



“CIE Automotive India Limited's Q1 CY'25 Results Conference Call”

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MODERATOR: **MS. VISHAKA MALIWAL - ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to CIE India's Q1 CY'25 Results Conference Call hosted by ICICI Securities Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vishaka Maliwal from ICICI Securities. Thank you and over to you, ma'am.

Vishaka Maliwal: Thanks, Shruti. Good afternoon, everyone. Thanks to CIE Automotive India Limited Management for giving us the opportunity to host the call.

We have here in the call the senior management represented by Mr. Ander Arenaza – CEO; Mr. K. Jayaprakash – CFO; Mr. Vikas Sinha – Senior VP (Strategy); Mr. Oroitz Lafuente – Business Controller and Mr. Swapnil Soudagar – DGM (Strategy).

Over to the management to take this ahead. Thank you.

Vikas Sinha: Thanks, Vishaka. Good afternoon, everyone, and good morning to those who are joining from Europe. I welcome all of you on this call, as also Ander, our CEO. We are going to talk about CIE India results for Q1 C'25.

At the outset, let me highlight a change in reporting we have made. On Page 4, we show the legal structure of CIE India. As can be seen, the Mexican business is now a subsidiary of CIE Galfor Europe. Thus, from this quarter, we are reporting the Mexican business numbers as part of European operations and not as part of Indian operations as was the case earlier. All comparable numbers from earlier quarters have been restated.

We now start with Q1 C'25 results for the Indian operations on page 6. Sales grew by 3% to Rs.14,113 million as compared to Q1 C'24 in line with the weighted average market growth. Please note that steel prices have gone down reducing 3% of our turnover. This quarter there is a large discrepancy in market growth numbers reported for the light vehicle and truck segments as reported by IHS and SIAM. While we have traditionally used IHS in our reporting, we have presented both sets of numbers in the presentation. Nevertheless, we understand that the growth in the India business needs to be higher and we are taking actions to address this.

In Q1 C'25, the EBITDA of the Indian operations was Rs. 2,628 million, EBIT Rs. 2,090 million and EBT Rs. 2,085 million. Thus, while sales grew by 3% year-on-year EBITDA, EBIT and EBT were largely flat. The one thing that we would like to highlight is the steady improvement in India margins in spite of the sluggish growth. The reported EBITDA margin in Q1 C'25 was

at 18.6 which includes a one-off mega subsidy benefit at the Zaheerabad plant of our stampings business. Without this one-off benefit the EBITDA margin would be 18%. This is higher than the operating EBITDA margin of 17.7% in Q1 C'24 and 17.1% in Q4 C'24. So both year-on-year and sequentially. Please note that the reported EBITDA margin for India operations in Q1C'24 included a one-off subsidy at our aluminum castings business and this 17.7% that I have given you now is without that subsidy.

We now move to CIE India Europe business results for Q1 C'25 on page 7. Sales were Rs. 7,849 million, which represents a drop of 19% year-on-year compared to Q1C'24. This sales drop in Europe business is largely due to the slowdown in all segments we cater to. In this quarter, European light vehicle demand is down by 7%, MHCV by 19% and there is a continuing slowdown in the US off-highway market that Metalcastello caters to. Also, Q1 C'24 was a good quarter for sales in Europe and the Q1 C'25 numbers look much lower in comparison due to the base effect. The extent of the continuing sales drop in Europe can be seen by the sales number in the last few quarters.

Sales in our European operations were Rs. 9,689 million in Q1 C'24, Rs. 8,375 million in Q2 C'24, Rs. 6,650 million in Q3 C'24, Rs. 6,489 million in Q4 C'24 and Rs. 7,849 million in this quarter as we have reported. Of course, the Q3-Q4 sales numbers are normally lower. So sequentially there is an increase, but we have to remember that Q3 and Q4 due to the seasonal effects are normally lower.

In Q1 C'25, the EBITDA in our European operations was Rs. 1,088 million, EBIT Rs. 761 million and EBT Rs.646 million. That is an EBITDA margin of 14%, EBIT of 10% and EBT of 8%. We are continuing to focus our efforts on maintaining our margins by adjusting our operations to the lower level of activity. The EBITDA margin in our European operations this quarter is 13.9%, the 14% that we said versus 15.5% in Q1 C'24 and 14.9% in Q4 C'24. This slight drop both year-on-year and sequentially is due to the decrease in sales as well as some costs incurred due to restructuring that we are doing. The pain in Europe is expected to continue for at least a couple of quarters more.

And now if we go to page 8, we will see the consolidated results, which are a combination of the results in India and Europe. In Q1 C'25, CIE India achieved sales of Rs. 21,961 million, EBITDA of Rs. 3,716 million, EBIT of Rs. 2,852 million, and EBT of Rs. 2,730 million or Rs. 273 crores, while sales declined by 6% year-on-year, EBITDA declined 10%, EBIT 12% and EBT 10%. Consolidated numbers are depressed by the performance of our European operations, but we have continued to deliver on margins in spite of the drop in sales. If we eliminate the one-off effects, the consolidated EBITDA margin in Q1 C'25 is 16.7%, which is the same as in Q1 C'24.

In closing, we would like to state that we are cognizant of the challenges in our business and are renewing our focus on growth in India business at the same time improving operational

excellence and cost structures to maintain our margins. We will continue to focus on growing with our customers to take advantage of all the opportunities that come our way.

And with that, we can proceed to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Vikas, just a continuation to your statement on the India business, saying that we are cognizant of the numbers which came in and we are taking actions. If you can elaborate more on that, what is it that we are planning to do and how are we solving for this?

Vikas Sinha: No, you are talking about growth in India or like?

Pratik Kothari: Yes, growth in India, yes.

Vikas Sinha: As far as the margins are concerned, of course, we are quite proud of what we have done on the margin front in India and in spite of that it is improving. So we have really, we are quite happy with the situation there. As far as the growth is concerned, yes, we are more or less in line with the market. We need to grow faster than the market. You know that is the question. As we have always highlighted, we are waiting for some of our orders to kick in. You know there have been some uncertainty all around. But in terms of specific what we are focusing on and of course it takes a bit of time to kick in. We are making sure that with our anchor customers we get more and more chances. The other orders we already have, as we have already said every year we have an order book, every calendar year we generate an order book anywhere close to between 800 crores to 1000 crores. So the order book is there. It has always been in how that order book converts into sales. What we have observed is that this conversion is always better with anchor customers and therefore we have, along with the order book that is already there, we are focusing our attention on our anchor customers. So this is really how we are trying to rectify or bolster our situation as far as growth is concerned.

Ander Arenaza: Yes, if you allow me because just one comment from my side, this is Ander speaking. This is regarding also the organization of our company. So we have reinforced the business development teams and we have had now a business development head for all the verticals. And we are using the synergies that we have in different verticals with all the customers. So we are now working on that. We see that we are already having certain success on this new commercial activity that we are deploying and one good sign of this new organization, and let's say the outcome of this new organization, is that in the first quarter of this year, in this Q1 25, our new orders allocation has been higher than our internal budget and our internal target. So we are

talking about Rs. 3.5 billion of new orders that we have already allocated. So this is another view of this growth strategy that we are now launching in our company.

Pratik Kothari: Correct. So sir, last call you made a statement that we have put up capacity, but lot of orders were getting delayed, be it CIE Hosur or aluminum casting, etc. Any signs of pickup there or that delay continues?

Ander Arenaza: No, mainly the delay is coming from specific projects that we are having from electric vehicles. And as you are aware, the growth of the electric vehicles is not yet arrived as it's still a little bit behind the expectations and that's why those projects are not yet picking up. We expect that slowly and that's what all the indicators say that they will go ramping up in the next quarters. So that's our expectation but right now there are still certain delays and we have also some internal combustion engine projects from some customers that they are having difficulties launching their program, their internal programs. But they are telling us that we should be prepared because they are expecting to ramp up in a very short period of time. So overall, we say that we think that the new projects will come. The electric vehicles will come a little bit later. The rest of the projects that we are working on they will pick up, we hope that they will pick up soon. So we are quite optimistic on that front. We think that in India we should grow faster as Vikas said in his speech. And that's the expectation that we have.

Pratik Kothari: Correct. Just one out of curiosity. I mean, so usually in Indian OEMs we will have a couple of suppliers for any product that we supply. So for any of our division, I mean, you can take casting, stamping, forging. Would our pricing be in line with the peer who would be the second source or the third or we might be the second source? Is our pricing in line with what others do? And then this 18%-19% margin that we make is all a function of internal efficiencies?

Vikas Sinha: Yes, pricing would be in line, Pratik. We need to be competitive with our customers. In our business, there is no scope of charging a premium. So we are competitive. So most of our margins come from operating efficiencies. Ander, I will hand it to you because I'm sure you have much to say on this.

Ander Arenaza: Yes. No, no, I fully agree. That was the answer I was going to give. I mean, the prices that we are offering to the market that we are getting from our customers are exactly the same than our peers. mean, of course, there are small variations in certain moments and in certain products we can be a little bit more competitive. So in certain products our competitors can beat us in pricing. But overall, the prices that we are offering to the market that we are getting are exactly the same than our competitors. Of course, our task is to be competitive and our source of competitiveness is our internal efficiency and let's say the best production processes that we are now trying to implement in our Indian plants. In all the verticals we are working with our European colleagues, we have people working with us and making the technology transfer and this is our main task. You have listened to me several times to talk about the efficiency because that's my main view of how we should work in India because generally speaking what I see yet is that our efficiencies

in our Indian companies are below our efficiencies in Europe or in Mexico for example. I think we have room for improvement and we are working on that. that's the task. Of course, now what we want to do is we want to get more efficiencies and offer these efficiencies to the customers to be more competitive and to gain more market share.

Vikas Sinha:

Yes, Pratik, anything further?

Moderator:

The line for the current participant has dropped off. So we can go ahead with the next question. The next question is from the line of Nitish Rege from Chrys Capital. Please go ahead.

Nitish Rege:

Hi. Thank you for the opportunity. My question is for Ander and for the India business, pertaining to India business. We have underperformed our peers over the past 6 quarters and what corrective actions are we planning to take specifically on getting the growth back? While there are negative surprises such as order delays, the part and parcel of our business, which can impact some business vertical, but overall growth has been impacted and why weren't other, let's say, stampings, forgings, growth in the other parts also impacted from this?

Vikas Sinha:

Nitish, Ander just answered Pratik, but I will summarize. There are two main things we are trying to do. One is of course, we have pointed out that we have no dearth of order. Our order book is very good. Last year also we did close to 1,000 crores in new order generation. This quarter has been exceptionally well as Ander pointed out, Rs. 3.5 billion. So there is no issues around order book. The issue has always been conversion of order book into actual sales where many projects are delayed, especially the ones that we had for exports to EVs that Ander has pointed out. Some of them are coming back slowly. There are some ICE projects also delayed. What we have noticed is that the order book to sales conversion is best for anchor customers. So our first plan of action has been to refocus on them and try and see if we can exploit all kinds of synergies with customers who are big with us. That's the first. And how are we doing it? Ander explained that we have just made a change in our organization as far as how business development is done. We have a new business development head, Kunal. And the focus is to get synergies with our existing customers, the bigger ones, as much as possible. And that's how we plan to go ahead. The last thing, Ander did mention that our source of competitive advantage is our operating efficiencies. And we will continue to focus on that because our firm belief is once your operating efficiencies are in place, you are competitive vis-à-vis your competitors and the growth will eventually return as long as you are competitive. So that's what we have been doing and that's what going forward is we are going to do. But the key thing is we are trying to refocus our attention on how business development is done and get as much synergy as possible in the organization.

Nitish Rege:

Yes. Okay. And secondly, any progress on M&A now that you are sitting on Rs. 1,300 crores to Rs. 1,400 crores of cash?

- Vikas Sinha:** Nitish, you know that we keep working on M&A. At any given point of time, we are always looking at opportunities. But M&A we will publicly announce whenever we are at a stage where there is something to announce. But as I said M&A is an integral part of our strategy and we keep looking for M&A opportunities. Yes, we are aware that there is cash on our balance sheet and it's a good thing. The reason why we keep some cash is because we are a foreign owned, foreign operated company and therefore we cannot take debt for doing M&A activities in India and some question of cash is there for that purpose. Yes?
- Nitish Rege:** Okay. Thank you. I will fall back in the queue if I have any more questions.
- Vikas Sinha:** Yes. Thank you so much.
- Ander Arenaza:** Thank you.
- Moderator:** Thank you. The next question is from the line of Devang Shah from Asit C Mehta Investment. Please go ahead.
- Devang Shah:** Yes, hi. Good afternoon, Sir, you addressed right now for our last participant about growth related aspect. So, sir, I just want to understand first thing, the root cause that is the order book is not transmission into revenue, the execution delay or decision making delay? That's one thing. Sir, then I will go to my next question. Just make me understand about this thing, sir, first.
- Vikas Sinha:** Yes, sure. Look, most of it is program delays. It is not an execution problem from our side. Most of it is, for example, there have been some EV orders that we have for exports. Some of those EV orders, the project itself has been pushed back because, as you know, there has been a little bit of loss of momentum as far as the EVs are concerned across the world, not just in India, across the world. You are seeing that in Europe where the EV penetration is stagnating around 12%-13% in the US also. is stagnating a little bit. Plus, even on normal orders, there have been a lot of uncertainties. Also, you see in India, the passenger car market, which was doing exceptionally well, has come down to in the range of 4%-5% growth, which it was going. Of course, some companies are growing much faster, including Mahindra, which is good for us. But most of this order book delay is due to program delays, not from our side.
- Devang Shah:** If my understanding is correct, it's some kind of deferment by your client. So that's why it is being delayed, although you have been given an order book, but they're deferring because of some kind of their demand or some kind of thing is delayed. That's why sir. My understanding is correct sir?
- Vikas Sinha:** Absolutely, your understanding is correct.
- Devang Shah:** Sir, so then, what you perceive to be as far as demand environment as you already highlighted in the last quarter that we may see some kind of pick up in a second half in Euro and what as far

as India is concerned, so we may see some kind of growth trajectory is concerned because last year there was no negative we have seen. So what do you perceive sir? Anything you can see?

Vikas Sinha:

In India, we are seeing good traction in the tractor market. Two wheelers continue to do reasonably well. the base is now higher so the growth is... But it is a reasonable growth that is available. Passenger cars have fallen behind a little bit but still there is growth. So in India there are growth opportunities. It will keep coming back. It will come back. But as I said, our key thrust area is if you the order book is not turning into sales, can we get more orders, especially from our existing customers? And that is the reason why, so the strategy is simple. If my order book is not turning into sales the way I want it to be, let me go and get some more orders. And that you will get quickly only from customers that you know well. That's why, Ander did mention that the business development head has been tasked with exploiting these synergies. So that's about India. Now Europe is a very different story and Europe, the pain will continue for some time. So on Europe, I will ask Ander to give a more detailed answer. But before he gets into Europe, I will request Ander to talk about, why these orders have been delayed and it is more on the programs and not on our execution to assure everybody that it's not our execution that is the issue here. Ander?

Ander Arenaza:

Yes, absolutely. Absolutely, Vikas. Because I mean, reason of the delay of these programs is not on CIE. These delays are coming from two main reasons. One, the main reason is that most of these programs that we were expecting to launch were electric vehicles programs that have been delayed. Some of them we were expected to export to US and also now in the US, let say there is slowdown of the electrification is let's say stronger than in other regions. In Europe, the electrification is stagnant and the electric vehicles share is approximately 15%. So it is growing but just 1%-2%-3%, no more than that. It was expected to grow up to 25% a year and this will not happen. So this delay in the electrification is affecting us. This is one reason. Second reason, as Vikas explained, certain projects from big projects that we were awarded and we invested to start the SOP in beginning 2024 were delayed and they are now ramping up. We were expecting to sell, for example, for a particular engine, we were expecting to sell 20,000 sets per month and we are now still at Rs. 7,000-Rs. 8,000 sets per month. this is the situation. The customers are saying that in the next 2-3 months, they will ramp up to double the current output to 15,000 and then they will jump to 20,000 per month. So these are the kind of things that are happening. I would say that this is just a temporary slowdown that we have had. And in the meantime, we are working in new programs. We are working in the market to improve our market share or to add new programs to our portfolio. And that's the activity we are having. So in India, we are quite optimistic for the future. And I think that the company, generally speaking, is doing well. I know that this weaker sales than expected is creating certain concern but I think in the mid to long run, I think the company will succeed and we will continue growing and of course as in the previous question someone asked about the M&A activity, we are also working on the M&A activity. So our strategy is to grow in India, both organically and also inorganically. So the debt of CIE India is, let's say, I would say probably our main debt in all the companies. So in that sense, our shareholders can be sure that we will continue trying to grow and to develop the business in

India. Then coming back to Europe, in Europe the situation much more difficult. You know that the European market is stagnant. With this year we will see a drop of approximately in the light vehicle market we will see a drop of approximately 5%, 5 to even to 7%. That is the expectations that we have. On top of that we have this tariff war that is now on the table and could affect with additional drop and probably this will have a negative effect in the total amount of car production in Europe. So even the situation was weak and probably will be a little bit weaker in the next quarters. So that's the expectation. So we still expect to have a weak market in Europe. And what we are now trying to do is to adapt our companies to this scenario to maintain and to protect our margins as much as we can and be ready when the ramp up comes that we expect that probably we will see certain recovery by the end of the year and also for the next year. We see that in Europe the behavior of the market is a little bit different than in India. We see that there will be a consolidation of the market and several suppliers are struggling. So we will see that we can win also from the consolidation of the market. So that's our view on Europe and also in India.

Devang Shah:

Thank you. Very satisfactory explanation you have given. So on that explanation, I have one question. So by considering these facts, we are now just Q1 of current year, know, CY25. How we have to evaluate the growth trajectory? Every quarter, it would be better to get an idea as far as demand environment, and then we can get a certainty as far as growth of this particular calendar year or you have anything that's been forecasted by you as far as either consolidated overall revenue growth for the calendar year 25, or if you have segregation of Indian-related growth, how it would continue to unfold at a single digit and what would be the European growth. If you have been forecasted anything for this calendar year or it would be every quarter we have to evaluate and then conclude?

Vikas Sinha:

Devang, we don't make forward looking statements so that is a policy that we strictly follow. So we have not made any forecasts or any statements as far as our overall C25 numbers are concerned. We can talk about the markets as Ander pointed out, the markets in Europe. Let's talk about Europe because from a market standpoint, Europe is in a difficult situation. I think in Europe, you are going to continue to see this pain in the market for the next two quarters at least. Let's be prepared for that. That's why Ander has clearly stated that our strategy in Europe is to restructure our operations, so that we maintain our margins. We have to match our costs to the prevailing volumes. So that is what we are doing. So in Europe, we do expect pain for the next two quarters. As far as India is concerned, now India, we know that, for example, in Q1, the car market as per SIAM grew about 5% as per IHS about 1%. The two-wheeler market about 6% to 7% that know the tractor and trucks have done reasonably well. They are double digit but I guess they will moderate. So if we are looking at a number anywhere between 5% to 7% growth in India from a volume perspective on an overall basis, that is something that we are working towards. Of course this quarter we had a little bit hit on the steel price but that's how you have to look at the market in India. Say for example anywhere between 4% to 7% would be the growth. It is lower than what we have been experiencing in the last few years. But that's the scenario in India. India you still have growth. It's lower growth than earlier. And our job is to be

ahead of this growth. And all that we are talking about is to be ahead of this growth. That's how I would say, but we don't make any forward-looking statements.

Devang Shah:

Yes, that sounds satisfactory. And last question, before concluding remark, any kind of tariff related that can affect your US-related, export-related aspects? So any kind of headwinds over there?

Ander Arenaza:

I can take it, Vikas, because the impact of the tariffs in our business is very, very low. I would say that this is negligible. Just to give you some figures on that, only 3% of our sales in India goes to US. That's the approximately in the first quarter, are talking about Rs. 400 million or something like that. In all the cases, small customer, in all the cases, the impact of these tariffs in our account is zero because our sale condition is either S-work or is FCA. So the tariffs are charged to the customers. the customer should pay those tariffs. So the impact on our accounts is zero in India. Regarding Europe, in Europe also both in Metalcastello and Bill Forge Mexico that as Vikas explained now, is included in Europe, in our European region. All the sales that we are doing to the US that in Metalcastello is approximately 40% of the sales and in BuildForce Mexico it's also about 40%. The impact in our accounts is zero. In all these cases also, all the tariffs, because of the conditions of our sale conditions, the duties are charged directly to the customers. It's not our responsibility. And finally, in CIE Forgings, we have one particular customer that is with approximately 10 million euros per year sales. I mean, just it's a minor impact of approximately 4% of our total sales in Europe, the forgings in Europe that we are now negotiating with the customer because this is selling directly to them and these are impacting us. But as you know also that there are news today in the paper that the US government will not apply any duty to the car makers that are producing the cars in the US, and this is the case in our case in CIE Forgings. This 10 million euros goes to one customer; a specific customer is Ford and so we expect not to be affected. So globally speaking, the main problem we see with the tariffs in our business is the negative effect that could have these tariffs in the market. The slowdown in the market created by this tariffs uncertainty that is now in the market. So we can say that the impact is negligible or almost zero. And the only potential impact is the slowdown that could create especially in Europe.

Devang Shah:

Okay. Thank you so much for giving a very good explanation, sir. Thank you so much.

Vikas Sinha:

Devang, one more thing as far as tariffs is concerned that depending on the tariffs, India's competitiveness may go up vis-à-vis other countries. So that also we have to monitor. But as Ander explained, there is so much uncertainty around this tariff policy is that we have to just wait and watch. We don't have any direct impact, but the indirect impact is something we have to worry about. The markets in US, Europe itself may come down and India's competitiveness may actually go up or go down compared to what tariffs are applied to countries like China, Vietnam, Turkey and so on and so forth. So we have to wait and watch.

- Devang Shah:** But sir, just to add that thing, then it will be some kind of opportunity for also to you because you can also serve as you were saying, you have hired some business development head as well. So you can also look for the other market as well. Sir, will it be possible?
- Vikas Sinha:** Yes, yes, if India's competitiveness increases, obviously there will be a chance to all good companies. So look, as far as our exports are concerned, if you look at our annual report also, which we have clearly highlighted that there are certain areas like iron castings and gears where we do see our opportunities in exports going up. Exports is a complicated issue. There are many factors. The supply chain risks are involved which companies are very, very wary about all supply chain risks, which have been there in the recent past. So there is a move towards local for local, but at the same time, certain processes will have to be outsourced because of climate policies and so on and so forth. So wherever our competitiveness goes up, we'll have an opportunity. We have identified iron castings and gears where we think we'll have more opportunities. And if this tariff policy helps improve our competitiveness in these areas, we'll definitely benefit out of it.
- Devang Shah:** Yes. sir. Thank you so much.
- Ander Arenaza:** Just one comment from my side because there is also an additional trend that we are now perceiving in the market, especially due to these geopolitical tensions that we can see in the market is that some of our American customers they are trying to move or they are analyzing to move the production they have in China to other countries like India or Korea. So this trend is also there. So this can be also an opportunity for us to increase our business. So we are analyzing that and some of the customers that are already studying and requesting the quotations for this movement too.
- Devang Shah:** Yes, sir. That's quite satisfactory. Thank you so much and wishing you all the best.
- Vikas Sinha:** Thanks, Devang. Thank you very much.
- Moderator:** Thank you. And the next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.
- Jyoti Singh:** Thank you for the opportunity. My question is basically on the tractor side, how is the overall industry is doing and what are our outlook overall on the tractor industry side and how we are doing it. So earlier question on the tariffs, so also we are going to benefit on the tractor side because of the tariffs going forward?
- Vikas Sinha:** As far as tractor forecasts are concerned, they are looking reasonable for this year. Tractors have done very well in Q1 overall and so has Mahindra. And going forward also, we clearly see, you know, not as good as the 11% number that we have seen in Q1, but we would see a growth, I would still think a growth around 4%-5% in tractor market going forward on an average for the

next few quarters. That's on the tractor side on the market what we expect. Do we expect anything on exports on the tractor? I think we do export a few components for tractors, like Turk tractors is a good customer of ours. But we have to see on that, we have not fully evaluated. I think there are but the tractor market is doing reasonably well domestically.

Jyoti Singh: Okay, sir. And sir, are we getting good order book on that side if you can just talk on that?

Vikas Sinha: Order book around?

Jyoti Singh: Around tractor?

Vikas Sinha: As I said, domestically it is a very reasonable situation for tractors for us. Mahindra is our main... We have Mahindra and John Deere in India as our main tractor customers and they are both doing well.

Jyoti Singh: Okay, thank you. As earlier mentioned that we are seeing visibility after two quarter end of this year. So can you guide because I gone through the Volvo call also. So they are seeing the market share increase on the EV side. So any visibility we are seeing, I know a lot of uncertainties there. But still if you can give us little bit highlight on that side?

Vikas Sinha: Highlights on the EV market?

Jyoti Singh: Yes, sir.

Vikas Sinha: No, EV market, as we have explained, I think worldwide there has been a bit of a stagnation. In India, of course, we are seeing the two-wheeler EV penetration going up. In four-wheelers, of course, we have had some very good launches, especially Mahindra, and we are looking forward to the ramp up of those models. I think they will do well. We have very good reports as far as those two EV models from Mahindra are concerned. I think even on two wheelers you have some good launches, Bajaj has done so. So yes, there will be steady improvement. The fact, the point that we are making around EVs is not that it is not going up, penetration is going up, but it is not going up as dramatically as was envisaged maybe two years back. So that's the only situation. But the EV market in India is making steady progress. Very clearly, you are seeing lot more new models. Hyundai has put some new models. So as you also pointed out, there are other companies who are putting it models and they are all reasonably good models. So as long as you have good products in the market, the market will improve. So that's how we look at it. We have enough orders in the EV space also. We'll be happy if the products do well.

Jyoti Singh: Yes, so like you mentioned about this, you're not giving the forward outlook, but at least some visibility as per the CIE point of view, because last few quarters, nothing on the betterment side. So if you can guide us a little bit on the margin and topline side?

- Vikas Sinha:** No, margin is easy to guide, Jyoti. Margin, we said that in India, we are close to 18% now. We will be there and we hopefully will improve. Of course, the improvement will be steady. So on the margin side we can say confidently about that. In Europe as we said, if you see there has been very big drops starting from Q3, like more than double digit drops in Q3, Q4 and Q1. In spite of that our margin is 14% this quarter and that's the whole thing and this includes some restructuring costs so we are trying to hold our margin as much as possible in Europe around this number which is what we have said. So margin it is very clear, that we can state. It is not even a forward-looking statement. It's probably as far as we are concerned it's a reality. As far as sales is concerned what we said that probably the weighted average market growth in India this quarter will be in the range of 4% to 7% and hopefully we can beat that we have not been able to do that in Q1, but we hope to do that in the next few quarters Q2-Q3-Q4 we hope to do, we hope to beat the market a little bit. As far as Europe is concerned on the growth side, we are saying on next two quarters at least the pain will continue as far as the sales is concerned. So this is the best I think we can summarize, Jyoti. Hopefully that should be enough.
- Jyoti Singh:** Yes, sir. Very much. So thank you so much.
- Vikas Sinha:** Yes, thanks Jyoti.
- Moderator:** Thank you. The next question is from the line of Nitish Rege from Chrys Capital. Please go ahead.
- Nitish Rege:** Thank you for the follow up. My question is again for Ander. So just wanted to get a better understanding of what specifically we are looking at in an M&A asset, given that there have been around 10 to 12 deals in our industry over the past 18 months, most around the 10x EBITDA multiple and we've not been able to crack the M&A puzzle for us?
- Ander Arenaza:** Okay. No, we cannot disclose the different operations that we are analyzing in this moment. But the idea we would have is to reinforce our presence in the technologies where we are now working. I mean, all the gears, aluminum, castings, composites, I mean, all these businesses where we are present, that's one of our targets. And also second target that we had, and we mentioned several times, is to include some plastic company because this is the only technology that we have missing in India. I mean we have presence in all CIE technologies in India except the plastic, so that is also one of our targets. But we are actively looking for companies that should fit strategically, should fit also in the terms of, let's say, future evolution and synergies with our current businesses. And of course, the pricing is another subject that we need to discuss because in certain cases, what we think is that the multiples are too high. But okay, we will analyze and we continue very active on this field.
- Nitish Rege:** Okay. Thank you.
- Ander Arenaza:** Thank you.

Moderator: Thank you. The next question is from the line of Amar Kant Gaur from Axis Capital. Please go ahead.

Amar Kant Gaur: Hi. Thanks for taking my question. I had just one question regarding the profitability in the European business, where we have seen sequentially more than 20% kind of growth, but still the margins have gone down by 100 bps. You talked about certain restructuring activity that is happening there. Could you quantify that a little bit more?

Ander Arenaza: Okay, yes, in the European business, you know that we have had this slowdown in the business. So we are adapting the company, the size of the company, to the new volume scenario. We have been doing that with temporary layoffs in the last quarters. Then what we have done is we have put in place now additional activities and we have early retirement programs for people that is about 60 years old and we are trying to get a voluntary agreement with them to pre-retire with these people. And also we are setting up certain voluntary retirement or dismissal schemes for the people who is willing to leave the company, let's say, that is a economical agreement, so with a certain amount of money. So these are the kind of things we are doing smoothly, and all these activities are going on. Especially we have done first steps in Metalcassello plant. Also, we are trying to do it in our forgings, CIE Forgings. Those are the activities that we are now in place and we will see the effect in the next quarters.

Amar Kant Gaur: Okay, thanks. I will get back in the queue.

Ander Arenaza: Thank you.

Moderator: Thank you. Participants, to ask a question, please press * and 1 on their touchtone telephone. The next question is from Rajkumar Vaidyanath, Individual Investor. Please go ahead.

Rajkumar Vaidyanath: Thanks for the opportunity. Sir, you just mentioned recently that due to the evolving tariff situation in India trade with the US, there seems some opportunities there. So I just want to know whether those opportunities are immediate or will be kind of cleared in the medium term?

Vikas Sinha: Rajkumar, of course, there could be. There could be. You know, it finally depends on what is the kind of trade deal that emerges. What we are saying is, as a country we are competing, auto component exports is almost 20% of the entire turnover of the auto components business in India and we are competing with other countries, China, Vietnam, Korea, Turkey, Brazil, Mexico of course, which is a very large player. And depending on the tariff, India's competitiveness may go up because some other countries might have higher tariffs, may or may not have the final deal has to emerge. In that case, there could be some opportunities. What we have already been saying is that there are some specific areas like iron casting and gears where there are already opportunities in exports and if that happens, they might increase. So that was the point we are making. As far as your question, whether they are immediate, any order it takes 18 to 24 months or 18 to 30 months in the case of exports orders because there are a lot more development steps

to be done. So that is the kind it would take to hit your P&L. So it's not as if you get an order and it gets into your P&L in the next three months. It takes about 18 to 30 months on the export side. Domestic orders might be 12 to 18, but that's how it is.

Ander Arenaza:

Vikas, just one additional comment on that is that due to the uncertainty, the current uncertainty that we have with the tariffs application, I think until this tariff, let's say definitive tariff application is defined and is clarified, I think there will be no decisions from the customers. So we need to first clarify the tariff environment, and then companies will make the decisions. What we see now in the market is that there is a big uncertainty. Everybody is waiting for the definitive solution that is not yet on the table, you know that. I think all the countries are negotiating, and every week we receive different news on that. I think in the next weeks, months, I think we need to wait until we see the definitive solution for the tariffs.

Rajkumar Vaidyanath:

Okay, thank you, sir. Thank you for the detailed reply. So just one more question. Just on the margin part, I think you kind of mentioned that due to the 3% reduction in steel prices, the margin kind of appears to be muted. So is it fair to expect your margins to improve by at least 100 bps to 150 bps from the current level in coming financial year?

Vikas Sinha:

JP that 3% is for domestic not for overall and as far as margins are concerned we know that steel is a pass through. It just affects your quantum of sales. So if the steel prices goes down for the same volume your revenues goes lower by that, but the EBITDA remains the same. So in fact if your sales goes down your margin will go up or as you know it's just arithmetic, you know numerator-denominator So that's about it. So the steel price has nothing to do with efficiency. It is a pass through what we are talking about 18% margin in India, about 14% margin in Europe and in India we do expect the margins to go up through operating efficiencies and nothing to do with the steel price. Steel price goes up and down, the effect of numerator denominator would be separate. So that was the point we were making. And as far as Europe is concerned, Ander has explained a lot of restructuring is going on. We are trying to hold on to this 14% in spite of, as was pointed out, very big double digit drops in sales for the 3rd quarter in succession. So that was the discussion. The steel prices, the effect will be separate. It is not an operating efficiency issue. It is just a numerator, denominator issue because steel is a pass-through.

Rajkumar Vaidyanath:

Okay, yes, I just got it sir. So my question is, would you expect the margins to go further? That was the question, you know, given that the efficiency programs are in place, you are continuing to work on your efficiency parameters. So is there a scope for improvement in margins, particularly on the domestic?

Vikas Sinha:

Yes, in India, there is scope for improvement, but there would not be any dramatic improvements in margins. There would be steady improvement. Just a few minutes, you know, like a little bit back in today's conversation, Ander did mention that Indian operations in the CIE universe, relatively, we are worse off than Europe, Mexico, etc. And that is the reason why we think that our operating efficiencies can further improve. But given where our current margins are, the

improvements will be steady. There would not be any dramatic increase of 1%, 1.5% not like that. There will be steady improvement going forward. That is what we are saying.

Rajkumar Vaidyanath: Okay sir. Thanks a lot sir.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from CLSA. Please go ahead.

Basudeb Banerjee: Thank you. Hi Vikas. Just wanted to understand. As Ander highlighted, 5%-6% potential Europe car market decline this calendar year. But out of your European business of crankshaft etc. catering to say, Marino, etc. How much of those cars are exported to US because if the tariff issue remains, so there can be demand elasticity impact and subsequent production reduction other than core Europe market lower car retails.

Vikas Sinha: Ander, will you take this?

Ander Arenaza: Yes. The export that we have from Europe, especially in the crankshaft business is approximately only 10 million euros per year. It is approximately 4% of our Forgings sales. So the impact is very, very low.

Basudeb Banerjee: Actually trying to understand that what percentage of the crankshaft supplied by you to the end OEM are actually exported. I am not seeing CIE actually exporting to US, but the end vehicle is getting exported.

Ander Arenaza: It is a minimum amount. In terms of the crankshaft, exported to the US can be approximately what I told you about 4%, 5%, no more than that.

Basudeb Banerjee: So bulk of the crankshaft supplied by CIE is consumed for cars sold in Europe only, that's what you want?

Ander Arenaza: That's right. The European cars, so cars produced in Europe, exported to US are only 900,000 cars per year. So it is not a big amount, mainly higher end cars, Jaguar Land Rover or Porsche, Audi, Mercedes, all these kind of cars that are exported to the US, the luxury cars. In our case, we are selling directly to US this 4% or 5% of our concept, directly. But as I told before, what we expect is that as we are selling to American car makers, that the cars are produced in US directly. Then what we expected of the impact of the tariffs will be zero in this case, as the US government said yesterday. So that is the view that we have regarding the impact on sales because of the, let's say, drop of this potential exportation from Europe to US. We can say that it is absolutely minimal.

Basudeb Banerjee: Sure. And second thing, Vikas like in good days, annualized revenue for Metalcastello used to be what 90-100 million euros. What is the level now?

Vikas Sinha: No, not 100 million. It was 75 million.

- Basudeb Banerjee:** Including the Allison transmission order.
- Vikas Sinha:** No. That is a separate matter. I am saying what they have done. Maximum was roughly about 75 million euros. Right now, it will be closer to 55 to 60, 50% of that number, 50 million.
- Moderator:** Thank you. Ladies and gentlemen, this is the last question from the line of Pratik Kothari from Unique PMS. Please go ahead.
- Pratik Kothari:** Thank you again. One of the exports from India, if you can share some numbers, how did it pan out this quarter?
- Vikas Sinha:** So roughly exports, as far as C'24 number is concerned, we have roughly around from India, 13% to 14% in that range. This includes both direct and indirect exports. Indirect exports include things that we supply to those production offices in India, which then they export. So roughly about 13% to 14% for us. It is between that amount in India.
- Pratik Kothari:** Okay, correct. And in the annual report just published, there's this auditor remark for CIE Aluminum Casting India Limited saying that it's an, I mean, there could be an incentive or external pressure to meet expectations resulting in revenue being overstated or something. So just one comment, what is this regarding?
- Vikas Sinha:** Which page is that now? We will try and we have our annual report. Do you have the page number readily available? Which section?
- Pratik Kothari:** This is the auditors remark on the consolidated. No, the annual report. This is page 224 of your annual report.
- Vikas Sinha:** So JP is here, we will answer. Just give us 30 seconds.
- K. Jayaprakash:** This is about the key accounting matter, no?
- Pratik Kothari:** Yes, key audit matter, yes.
- K. Jayaprakash:** Mentioned by the auditor is why it is a key audit matter. So they arrive at key audit matter for every year. And for India, they have considered revenue as a key audit matter because they think sales revenue is a key parameter for the people working in the company. And therefore, they emphasize more in checking whether the revenue numbers are correct or not. There is no overstatement or a potential overstatement. It is just that in their audit procedures, they emphasize more to check on this aspect.
- Pratik Kothari:** Usually, when we read revenue as an audit matter, the statements which are made are different than what has been made here. And hence, the question. Usually, revenue as an audit matter, I

think, is across many, many, or almost all companies. But what has made your seem different and hence that question.

K. Jayaprakash: Yes, they have mentioned about there could be an incentive of pressures to meet expectations. But it seems, I mean, the auditors are stating here about the emphasis they have given for checking the revenue numbers.

Pratik Kothari: Okay, sure. Thank you.

Vikas Sinha: Thanks, Pratik.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you and over to you, sir.

Ander Arenaza: So as usual, I would like to thank you to all the participants for the interest in our company and also for the trust and the well-directed questions they made, as always. So my gratitude to them for their participation. Also, I would like to thank to all CIE India team for the great work done in all these months and days that we are working hard and I would like to thank all of them because of their commitment to the company and we expect to deliver even better results in the next quarters. Thank you very much.

Moderator: On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note: This statement has been edited to ensure quality