CIE shareholding the primary shareholding that is this window that is available to you in case you want to. That is a right interpretation or not really?

**V S Parthasarathy**

No, it is your interpretation I do not want to make any comment on it except what I have already said.

**Chirag Shah**

And is it possible to share on a broad basis I think somebody has asked this, the CIE based on the current Rs. 5,000 crores revenue, what could be the EBITDA and PAT and also if you can just give on a broad level what kind of net debt it would have based on trailing 12 month or whatever valuation matrices that you must have used, it would be really helpful?

**V S Parthasarathy**

First is, so last question of him as well I am just taking it and trying to reconfirm your question and then I will see who to answer. You are taking Page #14?

**Chirag Shah**

I am including this Rs. 1,000 crores revenue that would come from CIE Forgings business?

**V S Parthasarathy**

Yes, you taking Rs. 4,000 crores plus Rs. 1,000 crores and saying overall Rs. 5,000 crores?

**Chirag Shah**

Yes, and it is Page #14 precisely.

**V S Parthasarathy**

Yes, so Page #14 you are taken and done that and the information at this point of time which is relevant is what and in public there you know what we can share we have already shared. The rest of it will at that point of time depend on what the various constituents comes and last year it is not relevant because it is not the same animal, it is a different animal after it merges. So I requested the other ones that hold on, at an appropriate time closer to the time when the merger will happen we will be able to share these figures very clearly. And we will not shy away from sharing when it becomes appropriate.

- Chirag Shah** No, fair point that M&M always shares the information.
- V S Parthasarathy** Last point we have already made is your question about Forging Europe at a revenue and EBITDA figures were shared by Ignacio so it was about 150 million on the top line and 21 million EBITDA
- Moderator** Thank you. Our next question is from the line of Vaishali Jajoo from AEGON Religare. Please go ahead.
- Vaishali Jajoo** This is first a clarification on your structuring which you have shown on the Slide #16 there is a direct stake in 13.5% stake in CIE and 20% in the Mahindra CIE, so indirectly Mahindra Group will have around 30% stake, is it?
- V S Parthasarathy** If you look at economic interest.
- Vaishali Jajoo** Yes, I mean accordingly if CIE takes 75%...
- V S Parthasarathy** Yes, economic interest is about 25% to 26% Yes?
- Vaishali Jajoo** Yes.
- V S Parthasarathy** So Mathematically 13.5% whatever eventually it end up because we do not know Auto Metal holds 75% in this and so on, so it could recovery around 75% Yes.
- Vaishali Jajoo** So accordingly the direct interest of Mahindra Group will be 30% around or 25% to 30%?
- V S Parthasarathy** No, it will not be 30% at all. If we are talking only of the economic interest, again I am being very clear it is not controlled it is not shareholding, it is just economic interest it will be around 25% and that will depend on how the open offer and comes, it will also matter a little bit but not too much. So about 25% is the economic interest.
- Vaishali Jajoo** And the second is talking about the synergies as we have spoken more about... there is a differentiation in the segment wise I mean if we see Mahindra Forgings is more in to the UV's and the CV component where as CIE is in to the passenger vehicle car component and we are talking about the supply or the outsourcing of CIE from India, so do we need the additional investments accordingly into the Indian market may be just a broader question on a long term basis?
- Sanjay Joglekar** Okay, see at the moment as you know the Indian market is growing and irrespective of this along with the growth of the market and opportunities we will plan the investments as we have been planning in the past also.
- Vaishali Jajoo** Is it possible to give the utilization level of CIE Forgings also?

- Artazcoz Ignacio** Current level of utilization level is around... I do not have the exact figures but I would say around 80%.
- Vaishali Jajoo** Okay, it is already at around 80%?
- Artazcoz Ignacio** Yes.
- Vaishali Jajoo** So if we want to expand through Indian market it will be all new investment and not the transfer of plant from there?
- V S Parthasarathy** Okay, so what you are saying is that can we transfer it?
- Vaishali Jajoo** Yes, that is what I was indicating.
- V S Parthasarathy** I was just thinking there are two parts to it. Very good question actually. What you are saying is how do we look at product and how will you look at markets?
- Vaishali Jajoo** Yes.
- V S Parthasarathy** And that is what I think Ignacio explained that we will look at this as a footprint for the Asian markets but not limiting it to Asian market we would like Mahindra CIE Automotive to be a global company in a sense so that being the broad thought process after everything falls into place each of the time whenever a project comes or whenever a market opens what we do normally will what I am assuming that it will be done in this case also which is we will see the investment, we will see the IRR and say whether we need to make the investment internal accrual and whether the investment can be made. So the vision is that, what we are selling is that; we have some capacity between 70 and 100 even in the current Indian investment and we will already be making some investment for future in any case in India. So balance could be made on a case-to-case basis we can depending on the market product and the IRR or the VAT that we are getting out of the project.
- Vaishali Jajoo** Because my thought process was already a 80% utilization for CIE and if they make a further investment through India definitely the EBITDA margin should be slightly better on the cost effective sign that is what my logic was.
- V S Parthasarathy** That is one of the things Ignacio mentioned that this could become competitive as Mexico is competitive for North America and he said India should be the competitive hub for the Asian market.
- Moderator** Thank you. Our next question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

- Jinesh Gandhi** Couple of questions, one is can you just mention about the debt which CIE has on its books and Systech has on its book second question pertains to economic interest based revenues, do you see fallen contribution on consolidated M&M basis because of reduction in stake?
- Artazcoz Ignacio** Yes, so Global debt of CIE Automotive is around €390 million with a ratio of net debt to EBITDA ratio of 1.70 something times and with net debt to equity ratio of 0.8 times. This is the figures for CIE Automotive.
- Jinesh Gandhi** And so this is for the business which is been merged or global?
- V S Parthasarathy** This is global CIE figures that he quoted, you are asking about CIE to be merged in so what is the debt that CIE Forgings units will carry to the consolidated.
- Jinesh Gandhi** Yes, that is what my question was.
- Artazcoz Ignacio** Yes, roughly speaking 60 million.
- Sanjay Joglekar** Systech debt for this relevant company is about €170 million.
- V S Parthasarathy** Second point was what will happen to M&M? So you see what we said is roughly we have about today we are consolidating line-by-line and that we have it on the balance sheet. So once it become a 20% plus holding assuming the entire chain of transaction goes through after that year then we will be consolidating only the profit portion and PAT portion of the Mahindra CIE Forgings. So therefore we will see only 20% of the profits that they make in the sense and the debt and revenue will go out of the book.
- Jinesh Gandhi** But effectively our absolute contribution in Rupee term will be lower vis-à-vis what we were doing earlier on economic interest basis?
- V S Parthasarathy** First and foremost your question was from an M&M point of view, right?
- Jinesh Gandhi** M&M Consolidation.
- V S Parthasarathy** M&M Consolidation point of view if revenue goes out only the profit goes up my mathematics says that the margin improves.
- Jinesh Gandhi** Okay, let me put first slightly differently. What I meant was if we consolidate earlier on economic interest basis as against line-by-line basis and same we do it now on the economic interest basis?
- V S Parthasarathy** Your first question was what is the revenue and EBITDA coming in from the other entities?
- Jinesh Gandhi** Right.

- V S Parthasarathy** So that comes in which is profitable at an EBITDA level right which you said €21 million for European entities and what M&M automatically has and then what pull us out to PAT that we consolidate hopefully that you had a profitable unit the consolidation amounted of 20% should go up and not go down.
- Jinesh Gandhi** And overall M&M as consolidated entity revenue contribution will be lower on consol basis on economic basis?
- V S Parthasarathy** Revenues when gets knocked up from the top line obviously to that extent our consolidated revenue and margins will show higher. And most importantly as a corollary to the revenue it is also net debt will go down by Rs. 1,200 crores.
- Moderator** We have our next question from the line of Mahantesh Sabarad from Fortune Equity. Please go ahead.
- Mahantesh Sabarad** Sir, I just wanted to understand after this transaction is there any element of or a chance of Mahindra raising their stake in CIE Auto at the Europe level itself now that you have 13.5% stake is there any agreement that says that after certain milestones Mahindra can acquire another whatever 5% to 10% or something like that?
- V S Parthasarathy** So I have already answered this, both specifically and generally no and no comment. So no is specifically that there is no nothing in there, there is no agreement because it is a listed company and rest I think it is between partnership which I have already talked about in great detail.
- Mahantesh Sabarad** Sir, then can I understand who are the principal shareholders of CIE Auto in Europe?
- V S Parthasarathy** Yes, I will tell you but I will also request you to have a look at Page #13 of the presentation but I will let Ignacio to talk quickly about this.
- Artazcoz Ignacio** So we have a shareholder base that if you look at Page #13 very clearly you will see that currently, before the transaction we have 50% of our shareholders we call them long term shareholders that is there we have a Gestamp with 26%. In that industrial company private company in Spain it is a global company €6 billion turnover that is around 26% has presence in automotive but mainly Tier-1 and not competing in any case anything with CIE Automotive.
- Mahantesh Sabarad** Mr. Ignacio, Gestamp is also present in India am I right?
- Artazcoz Ignacio** Yes, you are right it is a global company. It has presence worldwide.
- Mahantesh Sabarad** And with Tatas?
- Artazcoz Ignacio** No, I do not think but in any case I think this is something old. I will say they have some companies in India but on a standalone basis.



- Mahantesh Sabarad** And they are into stampings largely right?
- Artazcoz Ignacio** They are stampings but stampings mainly big stampings for body part where we have a very, very limited presence and it is not competing with CIE Automotive in any of its products. So Gestamp is the biggest shareholder in CIE.
- Mahantesh Sabarad** And when did they come in to CIE Auto, when did they take this stake in CIE Auto?
- Artazcoz Ignacio** They started, in CIE Automotive, at the very beginning of CIE Automotive. CIE Automotive was let us say created in 1996 by the integration at the beginning of different multi technology companies at the beginning in Spain then we went in to Brazil, Mexico, Eastern Europe and so on and Gestamp has been in CIE Automotive from the very beginning as shareholders let us say initially through a controlling shareholder called INSEC but this is a long story but in any case from the very beginning they have been shareholders in CIE Automotive for 17 years.
- Mahantesh Sabarad** And is there any chance of they selling out post this transaction?
- Artazcoz Ignacio** I cannot comment on our shareholders but there has been absolutely no intention for, or public intention of them of selling so my guess is, no.
- V S Parthasarathy** I think whatever is there, there should not be any intend or otherwise except what is already stated. Is that okay?
- Mahantesh Sabarad** Yes, I understood sir.
- V S Parthasarathy** Thank you. Can I take this opportunity now to kind of conclude on this by saying that to the 195 which is almost seems like the Bata company price below 200 Yes, so 195 people logged on to this call and all the colleagues of theirs who must have listened to this thank you very much for joining us at short notice and thank you for waiting patiently and asking your questions. As usual you continue to be a good spokesman for us at the same time point out all that we need to know from the market side. Thank you.
- Moderator** Thank you sir. On behalf of Mahindra & Mahindra that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.