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Sub: Transcript of CIE Automotive India Limited Q3 & 9M CY2025 Post Result Conference Call

Pursuant to Regulation 30 read with Para A of Schedule III and Regulation 46(2) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our letter dated 7th October, 2025 in respect of advance intimation in relation to Q3 & 9M CY2025 Results Conference Call, please find enclosed herewith transcripts of the said call held on 17th October, 2025.

The same is being uploaded on the website of the Company at the following weblink:
<https://www.cie-india.com/periodic-public-information8.html#Quarterly-Result-Calls-and-Transcripts>

Kindly acknowledge the receipt and take the same on the records.

Thanking you

Yours faithfully,

For CIE Automotive India Limited

Pankaj V. Goyal

**Company Secretary, Chief Compliance Officer,
and Head- Legal**

Membership No. F 13037

Encl: as above

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“CIE Automotive India Limited's Q3 CY '25 Results Conference Call”

October 17, 2025



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MR. K. JAYAPRAKASH – CHIEF FINANCIAL OFFICER, CIE AUTOMOTIVE INDIA LIMITED
MR. VIKAS SINHA - SENIOR VICE PRESIDENT (STRATEGY), CIE AUTOMOTIVE INDIA LIMITED
MR. OROITZ LAFUENTE - BUSINESS CONTROLLER, CIE AUTOMOTIVE INDIA LIMITED
MODERATOR: **MS. VISHAKA MALIWAL - ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to CIE India's Q3 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 '*' then '0' on your touchstone phone. Please note that this conference is being recorded.

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

Vishaka Maliwal: Thanks, Swarnali. Good evening 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 Alvarez – CEO; Mr. K. Jayaprakash – CFO; Mr. Vikas Sinha – Senior VP (Strategy) and Mr. Oroitz Lafuente – Business Controller. Over to the Management to take this ahead. Thank you.

Vikas Sinha: Apologies for the delay in starting the call. Ander & Oroitz are in Spain and we were trying to connect them but couldn't. Then we used a very sophisticated technology, it is called off and on and that's how we got into it, but sorry for the delay. So we welcome Ander, our CEO. I will present CIE India results for Q3 C'25 and 9-month C'25. We start with the Q3 C'25 results of the India operations on page six.

In Q3 C'25, India business sales were at INR15,232 million, which marks the highest ever quarterly sales reported. The Indian operations have grown at 9% year-on-year versus Q3 C'24 and on a sequential basis they're roughly about 4.5% higher. The quarterly growth is higher than the weighted average market growth and significantly better than what we have seen in the recent past. If you would recall, we were about 3% growth in Q1 C'25, 7% in Q2 C'25 and 9% this quarter. So you can see the improvement trajectory. As discussed earlier, some of the new orders that were delayed and we have talked about them in the past are coming back on stream. The market growth, while not spectacular this quarter, has also been generally good and supportive. The light vehicle market grew by 5.6% in Q3 C'25, two-wheeler by 10%-10.5% and tractors by about 14% in production terms.

The EBITDA margin in India for the quarter was 17.3%, lower both year-on-year and sequentially, mainly due to the energy tariff increase in Maharashtra, where many of our plants are located. We are working on improving our profitability to offset part of this cost increase in the next few quarters. So the impact is in the range of 0% to 0.5%, which we will try and offset.

Going forward, the market situation in India is expected to become more attractive as the effects of the optimization in GST structure, which will lead to lower taxes and hence lower prices for

the retail buyer. As vehicles become affordable, most estimates suggest that the three-year growth CAGR could improve by 2.5% to 3%. For example, the passenger vehicle market, which was expected to grow at a 3-year CAGR of 2% to 3%, which was the earlier forecast, now this could increase to 5% to 6%. And similarly, the earlier predicted 3-year CAGR of two-wheeler market could also increase by similar 2% to 3% points. Now, if these predictions translate into reality, they will represent a significant growth cumulatively over the next three years. The real impact of the GST reform can be gauged only after the festival season is over, because right now, both the effects are overlapping and we'll keep an eye on the same.

Where there is a silver lining, of course, there are always headwinds. While the Indian market seems to be on an upward trend, the impact of enhanced tariffs on India from the United States is a dampener. While the situation continues to be fluid, currently, the US tariffs on the components for light vehicles are roughly about 25%, while parts meant for trucks, tractors, and off-highway vehicles carry a 50% tariff. So roughly, that is the basic classification. Light vehicles, passenger vehicles at 25%, trucks, tractors, and off-highway at 50%.

Now, compared to other countries like China and Vietnam, who are major exporters of auto parts and compete with India, the 25% tariff does not impose that much of a relative disadvantage. They are also within striking distance. But those parts which are subjected to 50% tariffs can be adversely affected if the status quo remains. There is an expectation that the tariff situation will settle down in the next few months. The impact on CIE India due to US tariffs is not very significant. Roughly about 1% of the revenue of Indian operations are in the high-risk category from US tariffs.

On page 7, we have the results for the European operations of CIE India in Q3 C'25. Sales at INR7,866 million represent a growth of 18% over Q3 C'24. Now, this includes a positive exchange rate effect of 11%. On a sequential basis, the drop between Q2 C'25 and Q3 C'25 is around 5% to 6%. This is much better than what we have observed in previous years, though exchange rate has also played a part. So, there is a slight improvement. Q3 C'25 sales in Europe are normally lower than Q2 C'25 due to the three-week holiday in August. So, this is an improved performance compared to the last few quarters. There is some improvement in the market situation with the light vehicle production in Europe, ex of Russia. That is, without Russia showing a nominal growth of 0.3% in Q3 C'25. The heavy truck production in Europe is estimated to have grown by roughly 18% in Q3 C'25. While the numbers are heartening, the situation in the European market continues to be sobering. The very low base from H2 of C'24 has played a significant part in this improvement that you are seeing. Overall, the market situation continues to be complex with stagnating EV penetration, variance on the part of OEMs to produce ICE vehicles due to environmental-related penalties and the increasing threat of Chinese imports. Now, these three factors we have discussed in past calls and these factors remain. So, the basic reality of the European auto market is similar. It is just that the base is making the numbers look better in this half of the year. The EBITDA margin in the European business for Q3 C'25 was 14.1%, which is lower on a year-on-year basis, but higher sequentially.

If we adjust for the one-time restructuring cost that we incurred in Q2 C'25, the EBITDA margins are roughly similar on a sequential basis.

Given the uncertain market situation in Europe, our key priority is to defend these margins. We have been taking proactive corrective actions to adjust our operations to the changing market conditions. On page 8, we see the consolidated CIE India Q3 C'25 results. Consolidated sales for INR23.1 billion at 12% growth over Q3 C'24. EBITDA INR3.75 billion at a margin of 16.2%. EBIT INR2.86 billion at a margin of 12.4%. And EBT INR 2.8 billion at a margin of 12.2%. The 9-month C'25 results for our Indian operations are on page 10. Sales increased by 6% versus 9-month C'24 to INR43.9 billion. The EBITDA margin was 17.8%. EBIT margin 14.1%. EBT 14.3%. And PAT margin 10.7%.

On page 11, we have the 9-month C'25 results for our European operations. The impact of a poor H1 C'25 has contributed to a 3% drop in sales to INR24 billion. EBITDA margin in this period was 13.4%. EBIT 9.3%. EBT 8.2% and PAT 6.4%. On page 12, we have the 9-month C'25 consolidated results of CIE India. Sales were INR68 billion, which is higher by 3% versus a 9-month C'24. The EBITDA margin was 16.3%. EBIT 12.4%. EBT 12.2%. And PAT 9.2%.

So with that, let us proceed to Q&A, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Siddhant Dand from Goodwill. Please go ahead.

Siddhant Dand: Hi. Just a clarification about our Mahindra sales. Just content for vehicle in M&M ICE versus EV. If you could repeat it again, what is it as of now and in the future model of M&M considering the good response?

Vikas Sinha: No, what do you want to know about that? I couldn't get that.

Siddhant Dand: Content for vehicle.

Vikas Sinha: Fairly similar, except for Scorpio and Bolero, our rupees per vehicle for other M&M models are fairly similar.

Siddhant Dand: And upcoming, any new technology that we are trying to get in over there or across OEM in electric?

Vikas Sinha: In EVs we are in aluminum, gears, forgings & stampings for four wheelers. So, these are the four areas where we are into EV for four wheelers. Bill Forge also includes a lot of exports of 4W EV parts. We are there with the gears, of course, very significant business. We are there with stampings with M&M, that's very, very significant business. And we are now moving into aluminum. As far as two wheelers are concerned, we have Bill Forge, you know that we supply races. We are the major players in races business. Races is common to both ICE as well as EVs.

So, we are there. Of course, our aluminum business, which has a big stake in the two wheeler business and composites for three wheelers and others. So, that's our basic EV spread, so to say, as far as segments are concerned. So, in terms of the parts that we supply, I think, if you remember last year's annual report, I think in that we had given the photographs, you can also look at it, but we have been developing newer parts also this year for EVs, especially in aluminum. So, in EVs, we have a fairly good spread in India and in terms of the customers also, we are fairly comfortable. We are there with the market leaders in all the three segments that I talked about, in two wheelers, three wheelers, as well as four wheelers.

Siddhant Dand:

Okay. Talking about aluminum, what kind of margins are we expecting that business to have going forward? And right now, considering a lot of guys are struggling, competitors are struggling in aluminum, despite the growth?

Vikas Sinha:

Two things I would point out here. And the first, at CIE, and this is a philosophy that CIE follows worldwide, it does not matter whether it is EV or ICE, we work towards the same margins. There is, in fact, whether it is EV, ICE, or whichever segment that we operate in, or whether we operate from this geography or that geography, there is a base level EBITDA margin that we work towards. So, we don't believe that one segment should be at a lower margin forever compared to other segment. Coming back to aluminum, this business is not easy. Even for us, we have identified aluminum as an area where we have to improve. We have talked about it in the past. If you look at our aluminum business, it remains a step down subsidiary. So, you have the subsidiary annual reports to look at for the last 2-3 years, you can see the steady improvement we are making. But yes, we need to improve more. So, for us, I would not say that our EV margins are way off. On that count, EV aluminum parts are not very different from any other aluminum parts. We don't distinguish like that. Aluminum versus ferrous, we don't distinguish. For us, it does not mean that ferrous casting can be at 15% and aluminum casting can be at 5%. We don't follow that. That's the point we make, whether it is for EV or ICE. And if you want to just buttress this point, please.

Ander Arenaza Alvarez:

Yes, I just wanted to reinforce that our margins in aluminum are improving in the last years. However, we are still below our expectations and we are improving and working in the technology transfer from Europe to India. We have some engineers that are deployed in our plant here in India where they are training and showing how to work with more efficiency and reducing costs. So, that is our job. That's what we do around the world in all our plants in the different continents. I would say that the aluminum, when we entered, when we bought the company in 2019, was about 10% EBITDA. Now, it can be around 15%. But, okay, we continue working on the efficiencies. We continue working with the acquisition of higher added value components with higher tonnage machines and higher machining and assembly activities to be incorporated to the products, so that's the trend that we are following in the aluminum division. And we think that we will continue improving in the next quarters. The situation is stable, but we are pushing to continue improving in the next quarters, and we expect to grow this business in both ICE and also electric vehicles.

- Siddhant Dand:** Wonderful. Second question, do we have any exposure to KTM in Europe and is there any chance to increase it because today itself Bajaj announced that they will try and get more parts from India to Europe for the KTM manufacturing?
- Vikas Sinha:** Siddhant, this is a specific point. I'll have to check this and get back to you.
- Siddhant Dand:** No issues. And, I think that's largely it. And something around, is there an export opportunity in casting that we spoke about? Is it still online or has it been hampered because of the duties?
- Vikas Sinha:** No, it's online. No problem on that.
- Siddhant Dand:** Perfect. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhishek Kumar Jain from AlfAccurate. Please go ahead.
- Abhishek Kumar Jain:** Thanks for the opportunity and congrats for the same set of numbers. My first question on the Indian business. In 9 months CY'25 numbers, how much contribution of the Mahindra & Mahindra? And how much YOY growth on the revenue?
- Vikas Sinha:** What is contribution of?
- Abhishek Kumar Jain:** How much contribution from Mahindra in India business? And how much Y-on-Y growth?
- Vikas Sinha:** Mahindra, exactly. I'll have to check that for us how much did Mahindra grow, but it would be in line with whatever they have been growing in the market. The last that we have compiled the data, Mahindra is close to about a third of our business in India.
- Abhishek Kumar Jain:** Okay. 1/3rd of business.
- Vikas Sinha:** Exactly.
- Abhishek Kumar Jain:** And how much is the tractor versus auto from the Mahindra business?
- Vikas Sinha:** We have not compiled it latest. So this is a little dated, maybe six months. As I said, Mahindra is 1/3rd of India. Two thirds is on light vehicles, which includes the LCV business. And 1/3rd is on tractors, roughly, these are just rough numbers.
- Abhishek Kumar Jain:** Okay. And in India business, how is the revenue mix in the passenger vehicle, two wheelers, CV and tractor?
- Vikas Sinha:** Again, right now this is a little dated from the same time period around February when we had compiled for the annual report. Light vehicles is roughly about 52%, two wheelers 21%, tractors

18% and trucks and off roads and others are about 9%. So that's roughly again these numbers might change here and there based on the growth in this year, but roughly you can say close to half i.e. 45% to 50% comes from light vehicles, which includes LCVs, close to 1/5th to 1/4th comes from two wheelers and roughly about 15%-20% from tractors, depending on how the market is behaving in a year. So this is roughly what you would see. Of course, we'll again compile these numbers sometime later, maybe a couple of months later, and then we'll get the exact numbers. But by and large this is how it looks like.

Abhishek Kumar Jain: Okay. In India business, we have seen a very decent growth of the 9% to outperform the industry growth. So just wanted to understand, how is the outlook ahead, when it is expected that car sales will be strong annual 50% more than 50% comes from the car sales. So if you can throw some more light over there?

Vikas Sinha: In fact, yes. It is expected to be better. But as I'm sure you're aware, the light vehicle market has not done that well this year. For example, if you look at the nine month number for the less than six ton light vehicle market, which is essentially passenger vehicles, including UVs and LCVs, that has grown only by about 4.6%. So that has been a little weak. In fact, growth this year has come from tractors, nine month growth of tractors was 13%, the market growth, and the nine month growth for two wheelers was 5.8%, which was also higher light vehicles. So yes, when things on light vehicles improve, we'll also improve with that. So you're absolutely right there. We expect to improve going forward.

Abhishek Kumar Jain: Absolutely. And my last question on the European business, basically, we see that excluding the exchange rate, growth is around 7% to 8%. We just wanted to understand how would be the European business growth, especially in the coming quarter? And how would be the current situation in the truck and off-road segment?

Vikas Sinha: As I explained in my opening remarks, I think the European market is similar to earlier quarters. The light vehicle market in Europe, as I said, grew by 0.3% this quarter. And on a nine month basis, the light vehicle market in Europe has actually de-grown by about 2%. The light vehicle market is expected to remain like this. Even for the MHCV market, for which we have the latest it is about minus 2.6. The nine month MHCV growth rate in Europe without Russia is about minus 2.6. H1 was way worse and Q3 is a little better. But again, as I was mentioning, Q3 looks quite good because the base of last year was very bad. So the situation in Europe is not qualitatively different from what it was last quarter, or even two quarters back, the same issues remain, the market is stagnant at this point of time. And we expect it to continue like that. So optically, yes, you will get some traction because of the base last year. But other than that, if you look at it, I don't think much has changed in the European market.

Moderator: Thank you. The next participant is from the line of Sridhar Kalani from Antique Stock Broking Limited. Please go ahead.

- Sridhar Kalani:** Thank you for the opportunity, sir. Congratulations on the decent set of numbers. Firstly, on the Europeans, you have already explained us in very brief detail about the European business. Just wanted to understand, since we have included the Mexico operations under the European arm, if we set aside the Mexico business, is it fair to assume that the European business has grown in low to mid-single digit?
- Vikas Sinha:** Ander, would you like to take that? Basically, our European business minus Mexico.
- Ander Arenaza Alvarez:** Yes, the Mexican business margins are similar to the European ones. So, in terms of margins, there is no effect on that, okay? The turnover on Mexico is around 3 million euros -3.5 million euros per month. This is stable. In Mexico, we were expecting to grow further, mainly because we had a very important program awarded by American OEM, and it was a battery electric vehicle program. But unfortunately, because of the, let's say, subsidy elimination to the battery electric vehicles in US, we see that this program will probably continue, let's say, a little bit below expected during the next 2 to 3 years, okay? So, what we see is that in a stable business in Mexico, and this business is not affected. It's more or less similar to the European business margins, okay? So, no impact on that.
- Sridhar Kalani:** And what about the growth, like excluding Mexico, the growth in revenue terms in European operations, is it fair to assume it's in low single digit because the market, as earlier stated by Vikasji, that it's in, like, flat to slightly decline? Is it fair to assume our business has grown in low single digit in Europe?
- Ander Arenaza Alvarez:** Yes. This quarter, we have had this growth of 7%, mainly because of the, let's say, low base that we had last year. But the general trend of the European market, as Vikas explained, is negative. I mean, last year, in the calendar year 2024, the market dropped around 4%-5% globally. This year will continue dropping around 3%-4%. And for the next years, we expect to have a flat evolution, okay? So, all the forecast says that the amount of cars produced in Europe will remain stable around 16 million cars during the next 4-5 years. That means that we expect to have a flat or a slightly negative trend in Europe in the next years.
- Sridhar Kalani:** And how is the Metalcastello operations with respect to US supply?
- Ander Arenaza Alvarez:** Yes. In Metalcastello, you know that in Q2, we had this all the restructuring job as, let's say, the volumes compared to the previous years dropped importantly. Now, we are at about 45 million euros turnover per year. That is the range where we are. And we think that this will be a stable figure. We are exporting to the US, to our main customer, Caterpillar, in a, let's say, smooth ways. Market in US is still low, but, okay, we have a fantastic relationship with Caterpillar, and we continue developing the relationship. So, we expect we will maintain this situation in the next quarters. And in the midterm, we expect that all off-highway vehicle business will continue or will recuperate and will revamp. So, we will be able to recuperate part of the business. So, I would say that now we are in the lower side, in the valley of the business, and slowly we expect

to recuperate. And in the future, we expect to be in a better position. And regarding margins, after all these restructuring activities that we have done, the company is doing well now.

Sridhar Kalani: Okay. And my last question is with regards to, so, we had sold two years back the commercial vehicle business, and the proceeds of the same was with the parents. And we were getting interest income from the same. So, currently, is it the same situation that the proceeds are with the parent company?

Vikas Sinha: JP, would you like to take that?

K. Jayaprakash: No. The parent company, I didn't get that. We received, within the subsidiary, Galfor was holding the German operations. So, money came to Galfor only. It was not outside the group.

Sridhar Kalani: So, I mean, it's still in Europe. Like, it has not been repatriated to India.

K. Jayaprakash: No, we have no reason to repatriate it into India. We use that money to fund, to retire the debt in Mexico.

Sridhar Kalani: Okay.

K. Jayaprakash: Part of it.

Sridhar Kalani: Okay. And just one question regarding the sunroof business, which is like, parallelly it has grown significantly from, I think, a Rs. 50 crore in the last 2-3 years to almost Rs. 300 crores. So, is that business, like any chances of that business being included in the Indian arm? Because it's an unlisted company, which is under direct control of CIE Spain and we have CIE Automotive India as a listed entity and the benefits of growth in that vertical is something which the minority shareholders are not enjoying?

Vikas Sinha: Sridhar, we have explained this in the past. I think the basic logic was that this is a tier 1 kind of business with a lot of design support required, which they get from a centralized team and therefore it is run as a separate global unit within CIE and that's the reason why it has been kept separate. So, that logic holds for now. So, that's the arrangement that we have. Whether it will be reviewed in the future or not, at this point of time, we cannot comment. But as of now, it will remain as it is.

Sridhar Kalani: Okay. Thank you so much for the opportunity. All the best.

Vikas Sinha: Yes. Thanks, Sridhar.

K. Jayaprakash: Thank you, Sridhar.

Moderator: Thank you. The next question is from the line of Ruchi Jain from Asit C. Mehta. Please go ahead.

Ruchi Jain:

Hi, sir. Good evening and congratulations for a good set of numbers. My first question that the way we are anticipated, some kind of possibility that Europe operation may stabilize and as in your initial remark you commented, we are not in anticipation now any kind of further improvement. Because we were earlier in anticipation that second half will be better. So, your commentary is like it is going to be not improvised. So, Indian operation is doing well. So, by considering all these facts, can we expect that at least we can grow some kind of close to topline somewhere close to higher single digit in this particular calendar year or consequently next year kind of thing?

Vikas Sinha:

Let me first say that, of course, in Europe, H2 is always worse than H1. It's a seasonal thing. We know that there is a three-week holiday in August and roughly 1-1.5 week holiday in December. So, roughly about a month of production is less, again, very, very rough. So, H2 is always lower than H1. It's a seasonal thing and you can observe it over the years. In fact, if you look at the H2, the Q3 performance this year, and that is I was commenting and if you compare it with, say, drop from Q2, the drop is not as much as you see every year. So, in a sense, there has been a little bit of an improvement compared to what H1 was showing. So, normally it is down, as I said, one out of six months is gone. So, that is roughly about 15%. So, it should be roughly 15% down. It is not lower by 15% in this quarter and hence better. Of course, there is an exchange rate effect that is there. So, H2 is in fact, as per what we have discussed, a little better. But a lot of that little better is also related to the fact that H2 of last year was quite bad. So, optically you see good numbers. So, what we are saying is that the European market structurally at this point of time remains stagnant. You will see (-2), 0, (+2) growth in that range. You are not going to see anything higher than that. In fact, that C'26 forecast by IHS of the light vehicle market in Europe is roughly about (-1.5%) and roughly the same for trucks. So, that is the point. It is almost stagnant, like (-1) can become 0 or it can become (+1). It is a different matter. So, that is the point we are making. It is structurally like that. And that is what in that situation, we then have to control our costs, which is what we are doing. We have already done the restructuring operations in Metalcastello. And as Ander explained in a previous question, Metalcastello is now back to reasonable EBITDA margins. And if need be, we can look at costs at other places also in a similar manner. So, that is what we are trying to say. We have not said that there is going to be an improvement in the market itself. If you remember, even in the earlier calls, we have said that for the next few years, we expect the production of light vehicles in Europe to remain in the range of 16 million to 17 million. That is the forecast. And that is the reality we have to work with. So, that is what it is. Optically, you are seeing a very good number in Q3. That is because of the base. But this yearly production of 16 million to 17 million units is going to be the reality in Europe in 2025, in 2026, in 2027. Let us talk only about three years because after that, things can change. There could be more EV penetration. There could be pent-up demand when the CAFÉ norms become clear. So, that is what is being said.

Ruchi Jain:

Yes, I agree, sir. But you know what I am trying to say, in the last phone call, you have also mentioned that certain product innovation, new product development, and certain customized requirements for the OEM also you are developing. So, on that front, sir, this development you

feel is going to benefit for the Company and that will be sufficient enough because Indian operations are doing well. So, the question is that can we have such kind of development that will make at least what I mentioned that some kind of higher single digit kind of topline. So, it will compensate both as a costing restructuring strategy and here also some development, some demand environment that will compensate and we can have some kind of growth trajectory. That is what something I am trying to ask you that higher single digit kind of possibility because I know that your EBITDA margin is going to do it. You are doing very good as far as your margin control is concerned. If your growth comes, then naturally, the thing is that it is going to show in our financial performance as well. Over to you, sir.

Vikas Sinha:

So, look, and I will, of course request Ander to talk more about it. In Europe, it is like a treadmill. You are running very fast to remain at the same place because a lot of changes are happening in Europe. It is not that the market is not changing. EVs are coming, they are roughly about 15% but they are a little stagnant at this point of time because people are waiting for the takeoff period when the expectation is a new version of battery will be available which will have significant higher range. So, there is an expectation that it is going to come in a few years' time and that might happen. As far as ICE vehicles are concerned, the environmental norms are getting more and more stringent. So, that requires a lot of innovation. Of course, there is a lot of competition which is coming from Chinese makers and I think they are absorbing the higher tariffs. So, yes, when you say innovation is required, yes, innovation is required in Europe. For example, we are developing aluminum forging. For example, we are developing gears for crossover EVs for the US market. We are developing all of that. We have orders also for the same. But as I am pointing out, the market itself is going through a churn. Are they innovating? Yes. European companies are innovating a lot but it will not translate into growth because of all these factors, not for the next couple of years at least. After that again, as I said, if things change, there will be pent-up demand, there will be many other things. But as of now, this is what it looks like. Ander, if you want to amend any of the things that I have said.

Ander Arenaza Alvarez:

No, you explained perfectly. Because what is really happening in Europe is that since some years ago, we had an expectation and also the forecast that all the EV penetration will grow up very fast. So, we will see the market share of the battery electric vehicles to be about 50% in the next 4-5 years. That was the hypothesis where we all were planning our production. So, in certain products, we are making the innovation on the, let's say, aluminum forging for electric vehicles and we are working a lot. But what is happening, and that's why all the automotive sector in Europe is suffering a lot, is that this battery electric vehicle penetration is much lower than expected. So, there is not reaching, the growth is not there. So, the volumes that we are producing for battery electric vehicles are much lower than expected previously. And we think that this will also be much lower in the next 4-5 years. Then probably there will be, let's say, finally a quick increase once all the technical problems are solved, all the technology issues are solved, the capacity of batteries and also infrastructure installation in the different countries are completed, then we will probably see this jump. But during, I would say that during the next 3-4-5years, we will have a transitionary period where the battery electric vehicles and the

combustion engines will survive or they will be in the market together. And probably electric vehicles are growing slowly, but the base of the market will be the internal combustion cars. So, that's how we see the situation. And I can give you several examples of companies that are really in a very bad shape financially because they invested a lot for the battery electric vehicles and the sales are not coming. So, they are suffering a huge debt because of the investment done. So, that's the environment in Europe. I would say the environment in Europe is quite pessimistic due to that. But okay, let's see how this evolves and also let's see how the European politicians, I mean the European Commission, tries to solve or to adapt the laws to the new situation.

Ruchi Jain: Okay, understood, sir. Thank you, sir.

Vikas Sinha: Yes, thanks.

Moderator: Thank you. The next question is from the line of Viraj Raje Sangvi from Ambit Capital. Please go ahead.

Viraj Raje Sangvi: Thank you for the opportunity, sir. So, most of my questions have been answered. I just have one question for Ander. So, in Europe, can you shed some light on as to how has the competitive scenario for you evolved in Europe over the past 12 months to 18 months when the underlying volumes have kind of remained weak because it must have been difficult for the competition as well, right, especially some smaller players. So, have you seen some consolidation in that market and would it allow you to gain some market share over there while the outlook on the underlying volumes remain weak?

Ander Arenaza Alvarez: Yes, you are right. I mean the situation in the market because of the low volumes and excess of capacity are generating certain companies that are having financial difficulties. So, I would say that every week we see companies going to insolvency and the trend of the consolidation we are sure that will happen. It is not happening at least in our area. In certain customers we have got some businesses coming from this kind of consolidation, natural consolidation that is happening in the market, but I think this trend will continue and will increase in the next years. It's true that part of the suppliers in the European market will not survive. This is because of the difficult situation and the consolidation will happen. In certain other technologies, in CIE, this is already happening and we have had a couple of examples on this. So, yes, we expect that we will be one of the consolidators in this difficult market situation. So, you are right and your view is correct in my opinion.

Viraj Raje Sangvi: That was my question. Thank you, sir.

Ander Arenaza Alvarez: Thank you.

Moderator: Thank you. The next question is from the line of Rajakumar Vaidyanathan from RK Investment. Please go ahead.

Rajakumar Vaidyanathan: Good evening. Thanks for the opportunity. Sir, I have three questions. So, if you permit me, I will ask one by one. So, the first question is on the GST cut. I just want to know what is the impact of this on the three segments, two-wheeler, passenger car and heavy commercial vehicle? I just want to know, is it a game changer or is it going to just be a one-time kicker?

Vikas Sinha: So, the answer to your question is we will have to wait and watch. Well, as you know, 22nd September when GST changes were implemented coincided with the festive season, Navratri. So, we will have to see. Whether it is a game changer or a one-time thing. How long the effect lasts? Look, it makes vehicles more affordable. And we know that the car, two-wheeler and tractor markets, especially the car and two-wheeler markets are a function of affordability. So, to that extent, yes, it is a structural change. It should not be a one-time thing. But as I said, we will have to wait and watch because, for example, in the car market, it is also linked with the idea of the kind of vehicles people, high end feature-rich. So, if you are buying XUV 700, you may want the higher variant rather than the lower variant because of the GST cut. So, with the GST cut, more vehicles may not be sold as people shift to higher-end vehicles. So, we will have to see what happens. But it is a very significant move and it is a welcome move. And it will have an impact. It will not be a one-time impact of just 2 or 3 months. It will have a longer-term impact is what our assessment is at this point of time. But how much? We will have to wait and watch because as of now, there are two things that have happened, which is the reason why I am saying we have to wait and watch. Number one, it is coinciding with the festive season. So, the effect of the festive season as well as GST is mixed up. Number two, I think the inventory corrections in the supply chain also has to be taken into account from a production perspective. So, that also, once the inventory correction happens and it becomes stable inventory at, say, 25 days to 30 days of inventory in the supply chain, then we'll have a better assessment of what is going on. So, let's wait and watch. But we believe it is a structural one and it will have a longer-term impact than just a one-time thing. But the jury is still out. That's how I will leave it at that. Okay?

Rajakumar Vaidyanathan: Yes. Thank you so much. So, you're not seeing any kind of increased offtake from the OEMs because of this?

Vikas Sinha: You have seen the Q3 numbers. They are quite good. So, you have the proof of the pudding is always in the eating. So, you have the Q3 numbers, which include September, at least from 15th September onwards, people were preparing. So, you have seen an uptick. So, it is there. The question, your question was whether it is one time or it will remain for long. The answer to that is, let's wait and watch. But our hunch is it will remain for long. Our assessment is it will remain for a longer period.

Rajakumar Vaidyanathan: Okay, sir. So, the second question is, I see many of the NBFCs who are into this CV financing, they're all reporting higher NPAs of late. So, do you see any systemic issues here and how much it will have an impact on the demand side? Because we have also reported negative growth on the MHCV segment. So, I just want to know what is your take on it?

Vikas Sinha:

The MHCV segment, you know, the Q3C25 degrowth reported by IHS, that's an interim number. Whatever it is, you know, on the truck market, I think there are a lot of factors that drive it and that's why it makes the truck market the most difficult to assess among all the segments. In trucks, it is not just a game of just affordability or, you know, replacement, because there are many things that are changing in the transportation sector itself. It is becoming much more efficient, newer technologies, AI, everything is coming. So, transportation is becoming more efficient, tools are being rationalized, over and above that, higher tonnage trucks are being used. On the negative side, there is enhanced competition from railways which is, putting up a concerted effort to take a share of business in long-term freight. Over and above that, you have financing and you have the GST cuts and so on. So, unlike in the other segments, where the GST cut has a direct influence on buying pattern, here there are many other factors which are at play and therefore it is not easy to assess what the truck market will look like. Going forward, it has always been very difficult. In fact, when we speak to our colleagues who do forecasting and others, what I have observed and, you know, these are very senior people in the financial sector or even in the, from the OEMs, it is, we don't get the forecast for trucks right, because of the various factors as I said. So will lack of financing have an impact on trucks? Yes, it will have an impact. We'll have to get into further details of what is happening on the NBFCs, but will it have an impact? Yes, it will have an impact because it is a financed business, no doubt, I think the large majority of trucks, maybe 3/4th of trucks are financed. So, it will have an impact. But then there are other factors also at play. So, again, the forecast as far as I see for the truck business, IHS is forecasting roughly about 5% next year. This year, you know, they are forecasting about 2% growth. the YTD number for MHCV growth is roughly about 5%. Only this quarter it was, they are saying negative. So, they are forecasting similar growth to the YTD Sept for next year. So, I think there will be some growth in the truck business. But then there are lots of factors at play. The transportation industry itself is changing. The number of trucks sold is a second order outcome of what happens in the transportation industry. And therefore, again, we'll have to see how much of an impact this NBFC thing has on the numbers. Because as I said, there are many other factors at play here.

Rajakumar Vaidyanathan: Okay. Thank you so much for the detailed answer, sir. So, the last question is in housekeeping one. So, you reported almost Rs. 1,200 crores of trade receivable as of June, which is almost double of regular numbers. So, has that situation improved in September?

Vikas Sinha: No. JP, did you get the question? The trade receivables?

K. Jayaprakash: Yes. The doubling of receivables was because we didn't do discounting in the quarter of June. So, the receivable situation continues to be similar.

Rajakumar Vaidyanathan: Okay. So, it's back to normal in September. Okay.

K. Jayaprakash: Yes.

Rajakumar Vaidyanathan: Got it, sir.

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

Ander Arenaza Alvarez: Okay. So, I would say thank you to all the participants for the good questions and the interest in our company. I also say thank you to all our team in India that is working in a fantastic way to develop the business and to continue our growth and margin improvement path. And I would like to wish you all a Very Happy Diwali in the next days. Thank you very much.

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

Note: Transcript edited to improve quality of communication.