



“Mahindra CIE Automotive Limited
Q1 CY2020 Earnings Conference Call”

April 24, 2020



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Moderator: Ladies and gentlemen good day and welcome to the Mahindra CIE Q1 CY2020 Earnings 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishant Vass from ICICI Securities. Thank you and over to you Sir!

Nishant Vass: Thanks a lot. Good day everyone and thanks for joining us today for the call. From the management side, we are represented by Mr. Ander Arenaza Alvarez, CEO, Mr. K Jayaprakash, the CFO, Mr. Vikas Sinha, Senior Vice President, Strategy and Mr. Oroitz Lafuente, the Business Controller. Now I would like to hand over the call to the management for their initial remarks. Over to you Sir!

Vikas Sinha: Thanks. This is Vikas. Thanks Nishant. Good afternoon, everyone. I welcome all of you on this call as also, Ander Arenaza, our CEO. Thank you for being with us in these trying times of the COVID crisis. I hope and wish that all your loved ones are taking care are and safe. Before we start with the results, let me take this opportunity to state that COVID is a global humanitarian crisis before anything else. MCIE salutes the frontline health workers, policemen and other workers who are risking themselves every day to keep our life moving when many of us are locked down at home.

Let us now start with the MCIE results for the first quarter of CY2020. We will start with some background on MCIE, and I am referring to the presentation that we uploaded yesterday with the legal structure on Page 5 and some highlights of Q1 CY2020 on Page 6. Significant among the highlights is the fact that CIE has reinforced, our parent CIE Automotive of Spain has reinforced faith in MCIE by acquiring an additional 121,000 shares of MCIE from the open market in the last week of Q1 CY2020.

Results for our India business for Q1 CY2020 are on Page 8. We have managed to keep the EBITDA at 13%, which is an improvement over Q4 CY2019, despite the sales being lower so sequentially, sales have come down, but margins are up.

The last fortnight of March was affected badly by the COVID crisis, which has lowered sales in Q1 CY2020. The EBT is Rs.16 million in this quarter, but this includes Rs.413 million of negative exchange rate fluctuation associated with the Bill Forge Mexico USD loan of \$26 million. This is a mark-to-market and is an exceptional item.

Our European results for Q1 CY2020 are shown on Page 9. The sales dropped substantially compared to Q1 CY2019 on account of the double impact of the drop in demand due to COVID-19 and the slowdown in the market for our Gears Italy business. Due to these 2 effects, EBITDA has fallen to 10.5%. Labor adjustment measures have already been taken in this quarter, and they will provide a cushion in the coming quarters.

Now if we go to Slide 10, we will see the consolidated results, which are a combination of the evolution in both India and Europe. Despite a difficult market situation worldwide, our EBITDA is at 11.7% in Q1 CY2020. In absolute terms, EBITDA is 37% lower compared to Q1 CY2019, which, if you would recall, was one of the best quarters MCIE has had. I would like to mention again that EBT is at Rs.455 million and includes Rs.413 million in terms of the exceptional item of negative exchange rate fluctuation due to the Bill Forge Mexico USD loan.

Slide 13 and 14 talks about the market forecast in India and Europe from different research companies. We would, however, like to emphasize that the real-life situation is very fluid and evolving rapidly. Therefore, any market forecast can be taken as a general trend, but these could change rapidly based on how the pandemic pans out.

In general, all agencies are forecasting substantial drop in demand in all segments, both in India and Europe. April sales will be close to 0 in India and much lower than normal in Europe. Our German and Italian plants have currently restarted and our Spanish plants start next week. But May and June, sales are still uncertain. We expect potential recovery in Q3 CY2020, Q3 CY2020 in India and Q4 CY2020 in Europe. The uncertainty is caused by the fact that the consumer would be careful about discretionary spend as household balance sheet gets battered by the lockdown.

Let us turn to pages 16 to 18, where we have elaborated our response to the COVID crisis. Let me reiterate again, we are treating this as a humanitarian crisis, first and foremost. At this time, MCIE has started with providing masks and sanitizers to all employees and periodic sanitization of workspaces and operations were continuing pre lockdown. Manufacturing operations across all MCIE plants in India are currently shutdown as per local government directive. MCIE is committed to all stakeholders during this time, including contract and temporary workers and suppliers. We are following all the government directives regarding all these stakeholders.

Due to the prolonged nature of the COVID crisis and the fact that the lockdown seems to be the only available antidote, it is a huge economic crisis as well. This is an unprecedented situation, where both the demand and supply sides are affected. The demand situation especially is challenging during these uncertain times. Q1 CY2020 saw some demand slowdown, but that could pale in comparison to what we might see in Q2 CY2020, as we have talked about earlier.

Despite this situation, we are confident that MCIE will come out of this in a relatively better position. We have already put in place robust guidelines and systems for the structured restart of operation and subsequent stabilization once the lockdown ends. We have been completely focused on managing this complex situation. There is a weekly review of the cash flow. Teams are also working with customers to understand demand and delivery scenario.

Capex is being reviewed, and only the most urgent and important will be approved; inventory is being drawn down; outsourced activities are being reviewed for in-sourcing; overtime is being curtailed; all heads of costs, including labor costs, are being reviewed closely. Here, I might mention that European governments are applying aid schemes to our plants in Europe to help reduce our European labor costs to the tune of €3 million to €4 million in Q2 CY2020.

Let us remember that auto industry is an important constituent of the European economy, and European governments will continue to have an eye on its well being. It is worth pointing out that we have already embarked on a journey of operational improvement in both India and Europe pre-COVID in the last few months. We have been able to improve the EBITDA percentage in India in Q1 CY2020 compared sequentially to Q4 CY2019 in spite of a drop in revenues, as pointed out earlier. Similarly, the truck and off-road markets in Europe have faced a massive drop in volume, and we have been able to manage this drop without a large hit on our European margins. The post lockdown measures will draw upon these projects.

MCIE's cash position is secure, and it has unused working capital limits to be comfortable even if current lockdown is further extended over a much longer period, our demand recovery is much slower than even what the worst-case scenarios are envisaging. MCIE has a solid debt position, enough headroom to pay debt and raise debt if required. MCIE's parent, CIE Automotive of Spain, is a global MNC and has a robust system of managing cash across its worldwide businesses. It is willing and able to help MCIE in the event of any liquidity requirements. CIE has reinforced its faith in the company and recently bought MCIE shares in the open market in late March, as pointed out earlier. CIE itself is also secure from a financial point of view, so we do not foresee any problem from that support.

We believe that MCIE is in a secured position to not only manage this crisis and its fallout, but we are quietly optimistic that we will emerge stronger when the crisis flows over. Thank you very much. Now we can proceed to the Q&A.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Priya Ranjan from Antique Stock Broking. Please go ahead.

Priya Ranjan: I mean good performance in difficult times down here. How do you see foresee in terms of what kind of guidance you are getting from the OEMs in Europe side and in India that is the first question and second question is on the kind of support you are getting from wage support, etc., in Europe, can you just throw some light?

Vikas Sinha: Ander, first question is what are the OEMs saying, both in India and Europe on the market situation? And second question is about the support that the European governments are giving on the labor costs.

Ander A Alvarez: Regarding OEMs information that is what we are getting right now, let us say that most of the OEMs are planning to resume production beginning of May, okay some of them, they are planning to start as only next week, April 27, 2020 and even for example, some of them, like Daimler or Renault, they have already started, but at a very low rate and next week, they will continue the ramp up and our expectation is that most of them will be running at in the first week of May, starting May 4, 2020 or May 11, 2020, in that range so what we see, the ramp up will start beginning in May, and we hope that by the end of May, the production will be stabilized, and in India, we also expect that beginning of May, once the lockdown is finished, we will start the production ramping up step-by-step, so yes, we will see a very weak April, and we will see a ramp up in May

and in June, we will see what the market says. It is important to say that the uncertainty is very high in this moment. But our view is optimistic. We think that the Q3 in India we will see the market revamping, and in Europe probably we will be a little bit later by Q4.

Regarding the support from the government, it is in Europe, it is a little bit different. We have different programs in each country. But in Italy, for example, we have a program called Cassa Integrazione, and the government is paying approximately in Italy 60% to 80% of the labor costs, while the company is in lockdown and in Germany, the programs that the German government is applying, pays approximately 70% of the total cost of the labor, in Spain, it is a little bit less. In Spain, the payment is approximately 35% to 40% that is the support that the governments are giving us in Europe.

Priya Ranjan: Given the circumstances, do you foresee some kind of, I mean, say, EBIT or EBITDA loss in the first quarter because I mean, one month will be completely out?

Vikas Sinha: Q2, you are talking about Q2. Let us talk in calendar year terms for us.

Priya Ranjan: Yes so in Q2, do you foresee kind of EBITDA loss and overall scheme of thing and if you if whatever cost program, etc., you have, so at what level of topline or operation do you think that your cash or EBITDA breakeven might happen?

Ander A Alvarez: Let us say, the situation for the Q2, it will be tough for all the markets, especially because the sales in April will be, as Vikas said, close to 0 in April in India and something like 30% of the normal month in Europe, 25% of the normal month, so we will be affected for that and the EBITDA margins, of course, will be affected. But what we think is that after April, in May and in June, we will start recuperating our standard margins. As you saw in the presentation, in India despite a drop that we had, the EBITDA margin has improved in this first quarter calendar year 2020. This is mainly because we were doing we continue applying our efficiency improvement plans in all the technologies in our Indian divisions and I think we were performing very, very well.

Now, yes, we will be affected in the second quarter. It is very difficult for us to say how much we will be affected. But what I can say is that by the Q3, we will come back to the normal situation. We will continue doing our works. In Europe, we will have the government support. In India, I think that the market will revamp a little bit faster than in Europe, that will help us and as we are in a very strong and solid cash position, we will, of course, survive, and we expect to finish all this process and we want to use all these unfortunate times to improve our management systems, to improve our internal efficiencies and to finish all this process in a better range for situation and be as Vikas said at the end of the presentation, we want to be in a stronger position to cope with the market at the end of this year so the impact, we of course, we will have this impact. It is difficult to say how much which kind of drop we will have in the Q2. You saw that in the first quarter, with this drop, important drop of 30% approximately in Europe and, let us say, without Aurangabad Electricals, we dropped approximately another 30% in India also so you saw that we only lost 1% EBITDA so yes, we will lose something, but we will continue in a positive range in the Q2.

Priya Ranjan: Nice to hear that and just lastly on 2 on 2 things I mean one is on, how do you see yourself after this COVID situation because I think if this persists and because what we are thinking is that probably for next couple of quarters, the utilization level at many levels many tiers of vendors, etc, will be lower so do some of the smaller tier vendors, etc, might face problem in terms of liquidity and all so do you foresee as strengthening yourself in terms of market share and secondly, on any opportunistic acquisition target you can think of investing?

Ander A Alvarez: Yes. I think that in this situation, the market will tend to consolidate the business in the stronger partners so in this case, we hope to be in the winner list. This is what everybody expects, and what we expect also is to consolidate and to increase our market share in this situation. Regarding the opportunities, the acquisition opportunities, of course, we are open to acquire companies and if the target company meets our requirements and it is aligned with our strategy, yes, we will go for those companies so let us say, we are open, we will continue working. I think this is important let us say, this drop in the market and this virus pandemic is a terrible thing. But we do not see let us say, that we will have an optimistic view of the future so we are only thinking on the day after and reinforcing and continue our strategy as with business as usual.

Vikas Sinha: But Priya Ranjan, before we move on, I think, let us point out that our first focus area is to get our plants back and running and improve our position with our customers so M&A will be a second option, not the first.

Ander A Alvarez: Yes, of course.

Priya Ranjan: And Sir, lastly, one thing, just on general global thing, which is there has been a lot of talk of, I mean, say, local to local manufacturing, supply chain moving away from China so I mean, even Japan government has given some kind of incentive to move out manufacturing from China so any sense you are getting this is happening or some companies are trying to do that or even evaluating this?

Ander A Alvarez: Yes. I would say this is right now, we have seen some movement from in some divisions. For example, in the magnet division, we clearly see this trend. However, I think it is too early to say that in for the rest of the divisions. But you are right that probably this movement from China to India could happen because, in my opinion, the logistic chain, the supply chain in our industry will be reviewed deeply in the next times, so yes, we see an opportunity there that some of the Chinese production can move to India. In certain divisions, already it is already happening, but it is too early. I mean, I think it we need some more time to see the real effect of this pandemic.

Priya Ranjan: Okay and thank you. That is all from my side. One last thing, I mean, from JP, if he is there so what is the net debt level and what is the cash generation has happened in the first quarter?

K. Jayaprakash: Our debt level has remained at the same as of December 31, 2019, Priya. Essentially some committed capital expenditure we had to go through so the debt has remained at the same level.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

- Puneet Gulati:** Best wishes for overcoming this COVID crisis. Just trying to understand while we talk about plants, customer plants getting ready to open in May, do you have some insight into what kind of production levels are they targeting?
- Ander A Alvarez:** Vikas, can you help me with the question?
- Vikas Sinha:** He is asking that, yes, we have talked about OEMs restarting their operations from April end and May, but what kind of production levels compared to a normal month, how much are they targeting in May that is the question.
- Ander A Alvarez:** Okay. In May, okay, it is very difficult to say because there is a big uncertainty yet and this is why it is difficult to answer because the customers are changing their plans every week, my expectation can be around in May, the market can be at a rate of between 40% to 50% of the normal month.
- Puneet Gulati:** Okay and do you foresee any your supply chain-related issues to emerge when you start production? Or is that largely on track?
- Ander A Alvarez:** No. We do not foresee any problem on the supply chain, no. We have been managing that, and we have created our stocks and no problem. Until now, there is no issue.
- Puneet Gulati:** And your vendors are all geared to start as you start as well?
- Ander A Alvarez:** Yes they are ready, and we are ready also. In fact, we are willing to start as soon as possible and in fact, in India, we have got some clearances in from the government for certain plants, and we have already started some production in just 1, 2 plants.
- Puneet Gulati:** Okay that is nice.
- Vikas Sinha:** So that is in Rajkot. The gears plant in Rajkot is operating at some low level and we produce some medical equipment at our composite plant at Mangaon, so that is allowed because it is medical equipment.
- Ander A Alvarez:** Yes and also, Aurangabad Electricals for some export production, we have started also.
- Puneet Gulati:** Aurangabad plant?
- Ander A Alvarez:** Yes, Aurangabad plant, it is aluminum hydrosilicate, yes.
- Puneet Gulati:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Birla Sun Life Mutual Fund. Please go ahead.
- Jayesh Gandhi:** Couple of questions for you, Ander. In Europe and also in India, there were a few plants that we had, which were not as optimal in terms of profitability as you would have liked them to be. What

opportunity do we have now to shut those capacities or restructure them so that when we restart, all our plants are in good shape and profitable?

Ander A Alvarez: Yes. Okay. We are doing we are managing this situation continuously so this is our main job. I mean, manage the capacities, produce with efficiency and make this business profitable in the long term and we have been working on that, and that is why we have been restructuring our business in especially in Germany, as you know, that with this is our most complicated business. We have been restructuring the business and despite the huge drop that we have in this Q, we were able to manage the EBITDA levels at the same level that we had in 2019 so yes, you can see that we are doing this restructuring. In India, also, we are doing also the job, and we are making all our plans. We think that India will perform very well because we were seeing already the results in January, February, then in March, we saw the drop. But January, February, we had a very good trend and I think that when the market comes again, Q3, Q4, you will see a good performance and good evolution in India also so in Europe, we continue our plan. We are not changing the plan because of this crisis because we have already that plan so we are doing the restructuring, we are optimizing the businesses and in both regions, we are doing the job.

Jayesh Gandhi: Wonderful. Good to hear that. My second question is more general in nature in the sense that on the other side of the crisis, say, 6 months or 1 year out, do you expect same level of automobile production in the sense, commercial vehicles or passenger vehicles, to happen or is there now a realization that the world was producing just too many cars and commercial vehicles and the production is going to be much lower, and hence there should be some destruction or reduction of capacity, and we will also have to do that?

Ander A Alvarez: Yes. Okay. I think we will recuperate, and the recuperation will be different in different sectors passenger vehicles, probably, they will not come back in 2021, they will not come back to 2019 figures, probably it will take 1 or 2 years to come back to that situation so we will see the drop this year and then recuperation. I think that the tractor sector probably, we will see good year even in 2020, even in this difficult situation, we see the tractor business going up and the 2-wheeler drop that we saw in this quarter, but we will see less. I would say, half of the drop than the passenger vehicles and 2-wheeler probably will be one of the winners in the new era that we are going to live in the next years that this crisis will change how we will move, how we will see the communications and the transportation of the people around the world so we will see a change in the paradigm and in this sense, the 2-wheeler will recuperate also and finally, the truck vehicle, the information that we have is that this year, in 2020, we will see the drop; next year, we will recuperate part of the drop; and until 2022, we will not see the truck market at the same level as in 2019 so that is more or less the view so we will see the recuperation in some sectors quite fast; and in other sectors, we will take 1 or 2 years to come back to the normal situation.

Jayesh Gandhi: Yes so just as a follow-up, since your customers are not going to produce that much, our top line and our sales will also not go up so at lower sales, we have to achieve higher margins or higher EBITDA, and we are gearing for that.

Ander A Alvarez: Sorry, I did not understood. Vikas, can you translate?

- Vikas Sinha:** Yes. Mr. Jayesh Gandhi, BSLI, he is asking that our sales level will reduce in 2020 so at the reduced sales level, can we target higher margin?
- Ander A Alvarez:** Yes. One, I would say yes, now the margins are affected because of the drop. This is a normal effect. We are trying to minimize this effect. Once the market comes back or at least, we do not need to recuperate 100% of the market to come back to then our normal margins that is because we are adjusting also our fixed cost, we are adjusting our internal costs, improving efficiency so with some drop of the market, we will be able to recuperate the margins. That is the strategy.
- Jayesh Gandhi:** Wonderful. Good to hear that. Thank you. I have more questions, but I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.
- Shyam Sundar Sriram:** Ander, you did talk about employee benefits grant coming from the government towards these payment of labor wages so when we say the governments are ready to pay 60% to 80% of the labor cost, is it all the overall on the total labor wages, or is there any underlying conditions to it, if you can just help us understand and how much benefits will from MCIE Europe perspective, how much can we expect during the quarter?
- Ander A Alvarez:** Okay. In the government, they have these schemes that you have to ask for and explain why you are asking for these aid schemes. In this case, in India sorry, in Italy, in Spain and in Germany, we have applied for them, and we have been already granted, and we are already applying or receiving this support, okay? So these amounts are approximately, as I mentioned before, they are 80% of the total cost in Italy, approximately 70% in Germany and a little less in Spain, okay? And the impact of this approximately, it is €4 million by quarter. That is the amount of the support from the government, just an approximate figure.
- Shyam Sundar Sriram:** So €4 million for the entire quarter, Ander?
- Ander A Alvarez:** Yes.
- Shyam Sundar Sriram:** Okay so this is on a base of, say, €30 million kind of an employee cost?
- Ander A Alvarez:** It is based on sorry?
- Shyam Sundar Sriram:** No so this 4 on an average, employee cost in Europe will be around €30 million per quarter?
- Ander A Alvarez:** Yes approximately. We can check that, but yes.
- Shyam Sundar Sriram:** Approximately so then this €4 million is on the base of €30 million so I am just trying to understand, Ander, so when we say 80% of peak labor wages will be borne by government, this does not seem to be 80%, right so just trying to understand that, Sir.

- Ander A Alvarez:** Yes. 80% is in Italy. But no, the point is the 80%, while they are stopped and we do not expect our people to be stopped all the quarter. If we were stopped all the quarter, the amount would be much higher that is the point so you would consider that if we had let us say, imagine that the sales goes down to 0 in all the quarter, the amount that we would receive from the government would be something like, in average, I think, more or less €15 million, but as we plan to produce in May and in June, we only asked for that support when we have the plants idle.
- Shyam Sundar Sriram:** Okay. Understood. Sir, just 1 more question so even when we start also, we will be just as an addendum to the same question, even when we start, we may not be employing the entire labor, we may start with, say, 25% of the labor and then gradually we will ramp up, is not it?
- Ander A Alvarez:** Yes and in fact, we are only applying this support system when we do not need to produce, so for example, I will give you an example in April. In April, one of the plants in Germany has been working more or less at 1 shift during all the month because we had certain orders to cover from our customers so in that plant, we did not ask for the whole month of support from the government so we only asked for 2/3 of the amount.
- Shyam Sundar Sriram:** Okay, understood. Sir, one more question on the other expenses, would how much of the other expenses can we consider as there will be fixed costs and how once the plants start running, and how much will be variable?
- Oroitz Lafuente:** You can say that in the global at MCIE level, our fixed cost per month, including both salaries and also the normal cost, and now they stopped, could be at about Rs.1000 million per month that is our fixed costs per month.
- Shyam Sundar Sriram:** Sorry, Sir, how much Rs.100 Crores. For MCI consolidated, including employee costs, you are saying Rs.100 Crores per month, is it?
- Oroitz Lafuente:** That is it.
- Vikas Sinha:** But on a euro consolidated level, yes.
- Shyam Sundar Sriram:** Yes at the consolidated level so this is the fixed cost. Then on the balance?
- Vikas Sinha:** All fixed costs, including labor.
- Shyam Sundar Sriram:** Right and other factory overheads also includes.
- Vikas Sinha:** Yes. Carry on.
- Shyam Sundar Sriram:** Yes. Other factory heads are also included in this where the plants are running, Sir?
- Ander A Alvarez:** Yes. All the factories included there.

Shyam Sundar Sriram: Okay understood, Sir, sorry, one more one last question. Because of the COVID guidelines being put in place in our factories, is there any increased cost of operations? Are you foreseeing any incremental cost because of these new guidelines being put in place?

Ander A Alvarez: We think that we will have some incremental costs, some, of course, maybe coming from additional claiming services and probably less efficiency, especially in the beginning. But in the midterm, once we train everybody and we optimize these processes, I think that the cost increase coming from these measures will be marginal so we do not expect impact. I would say that in Europe, the impact is will be close to 0; in India, can be a little bit higher due to the amount of people that we have, so we need to keep distances and increase certain cleaning procedures in the plants. But overall, I think for Mahindra CIE, once we have implemented properly the measures, we are not counting on impact, but will have some marginal in India.

Shyam Sundar Sriram: Okay. Understood and lastly, on the capex for CY2020, any guidance if you have planned for it, please?

Ander A Alvarez: Okay. For the capex, what we have continued our committed CAPEX that we planned we launched in 2019 or beginning 2020, so we continue with that plan. What we are now is we have cut it let us say, we have cut the new investments that are not essential for the customers and the production, so we postponed some of the capex. But in the, let us say, I see that once the market comes back, we will restart the programs so we will more or less expect the same capex than the previous year, that is until now, we are in the Rs.900 million, which is the capex we have had in the first quarter so we expect to keep the capex plan and eliminate only or postpone the non necessary ones.

Shyam Sundar Sriram: So sorry, for the full year, how much capex you mentioned, Ander? Sorry, I did not get the number.

Ander A Alvarez: In the first quarter, we made Rs.900 million but all this capex is programmed or planned and committed by previous during 2019 that is why we continue with these plans.

Shyam Sundar Sriram: Okay and for the full year CY2020?

Ander A Alvarez: Okay. We need to check that. I have not that figure now in mind. We need to review the...

Vikas Sinha: Yes, Shyam, we will have to.

Shyam Sundar Sriram: I will take it offline, Sir. I will take it offline. No problem.

Vikas Sinha: No. It is not a matter of offline. What we are saying is that we will review the capex situation if the market comes back, if the market comes back and all the customer-related commitments on capex that we have made, we will do. But it is subject to the market coming back. That is the reason why it is difficult for us to give a number. But during this period, whatever is not required to keep the customer requirements going, we are either cutting it or postponing it so we really do not know how much that capex would be, whether it will be Rs.90 Crores x 4 or Rs.90 Crores x 2, we do not know as of now.

- Moderator:** Thank you. The next question is from the line of Aryn Pirani from CLSA. Please go ahead.
- Aryn Pirani:** I do not think this question has been answered earlier because there was some disturbance on the line. But with regards to India, obviously, we do not have any wage reimbursement program by the government. But I just want to understand what will be your mix of contract and permanent workforce? And in that context, what are your surpluses of your payments to contract workers, say, during the time of the lockdown. I understand that in March and in April, you would have paid everybody as per my understanding. But, say, if the lockdown were to continue or it were to come back again and when the production ramp up is very slow, how does the difference between a permanent employee and a contract employee works in terms of the wage payment?
- Ander A Alvarez:** Okay. During the months of March and May, we have kept all our permanent and contract workers, and we have paid them 100% of the salaries. This is the suggestion from the government, and we helped and we tried to keep our workers because we value them, and we think that we will need them for the near future, too so I think this is a strategy from our company to keep our workers, protect them and try to and to survive through this pandemic properly. Then our ratio of contract workers, it is different. It is different from one division to another, but we can consider between 30% to 40% of our workers as contract workers and we depending on the future in the market, we could see a reduction in the future. But right now, we are trying to keep them and until we do not see the real evolution of the market, we are not making any decision so that is what we agreed in the Board of the company, and that is what we are applying in the moment.
- Moderator:** Thank you. The next question is from the line of Ravikumar Vaidyanathan, who is an individual investor.
- Ravikumar V:** Sir, I have a couple of questions. The first one is on when I look at the consolidated results; I see that there is a Rs.45 Crores exchange loss booked during the quarter. I understand this is a loan which the Mexican subsidiary has taken from the group company so just wanted to know, it is a huge shake to the P&L so just wanted to know what is the reason we have not hedged the FX there?
- Ander A Alvarez:** Okay. This effect has been because we have \$26 million loan in our subsidiary in Mexico, Bill Forge Mexico and the peso, the Mexican currency has had a huge depreciation in the last quarter. This is the impact of this exchange rate or currency depreciation has been, as we said, something like Rs.42 Crores, Rs.43 Crores what we are now planning for the next quarter is we will change the functional currency to the U.S. dollar because in Mexico, all our sales are done in U.S. dollars so we have the sales. I mean all our customers are invoicing us in U.S. dollar, and the raw materials we buy, we buy in U.S. dollars so let us say, most of the cost and the P&L is based on U.S. dollar. That means that we will use the dollar as the functional currency so we will avoid this kind of effects in the future, and we will recuperate in the next quarter this impact.
- Oroitz Lafuente:** All of our collections in Bill Forge Mexico are in U.S. dollars. We have not made any kind of hedge for this loan. Because as we were collecting, we were paying them also with the U.S. dollars that is the reason of not making any kind of hedge in U.S. dollars. We will abolish this kind, let us say, in artificial exchange recuperation, yes.

- Ravikumar V:** Okay. Because that is a substantial impact, I think the peso depreciated almost 20% this quarter so while given this kind of a currency, I was just wondering from a risk management standpoint, I was wondering why the company has not hedged the FX part of the loan.
- Oroitz Lafuente:** Yes that is the reason. Our collections are in dollars. We will have cash to repay the loans.
- Ravikumar V:** Yes. Okay. The second question is, I think in the introductory remarks, I heard that one of the group companies has been purchasing shares of the MCIE India in the last quarter. I saw it in the trading information as well so just wanted to know, I mean, it is more like a token purchase that has done to, so I just wanted to know whether that is continuing because we are not allowed after the March 31, 2020 or so.
- Vikas Sinha:** Of course, our trading window was closed till tomorrow. I think that a trading window for us will open only after the result. So that we certainly CIE certainly could have got more, but our trading window closed on April 3, 2020 and CIE is willing and able to buy more, if required.
- Ravikumar V:** Yes. Sir, if you permit me to ask one more question so if I understand correctly, the debt-to-equity ratio is, what, somewhere in the region of 1:4 for the company so just wanted to know if have you done any kind of a stress test in the worst case scenario if the lockdown is to get extended by, say, another quarter or 2, just wanted to know what would be the pessimistic view of the debt moving? Do you have any kind of a ballpark number, whether it will move from the current 1:4 to where?
- Ander A Alvarez:** We have not done any, let us say, any forecast on that scenario because the uncertainty is so high that it is difficult to make any calculation right now depending because everything will depend on the evolution of the market so the main message, in this case, regarding the debt is that our debt level is very low in this moment compared to EBITDA is 1.5 approximately 1.5x EBITDA and the cash situation of the company is very, very solid. We have been managing just with the available cash and with the available credit lines. We can survive and we can keep the company running normally in the next six months so the situation is very solid. Even in Europe, the situation is solid, and we have the support of our mother company, let us say, CIE so let us globally, the debt situation is under control, and it is not a problem for us in this moment. We are focusing our efforts right now on the efficiency and preparing the company to the, let us say, to restart properly the production.
- Moderator:** Thank you. The next question is from the line of Nitin Shakhder from Green Capital. Please go ahead.
- Nitin Shakhder:** I have 2 questions. My first question pertains to the loan provision of Bill Forge Mexico USD loan provision cost. Now that is a substantial hit to the bottom line, as we can see from the figures and worried, is there any other unhedged exposure that the company has, which might come out in Q2 or Q3 because this is quite a large exposure for a forex provision? And my second question pertains to, considering the situation in Europe, does it make strategic focus or sense for the company to focus on increasing sales growth within OEM customers in India?

- Vikas Sinha:** Second question, Nitin, can you repeat the second question, what exactly you have had? Given the situation in Europe...
- Nitin Shakhder:** Given the situation in Europe in terms of plants and manufacturing and production and prod output, is there any strategic focus from the company to regain sales growth from OEM customers in India and shift hedge or domestically look at ever-increasing sales growth within India as well?
- Ander A Alvarez:** Okay just to answer to the second question, and I will let JP or Oroitz to answer to the first question. Regarding the sales between Europe and India, you know that we have in the last year, we were approximately 60% of the sales in Europe and 40% in India, and our strategy is clearly to continue growing and focusing in India and we want to balance this percentage between the regions so yes, our strategy is to continue growing faster in India and increasing our position in India rather than in Europe so I was expecting this year to be 50-50 approximately. Okay, due to this virus crisis, probably it will like take some more time. But the strategy is clearly, as you said, increase our position in India rather than in Europe and coming back to the first question.
- Oroitz Lafuente:** Yes, regarding the first question, according to the law that we have different balance sheet, on the balance sheet is this information for loans. The rest of the loans in Europe, they are in Euros and in India, all the financials we have are in rupee so the Mexican loan is the only one we have generated this kind of big differences.
- K. Jayaprakash:** And I hope you understood the answers.
- Nitin Shakhder:** So this is a one-off, right? I mean it is not a continuous going. It is a one-off. Can we expect it to be a one-off?
- K. Jayaprakash:** So it is a one-off and to answer your question, why we did not hedge it, I think Oroitz answered, are all our receivables in Mexico are in dollars and we will change.
- Nitin Shakhder:** Yes. That was answered. Yes. There is only one last one which I have. Considering CIE has created an open market purchase on the company, is there any discussion within the management to look at buyback from the Mahindra Group, considering the valuations of the company at this point in time?
- Vikas Sinha:** Nitin, buyback from Mahindra Group requires Mahindra approval. As I told you earlier, CIE is both willing and able to increase its holding in MCIE as Ander has reiterated it an important part of CIE's business worldwide so they are both willing and able. As far as the buyback from Mahindra is concerned, it is really M&M's decision so we will have to wait for that.
- Ander A Alvarez:** Let us say, from the CIE view, it is clearly that India will be one of the major automotive markets in the future and despite this crisis, I think that India will recuperate faster and better than the rest of the regions in the world that is our expectations that is why we continue thinking that India bet it is relevant and will be one of the major bets of CIE for the future. That is our position. That is why CIE is increasing the stake in Mahindra CIE.

- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.
- Pritesh Chheda:** Sir, I missed one of your comments on the expense of help that the European governments are going to give to the operations in terms of salary bill so you said that the months for which and operations were not done is where the month for which the government will pay the full salary bill. That is how you put it out or I misread it?
- Vikas Sinha:** No so Ritesh or Hitesh, I just?
- Pritesh Chheda:** This is Pritesh.
- Vikas Sinha:** So what Ander said, see, whenever the plant is not working in either April or May, at that point of time, the government will pay at different places; different levels so 80% in German in Italy, 70% in Germany, 30% in Spain. From the days the plant is not working. Based on the days that they have not worked, we assume that the help would be in the region of €3 million to €4 million in this quarter, depending on the number of days they have not worked, over a rough salary bill of say anywhere between €25 million to €30 million in the quarter, right?
- Pritesh Chheda:** Okay and any other payouts other than the salary bill or it is only the salary bill which is covered?
- Ander A Alvarez:** No, only the salary. I mean, they pay the cost of the labor. The strategy of the European government is to avoid the workers to be dismissed so they want to keep the workers employed, and they are supporting the companies to help the payment of the salaries so the companies are not dismissing these workers. That is the strategy.
- Moderator:** Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.
- Nikhil Kale:** So firstly, just wanted to check in the Europe business, we have seen sequentially sales have improved, however margins have contracted so just wanted to understand if this was a function of the mix. Have you seen MICE revenues improve sequentially, which typically has a lower margin?
- Vikas Sinha:** So Nikhil, your question is, the Europe sequential revenues have increased between Q4 to Q1, but the margins have dropped that is the question so a little bit around mix. As we pointed out, the Metalcastello numbers have come down, Metalcastello is a high-margin business, and the German numbers have remained same and Germany is relatively low-margin business so if you do that mix thing, that is the reason why it has been.
- Nikhil Kale:** Is there also some is there also a function of some gross margin expansion due to lower raw material costs and which we might have to kind of pass on to customers going ahead?
- Ander A Alvarez:** No. There is no raw material impact in this quarter. In fact, the raw material is dropping in the prices in this period so there is a reduction on the steel price in this period so no, it is not an impact of the raw materials.

- Nikhil Kale:** Okay and secondly, I think going ahead with the demand remaining, the focus will be on cost control. Now over the last couple of quarters, you have kind of what you are too aggressive in cutting costs. I think in the last con call, you have mentioned that you have let go of some of the contract workers in Europe, also cut back on the overtime. So I wanted to understand what is the potential or the headroom that we have to cut costs going forward, especially in the Europe business?
- Vikas Sinha:** So Ander, the question is, is there since we have been cutting costs, especially in Europe for the last few months, is there still some headroom left to make further cost reduction?
- Ander A Alvarez:** Yes. In fact, we were thinking that the market will stabilize in the Q4 levels, Q3, Q4 levels at that time in the especially in Germany. Now after this virus impact, the truck market evolution is a little bit uncertain in this moment. But yes, of course, we need to continue making the adjustments. That is the task and regarding if we have room or not, yes, we have some room yet and we need to continue working on that.
- Nikhil Kale:** Okay. Just lastly, you mentioned the government support. Just wanted to check, does that come with certain guidance that once the production starts, you cannot let go of workers or anything like that?
- Ander A Alvarez:** Vikas, can you fill in?
- Vikas Sinha:** The question is, the government is supporting the various plants with this labor cost support. Are they putting a condition that you cannot let go of workers once the restart happens and you have there is a lock-in period that you cannot let go for customer sometime, right?
- Ander A Alvarez:** Okay in different let us say, the conditions are different in the different countries. They set a temporary condition that we should not dismiss or we should not fire these workers that have been supported by the government during this period. But this timing means the overall 2, 3 months of nondismissal of these workers but there is no major condition on that support.
- Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.
- Jinesh K. Gandhi:** My question pertains to what would be our breakeven utilization rates both for Indian and European operations? Would you be able to share that?
- Ander A Alvarez:** The breakeven sorry, is that the question?
- Jinesh K. Gandhi:** Breakeven utilization levels.
- Ander A Alvarez:** Sorry.
- Oroitz Lafuente:** Breakeven utilization.

- Vikas Sinha:** Ander, what he is asking is that at what sales levels, will we have an EBITDA breakeven. EBITDA breakeven or cash breakeven, what are you asking, Jinesh?
- Jinesh K. Gandhi:** Cash breakeven.
- Vikas Sinha:** So cash breakeven, not EBITDA breakeven, cash breakeven, at what level of sales as compared to, say, normal phase?
- Ander A Alvarez:** More or less, it is a difficult question because it is different in each of the divisions. We are calculating, and we will tell you, but something like 40%. Yes. I think we are calculating. Right now, Oroitz is making the calculation. But approximately, we have 30% of the standard sales drop, we can have the breakeven level so approximately 70%* of the standard we can survive. (***Editorial comment - This should be read as breakeven on a consolidated basis is at 70% of Q1C20 numbers**)
- Jinesh K. Gandhi:** Okay. It would be for both India and Europe?
- Ander A Alvarez:** Yes, this is for both India and Europe, yes.
- Jinesh K. Gandhi:** Okay. Second question pertains to the organic decline in Q1 at India and consolidated level, if you have that number.
- Ander A Alvarez:** Okay. Yes.
- Vikas Sinha:** Jinesh, what is the question?
- Jinesh K. Gandhi:** Ex of AEL, what would be the decline in India and consolidated revenues?
- Ander A Alvarez:** Yes without ex AEL, in India, the drop could be 30% approximately Q-on-Q and in Europe, as you saw, it is 30% so we would be at 30% drop in the Mahindra CIE ex AEL.
- Jinesh K. Gandhi:** Okay. This is compared to same quarter last year?
- Vikas Sinha:** The same quarter last year was a very good quarter, if you recollect it.
- Jinesh K. Gandhi:** Okay. Obviously, that was near the best quarter of last year. Yes and last question pertains for the European operations, what would be revenue decline in euro terms, given that there has been also benefit of INR depreciation?
- Ander A Alvarez:** Vikas, can you help us with the question?
- Vikas Sinha:** So he is asking Jinesh is asking, in euro terms, how much did the European business declined Q1 CY2019 to Q1 CY2020 in euro terms without the exchange rate?
- Oroitz Lafuente:** There has not been any relevant change on the exchange rate.

- Ander A Alvarez:** No, it is 33%, yes.
- Oroitz Lafuente:** Exchange rate effect has been very negligible.
- Vikas Sinha:** So no difference, potentially?
- Ander A Alvarez:** No difference is for exchange rate.
- Moderator:** Thank you. The next question is from the line of the Vivek Kumar from Shiv Sagar Investments. Please go ahead.
- Vivek Kumar:** Thank you for the opportunity. Sir, I just want to know like in forging technology, I think, Mahindra CIE will be the major arm for the group CIE so what is the potential for the next 5, 10 years in the forging technology, with the revenue?
- Vikas Sinha:** Vivek, so you are essentially asking, see, is Mahindra CIE important for CIE?
- Vivek Kumar:** What is the role of Mahindra CIE with respect to the whole group of CIE, it is different technologies?
- Vikas Sinha:** So no, we have always said that Mahindra CIE is CIE's arm in India, in India and Southeast Asia so anything that CIE does in any technology in India or Southeast Asia will be to Mahindra CIE, and Mahindra CIE is also the global arm for CIE in the Forgings business, so anything that CIE does further in forgings will happen through Mahindra CIE so this is what Mahindra CIE's relation vis-à-vis CIE is so that is one and then your second question was really, where do we see forging technology going.
- Vivek Kumar:** And how big is the opportunity size, yes?
- Vikas Sinha:** Look, forging technology is perhaps the oldest technology known to human kind, if you look at it so the questions will be asked with respect to electric vehicles and so on. If electric vehicle comes, there will be a little bit of decline, no doubt. But given all these social distancing and other things that are coming up, I think there will be some pause on whatever is happening on electric vehicles so we continue to see IC engines playing a big role. Of course, IC engines will remain in trucks and tractors and some of those things so to that extent, forging will remain a very important part. What exactly will happen in 10 years' time, we have not taken a call.
- Vivek Kumar:** If you say like Rs.5000 Crores revenue in Forgings business, I think it is around Rs.4000 Crores, Rs.5000 Crores so how are the competitors doing like, is it possible for Rs.10000 Crores revenue from just the Forgings in the next 5, 10 years in the group?
- Vikas Sinha:** Of course, it is possible. You have Bharat Forge before us before you, the kind of revenues they have so it is possible so there is enough growth opportunities in forging. In fact, we see in the near term, there will be greater opportunities in this area, as OEMs focus more and more on designing, developing new technologies, new cars, there is a whole lot changes happening in the auto industry

so there will be less focus for OEMs on the Tier 1 technologies like engines and so on and so forth and companies like us will have greater opportunities in the medium term actually so we do foresee opportunities coming our way in the medium term.

Vivek Kumar: And with respect to different technologies for die casting, aluminum die casting or roofing or this composite, if you buy a company in India, and that has a factory I suppose in U.S. or Europe, then how do we align that?

Vikas Sinha: We will see when it comes. We will see when it comes to that. Of course, our first preference is to expand in India, as Ander's pointed out because CIE attaches great importance to the Indian market. It will come if we have an M&A opportunity in which there is an adjunct plant in Europe or U.S., we will have a look at that at that point.

Vivek Kumar: Yes, the cost benefit is different to different like for die casting aluminum die casting or any other advantage India, then we can make that revenue also and that

Vikas Sinha: What is the question?

Vivek Kumar: Like, if we have cost advantage in India with respect to different technologies, and then we can make it Indian hub for CIE Group, is it possible?

Vikas Sinha: Look, at the end of the day, within the CIE system, CIE is a very efficient company worldwide, as you are aware. CIE makes very high margins all over the world so not just in India or Europe so wherever there is an opportunity for exports from India, we will definitely look at that. But it is not true that CIE entities in Europe make less margin or lower margins than the Indian entities. In fact, a large number of them make higher margins than the MCIE plants in India so it depends. If there is an opportunity, we will surely look at it.

Vivek Kumar: And today, the CIE the portion is around Mahindra CIE, a portion is around 35% of the total group, I think the turnover.

Vikas Sinha: No. On a consolidated level basis, I think M&M will be anywhere between 10% and 15% on a consolidated basis. In India basis, there will be anywhere somewhere around 30%, 33% for the India revenues and less than 15% for the consolidated.

Vivek Kumar: It is only 10%?

Vikas Sinha: Around 15%, you might say because India is roughly about 50% of the consolidated revenue, and they are 30% to 33% of India revenue.

Vivek Kumar: India is having Rs.8000 Crores revenue in Mahindra CIE consolidated.

Vikas Sinha: Yes.

Vivek Kumar: And the group the total CIE revenue is, I think, \$2 billion so \$2 billion or?

- Vikas Sinha:** Oroitz, what are the overall CIE revenues in CY2019 or like we are still waiting for the Board meeting, I guess? We can talk about
- Vivek Kumar:** Last year, what was it last year?
- Ander A Alvarez:** Yes, you make a forecast of the figure. We cannot disclose. But you can say €3.5 billion so it is approximately Mahindra CIE is 25% of global CIE.
- Vivek Kumar:** Yes, 25% of the global CIE?
- Ander A Alvarez:** Yes.
- Vivek Kumar:** Okay so is this going to change or something like can we see that in next 5, 10 years?
- Vikas Sinha:** As I said, India is an important focus area for CIE, but it depends on how the market grows so it really depends on how the market. But India remains a focus area for CIE.
- Ander A Alvarez:** Yes absolutely.
- Operator:** Thank you. The next question is from Ujwal Shah from Quest Investment. Please go ahead.
- Ujwal Shah:** Just wanted to know the performance of Bill Forge and AEL during last quarter and what kind of margins did they achieve?
- Ander A Alvarez:** Okay. Both AEL and Bill Forge has performed better than the rest of the divisions in India, mainly because they are more focused on 2-wheelers and exports and the drop has been a little bit less than the rest of the divisions of Mahindra CIE in India, okay? The margins in AEL, you know that last year, we were about 12% of EBITDA, and that is the range where we are now getting 12%, 13%. This is the EBITDA margin level in AEL and Bill Forge, Bill Forge has good year, last 2019, and we were improving, especially because the problems in our Mexican plant were solved, and we were improving the margins. EBITDA margins in Bill Forge are around 18% and in this quarter, due to the drop of the market in the last month of the quarter in March, we had some reduction on that margins, but the our standard margins are 12% in AEL and 18% in Bill Forge.
- Ujwal Shah:** Great and also wanted to know on the European business, Ander, our CV side business, during best of the times, when CV business was booming when the growth was very strong, both from Europe as well as the U.S. side so even during that times, our CV margins were around 8% at best so what is the long-term strategy that CIE has for that CV business because the rest of the business in Germany is making wonderful margins? And the CV side, because of perennial problems, having plants in Germany, whatever be the reason and during the best of the times, the margins have not been good. Are we seeing a long-term strategy to hold on to the CV business as we see margins improving there? Or at some opportune time we might think of selling it out?
- Ander A Alvarez:** Okay as you mentioned, and our CV Forgings margins obviously are the worst margins that we have in Mahindra CIE, especially in our Forgings in Germany. However, we continue working to

turnaround this business and to make them at least at the profit level that we can survive in the long term, okay? So our strategy in this period was to reduce the size slowly, slowly of this business and controlled downsizing of this business because they are not giving us the proper profitability and, at the same time, continue with the restructuring activities to increase their performance. I think that our businesses in Germany right now are improving and we will be able to keep them in Mahindra CIE, perhaps with some downsizing and consolidation in the future. But our aim and our strategy is to make them profitable and to have a long-term business even if it is not as big as it is now, but with a smaller business with a little bit higher margins than current ones. That is the strategy.

Moderator: Thank you. The next question is from the line of Priya Ranjan from Antique Stock Broking. Please go ahead.

Priya Ranjan: Thank you for the opportunity. Just only two things, one is have you heard anything from your OEM side, particularly on their capex reduction, particularly on the product development or the new platforms, etc, where you might be associating with your OEM partners and second part is on the cost side so at if suppose I was purchasing a tonne of, say, steel, and if my volume has become like 70 or 60, so will the sale price drop will help me? Or I mean, will it will my prices might go up because we might have contracted for a little longer?

Ander A Alvarez: Okay. Vikas, can you help me with the second question?

Vikas Sinha: So the first question is are OEMs reducing capex and will that affect our programs? The second is on the cost side. The question is steel prices are going down, but are we contracted with our steel suppliers so that we will not benefit from any reduction in steel prices going forward because we have been contracted for a longer period?

Ander A Alvarez: Okay. Regarding the OEM's capex, we have not yet any information from them to that they are cutting capex or development. No, we do not have that information yet, we do not know if they are going to disclose anything in the near term. But till now, let us say that we continue the programs that we are developing with them with no stop, so till now, there is no movement on that and regarding the cost of the steel, let us say, that we have our contracts and commitments are short-term commitments and no, we are not squeezed on that. We will manage this we negotiate with our customers, and we negotiate with the steel suppliers, and we find the agreements so there is no risk on that.

Priya Ranjan: Okay. But I mean, is that I mean, the prices of steel, etc, is also linked to the volume, I mean?

Ander A Alvarez: Not really. No of course, we agreed with the steel mills the prices on certain volumes, but there is flexibility on that and we can balance between we are not working only with 1 steel mill so we can we can decide the strategy so as our customers does with all of their suppliers, we balance the supply from different sources, and we decide the strategy each time so we do not expect to have a burden or a loss due to that, not at all.

- Priya Ranjan:** Okay and lastly, on the working capital side so I mean, I have been hearing mixed trends from the OEM side some OEMs are actually extending the credit period, some OEMs are shortening the credit period to help the suppliers so I mean, what are you witnessing and between different timing, say, India or Europe or between customers, major customers, how do you see that?
- Ander A Alvarez:** Not yet. We have had certain delays, in fact, in the payment in some customers, but then they are recuperating and let us say, the payment terms continue in the same situation. No changes on that, smoothly. But no, not relevant no and we say that also as a company, we are in a strong or relatively comfortable position. We are paying on time to all our suppliers. I mean this is the decision to support also to our supply base.
- Moderator:** Thank you. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- Vikas Sinha:** Now thank you very much. Thank you very much for listening to us patiently. Please reassure that we are working very hard, and we are very optimistic, and we are very confident that we will deal with this crisis in a good manner and yes, Ander, do you have anything to add?
- Ander A Alvarez:** No. Just my comment is the same is to reinforce that despite the situation is difficult for everybody in terms of the health of the citizens in the different countries we are located. Regarding the business, we need to have an optimistic view and I think that the market will come back. Perhaps it will take 1, 2, 3 quarters to come back, but we are prepared. We are in solid financial position. We are doing our job. We are completely focused and I think that we will emerge stronger than before so that is the point and thank you to everybody.
- Moderator:** Thank you very much on behalf of ICICI Securities that concludes the conference. Thank you for joining us. You may now disconnect your lines.

Note: This statement has been edited to ensure quality