

Quarterly Update Feb 2015

Mahindra CIE Automotive Limited

11 February 2015 | Mumbai

Executive Summary: Q3F15

Mahindra CIE consolidated, debuts on the stock exchange

Strategic Alliance of Mahindra & CIE completed

- Merger of Mahindra CIE companies formally completed on December 10, 2014
- Mahindra CIE now has 322 million shares listed
- Shareholding structure: CIE – 53.21%, M&M + Promoter Group – 21.7%, Public – 25.09%

Q3F15 vs Q3F14 (refer page 15)

- Standalone - Revenue Growth: -9%, Change in EBITDA%* : -0.4%.
- Consolidated - Revenue Growth : -6.6%, Change in EBITDA%* : +2.6%.

Apr-Dec 2014 vs Apr-Dec 2013 (refer page 16)

- Standalone - Revenue Growth : -1.4%, Change in EBITDA%* : +0.4%.
- Consolidated - Revenue Growth : +1.2%, Change in EBITDA%* : +2.3%.

Outlook

- India – Automotive Market outlook is cautiously optimistic; focus remains on maintaining current profitability levels
- Germany + UK (MFE) – Turnaround progressing smoothly
- Italy (MC) – Off road market continues to decline; Efforts to diversify markets underway; short term focus on cost reduction ; one time costs including redundancy costs depressing profitability this financial year;
- Spain + Lithuania (CIEF) – Current performance to be maintained

Other Highlights Q3F15

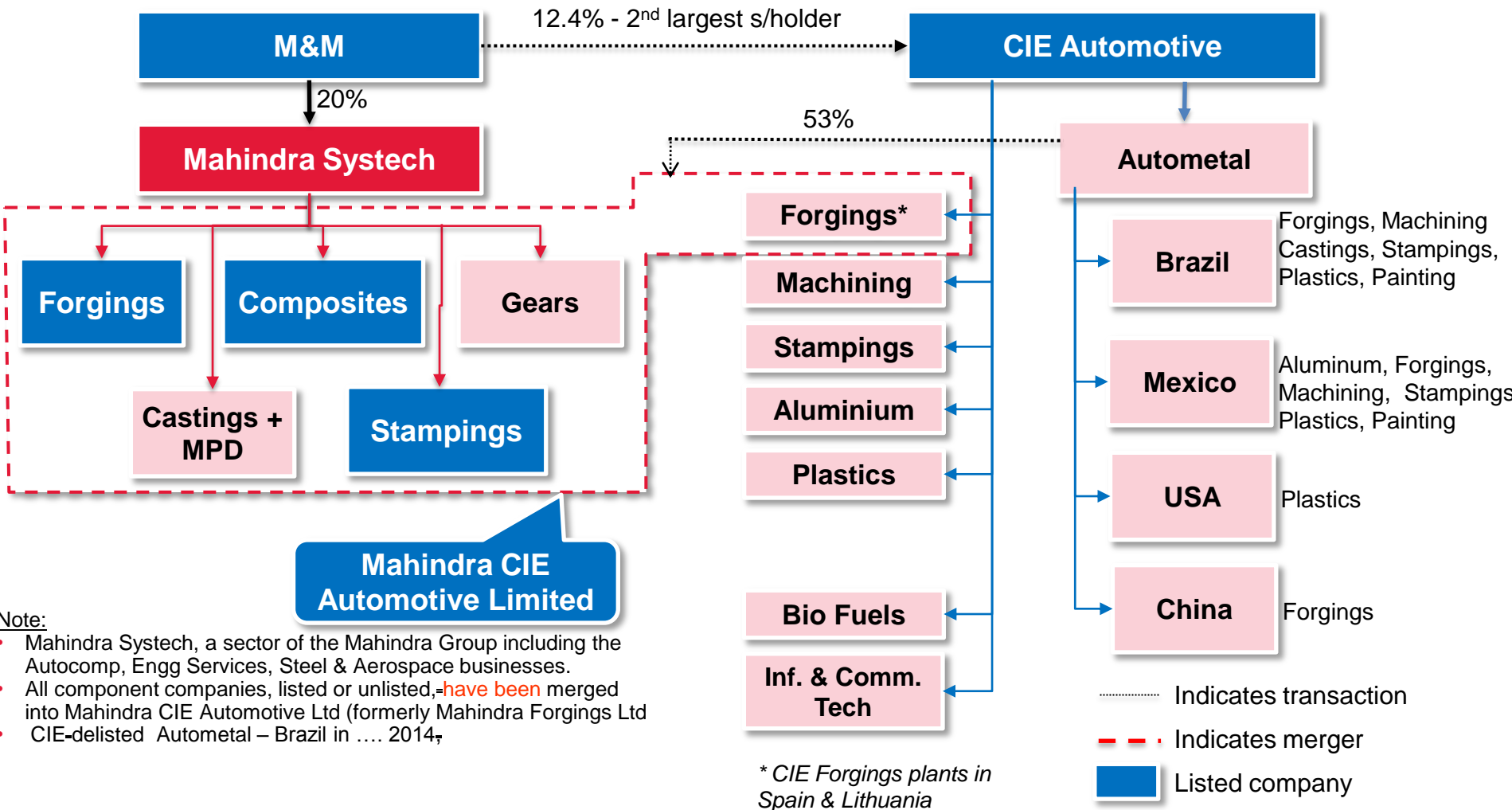
- Debt restructured in Germany & Italy; financial costs reduced by more than 200bps

* - EBITDA% without one time gains and losses

MFE: Mahindra Forgings Europe; MC: Metalcastello; CIEF : CIE Forgings

Alliance of CIE + Mahindra: Recap

Alliance is at two levels



Note:

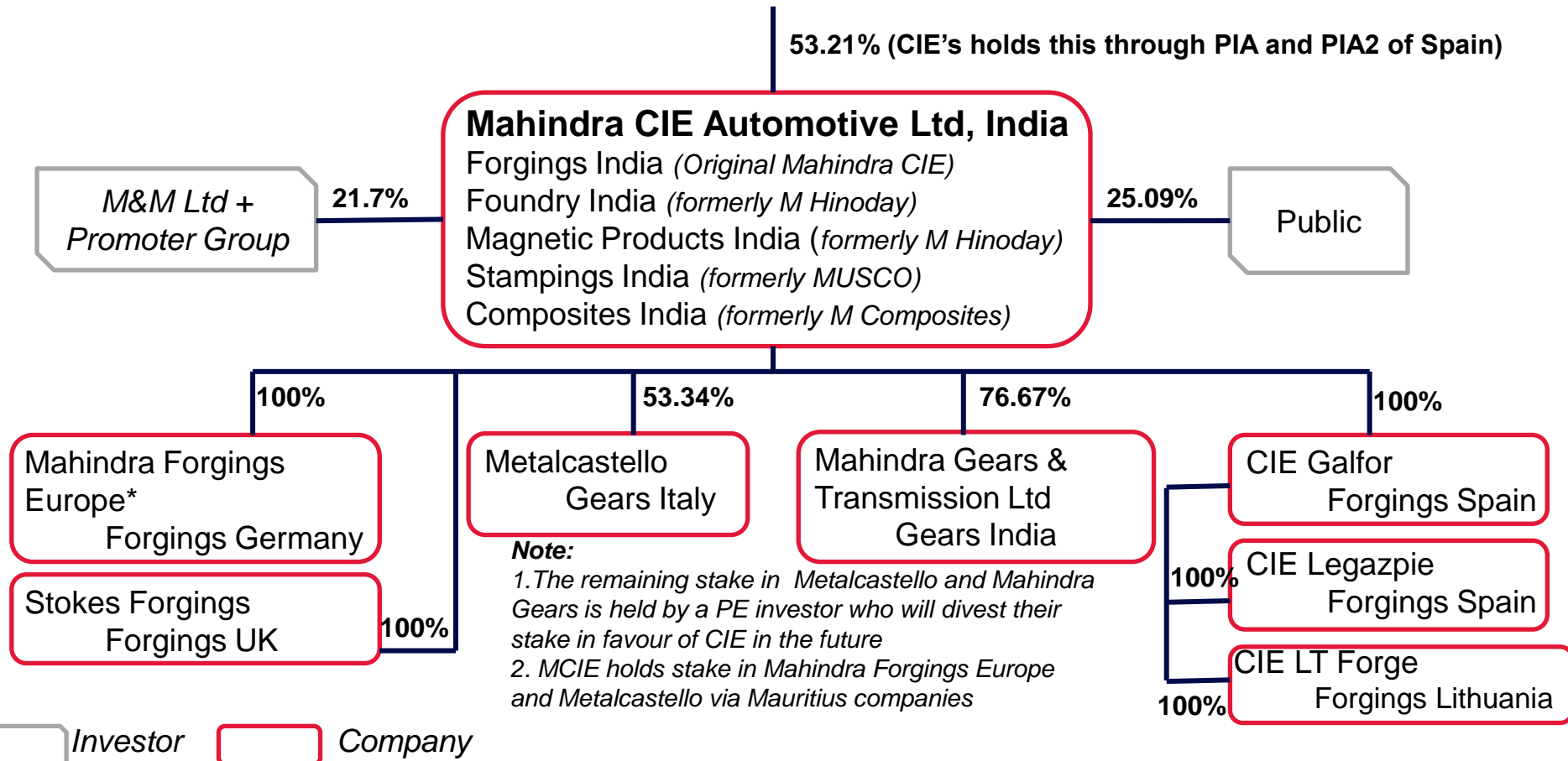
- Mahindra Systech, a sector of the Mahindra Group including the Autocomp, Engg Services, Steel & Aerospace businesses.
- All component companies, listed or unlisted, **have been** merged into Mahindra CIE Automotive Ltd (formerly Mahindra Forgings Ltd
- CIE-delisted Autometal – Brazil in 2014,

* CIE Forgings plants in Spain & Lithuania

Mahindra CIE: Alliance of CIE + M&M

Large Auto-component MNC created; listed in Mumbai

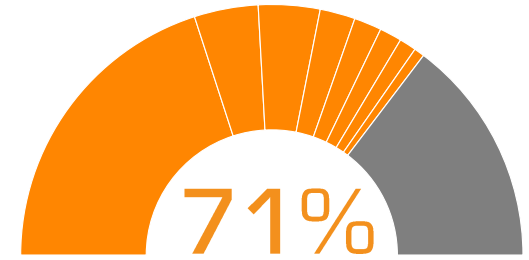
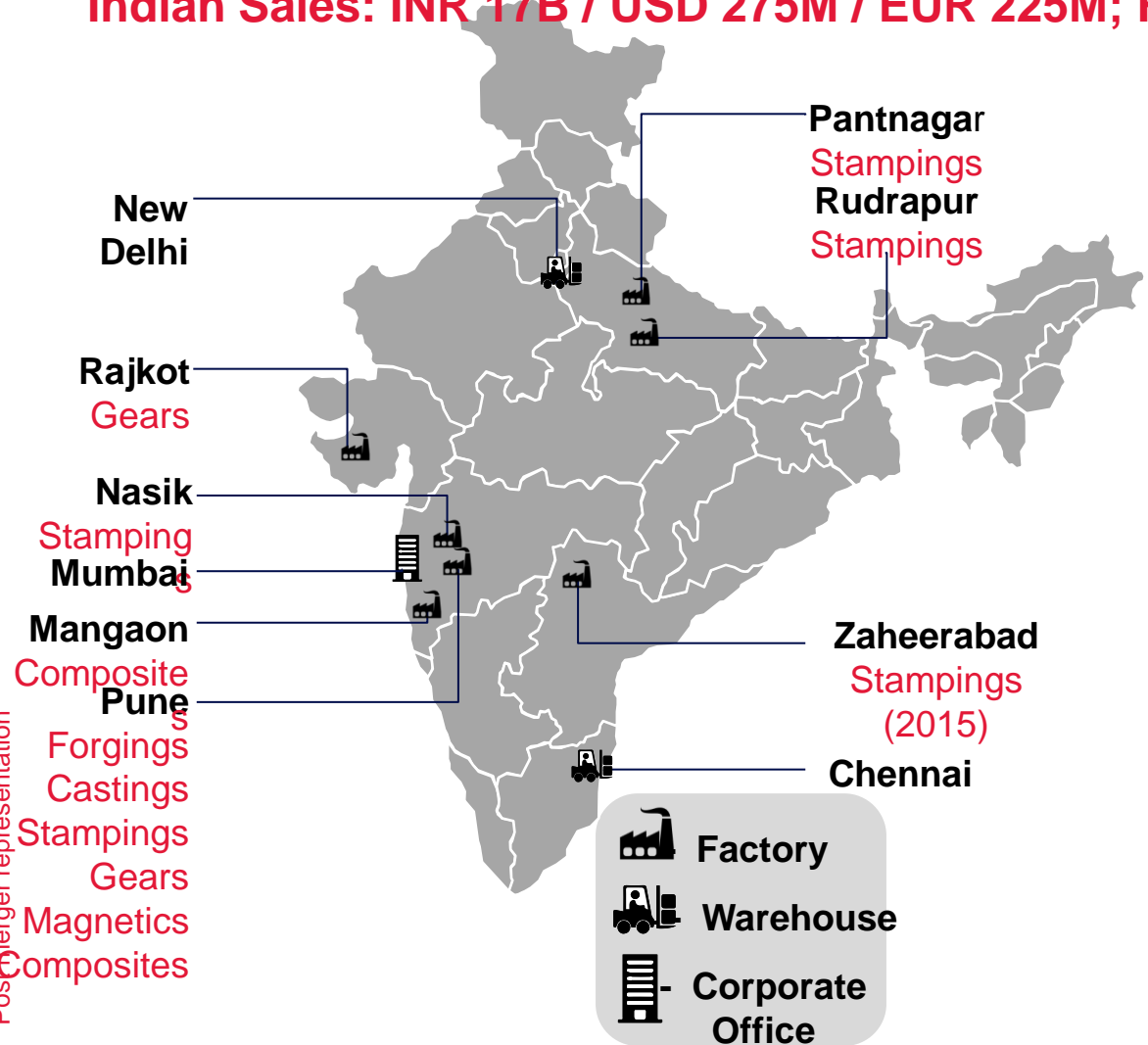
CIE Automotive Ltd, Spain



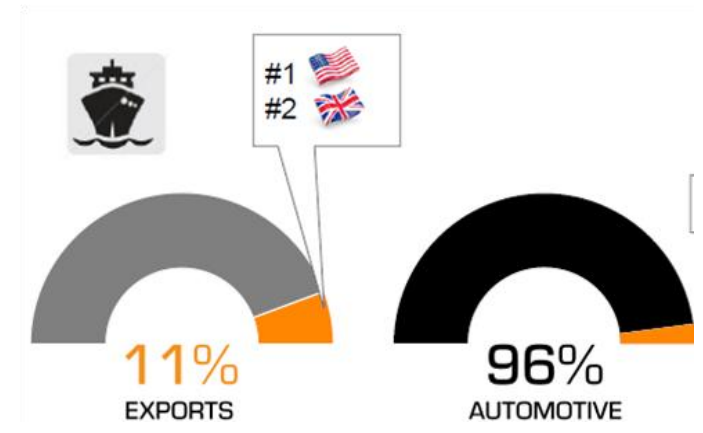
* Includes GSA, Falkenroth & Jeco Holdings all in Germany

Mahindra CIE India: Summary

Indian Sales: INR 17B / USD 275M / EUR 225M; Focused on 'Indian OEMs'



M&M and Tata Motors are the largest



* Post-merger representation

Mahindra CIE – India : Products


Forgings



Crankshafts & Stub axles – forged & machined

Sales: **INR 3.7 Billion**

Focus: **Utility Vehicles & Cars, Tractors**


Foundry

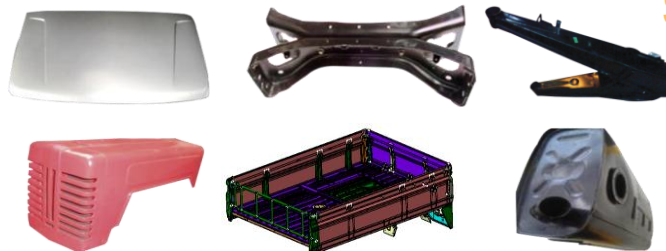


Ductile iron castings like housings, manifolds, turbochargers & cast crankshafts – cast & machined

Sales: **INR 4 Billion**

Focus: **Utility Vehicles, Tractors and Off-Road**


Stampings



Stampings & Stamped Assemblies

Sales: **INR 7 Billion**

Focus: **Utility Vehicles & Cars**

* Figures as of year ended 31st March 2014

Mahindra CIE – India : Products



Gears & Shafts

Sales: **INR 1.4 Billion**

Focus: **Tractors, Off Road & UVs**



Pioneers in **ferrite manufacturing** in India
Global supplier of **automotive magnets***

Recent entrant in **Induction Lamps**

Sales: **INR 1.3 Billion**

**used in 2W and Car electric motors e.g. for window winding and for passive entry into cars*

Thermoset Composite Materials & Products

Light weighting automotive solutions capability

Sales: **INR 0.8 Billion**

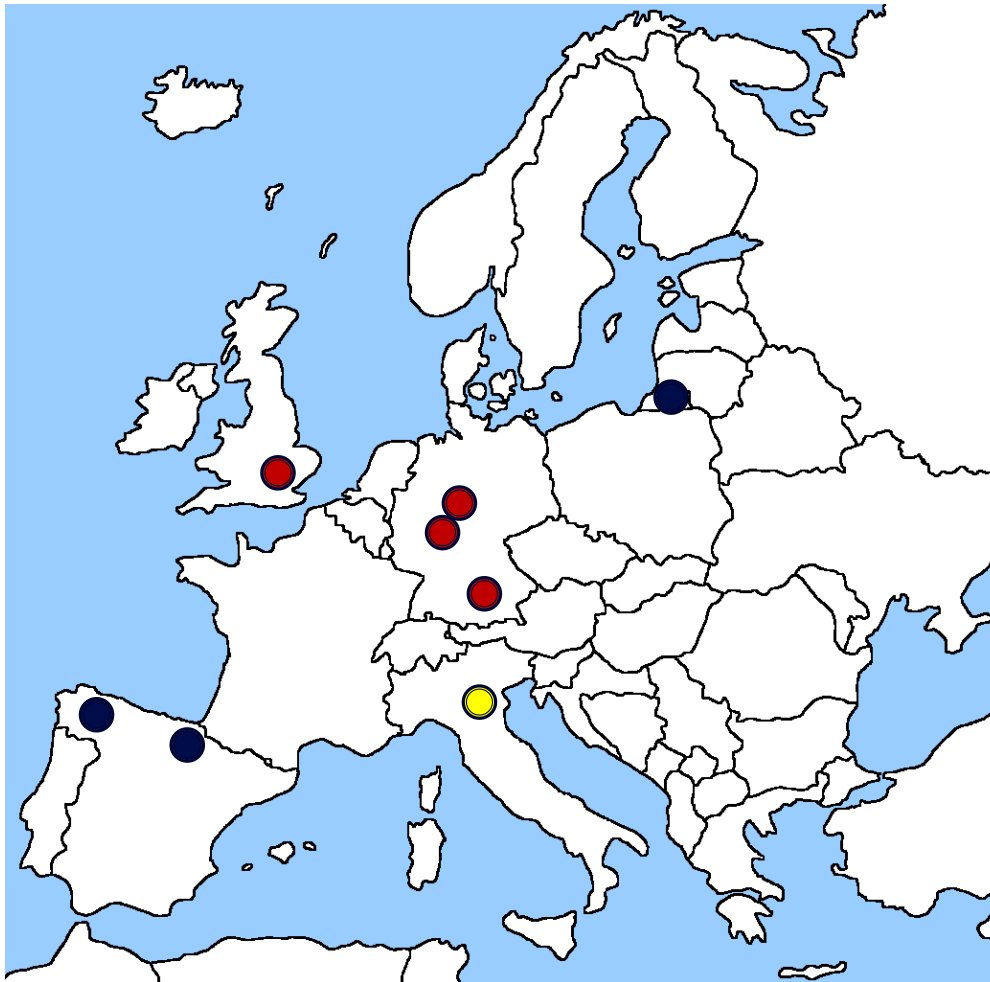
Focus: **Electricals & Switchgear Industry**



* Figures as of year ended 31st March 2014

Mahindra CIE Europe: Summary

Europe Sales: INR 35B / USD 600M / EUR 450M



● Mahindra Forgings Europe
 4 Locations in Germany & UK
 Sales: EUR 270M
 Focus : Trucks
 Customers : All major Truck OEMs & Key Tier1
 80%+ Sales to German plants

● CIE Forgings Europe
 3 Locations in Spain & Lithuania
 Sales: EUR 150M
 Focus : Cars
 Customers : Major Car OEMS
 80%+ Sales to W Europe

● Metalcastello
 1 Location in Italy
 Sales: EUR 50M
 Focus : Off Road
 Customers : Major Off Road & Tractor OEMS
 30%+ Exports outside Europe

Mahindra CIE – Europe : Products



Forgings
(Germany + UK)



Basket of **forged & machined parts** for the European truck market in Europe

Strong presence in **Front Axle Beams & Steel Pistons**

Sales: **Euro 270 Million**

Focus: **Trucks**



Forgings
(Spain + Lithuania)



Strong presence in **Crankshafts, Common Rails & CV Joints** in Europe

Sales: **Euro 150 Million**

Focus: **Cars**



Gears
(Italy)



High precision Gears & Shafts for engines, transmissions, clutch & pumps

Sales: **Euro 50 Million**

Focus: **Tractors & Off Road**

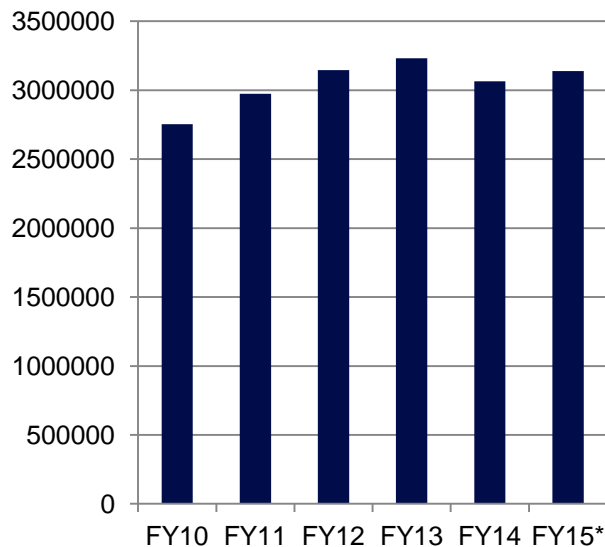
* Figures as of year ended 31st March 2014

India Market - Trends

Growth in all segments lower than expected

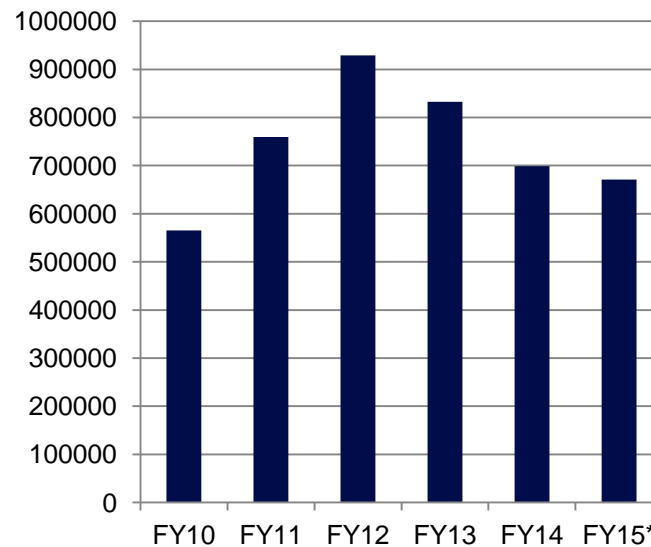
Market - Production Numbers

Cars + UV's



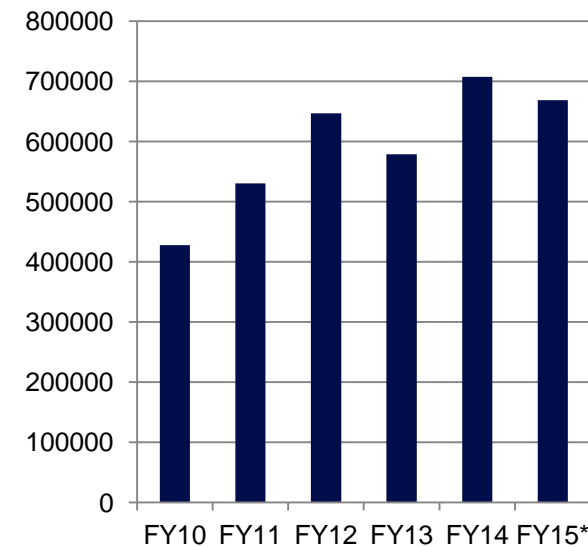
Source: SIAM, CRISIL

CV's



Source: SIAM, CRISIL

Tractors



Source: TMA, CRISIL

* - Please note FY15 figures are actuals upto Dec 2014 which have been annualized for the financial year.

India Market Update - Quarterly

Market - Production Numbers

	PVs + UVs	CVs	Tractors		PVs + UVs	CVs	Tractors
Q3F15	728,603	164,622	137,824	Apr-Dec 2014	2,221,069	503,531	501,635
Q3F14	696,669	156,876	181,561	Apr-Dec 2013	2,115,006	520,580	559,146
Change	4.6%	5%	-24.1%	Change	5%	-3.3%	-10.3%

Production at Key Customers*

M&M and Tata	
Q3F15	280,119
Q3F14	322,989
Change	-13.3%

M&M and Tata	
Apr-Dec 2014	888,890
Apr-Dec 2013	1,008,396
Change	-12%

* Includes production in all segments e.g. M&M nos. includes PV+UV+CV+Tractors+3Wheelers, but excludes two wheelers.

India Market Update - Quarterly

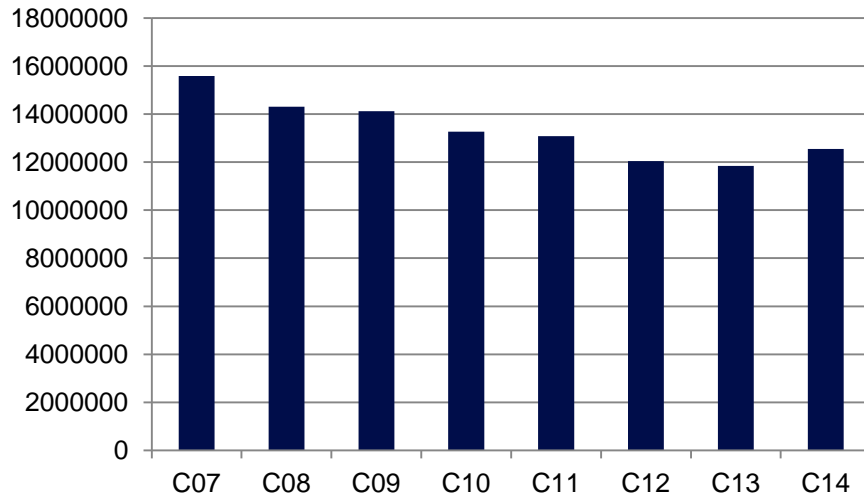
Outlook

- *PVs+ UVs: “In 2014-15, a gradual improvement in consumer sentiments with expectations of a higher GDP growth, lower vehicle prices following excise duty cuts, and launch of new models has led to a year-to-date growth in sales of cars & UVs. Lower cost of ownership following a decline in crude oil prices has also boosted demand. CRISIL Research expects domestic cars & UV sales to increase by a modest 3-5 per cent in 2014-15 .”... CRISIL Research report published 28-Jan-2015*
- *CVs: “MHCV sales to grow at 16-18 per cent y-o-y in 2015-16 with improvement in industrial activity, better agricultural output and infrastructure project execution. We expect LCV sales to recover marginally by 7-9 per cent with improvement in consumption expenditure and better financing availability .”... CRISIL Research report published 09-Feb-2015*
- *Tractors: “We now expect tractor sales volumes to decline by 8-11 per cent in 2014-15. We expect farmer sentiments to remain weak in Q4 2014-15 based on lower Rabi crop sowing, lower Kharif crop realizations and weak commercial demand.”... CRISIL Research report published 28-Jan-2015*
- **Our key customers: Industry outlook is cautiously optimistic due to gradually improving consumer sentiment**

European Market - Trends

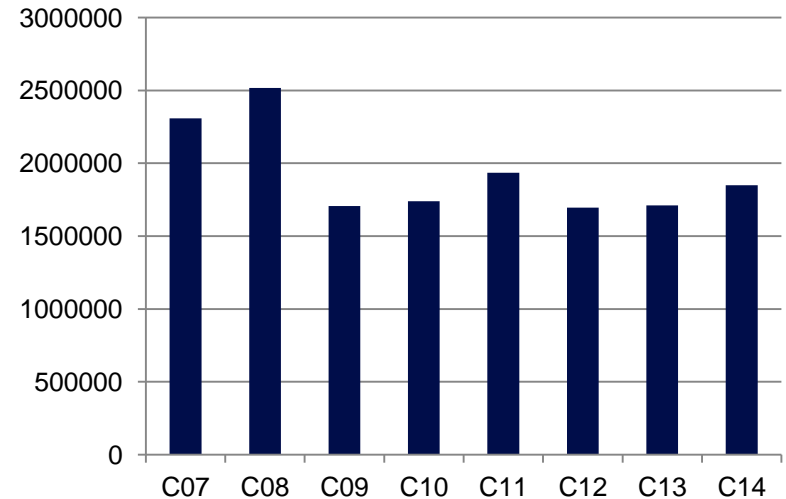
Uncertainty in market sentiment

PV Registrations (EU 27)



Source: ECB Annual Data and ACEA Press Release

CV Registrations (EU 27)



Source: ACEA, ECB

Europe Market Update - Quarterly

Registration Numbers

	EU - Cars	EU - CVs		EU - Cars	EU - CVs
Q4 C14	2,978,512	496,667	C14	12,550,771	1,849,077
Q4 C13	2,850,276	481,655	C13	11,850,905	1,711,843
Change	4.5%	3%	Change	5.9%	8%

Outlook

- **EU - Cars:** *“After a better-than-expected 5 percent increase in 2014, light vehicle sales in the mature West European region are forecast to improve by another 3 percent in 2015” – IHS Research*
- **EU - CVs:** *“In Europe, M&HCV demand is expected to remain only in the region of the relatively weak prior-year level.” – Daimler Market Outlook, Feb 2015.*

Q3 F15 Performance – Proforma numbers

Parameter	Standalone			Consolidated		
	Q3F15	Q3F14	Change	Q3F15	Q3F14	Change
Sales	3,783	4,160	-9.1%	13,182	14,107	-6.6%
EBITDA	376	429	-12.5%	869	813	6.9%
EBITDA %	9.9%	10.3%	-0.4%	6.6%	5.8%	0.7%
EBITDA w/o one time gains and losses	376	429	-12.5%	1108	813	36.4%
EBITDA% w/o one time gains and losses	9.9%	10.3%	-0.4%	8.4%	5.8%	+2.6%
PAT	132	1790	-	106	1,170	-
PAT %	3.5%	43.0%	-	0.8%	8.3%	-
PAT w/o one time gains and losses	132	76	74.2%	585	-544	-
PAT% w/o one time gains and losses	3.5%	1.8%	+1.7%	4.4%	-3.9%	+8.3%

All figures in INR Millions

Notes:

- Refer page 4 of this presentation for description of MCIE Standalone & MCIE Consolidated
- Financial figures of foreign subsidiaries have been converted at current exchange rate (1Eur = Rs.79.81) for convenience.
- Q3 F14 PAT includes Exceptional gain on Sale of Land and Investments in Stampings Division (erstwhile MUSCO) of Rs. 1714 Mio (Net of Taxes)
- Q3F15 EBITDA and PAT numbers include one time expenses including maintenance costs in Germany and redundancy & inventory write-off costs in Italy
- CIE Forgings numbers for Q3 F14 , are calculated on Pro rata for 3 months based on CY 2013 financials

Apr – Dec 2014 Performance – Proforma Numbers

Standalone

Consolidated

Parameter	Standalone				Consolidated			
	Apr-Dec 2014	Apr-Dec 2013	Change	F14	Apr-Dec 2014	Apr-Dec 2013	Change	F14
Sales	12,285	12,461	-1.4%	16,931	42,092	41,579	1.2%	57,234
EBITDA	1,250	1,226	1.9%	1,600	3,480	2,952	34.1%	4,312
EBITDA %	10.2%	9.8%	+0.4%	9.4%	8.3%	7.1%	+1.2%	7.5%
EBITDA w/o one time gains and losses	1,250	1,226	1.9%	1,600	3959	2952	34.1%	4312
EBITDA% w/o one time gains and losses	10.2%	9.8%	+0.4%	9.4%	9.4%	7.1%	+2.3%	7.5%
PAT	456	2,016	-	2,224	179	1,072	-	1,215
PAT %	3.7%	16.2%	-	13.1%	0.4%	2.6%	-2.2%	2.1%
PAT w/o one time gains and losses	456	302	51.1	510	897	-642	-	1215
PAT% w/o one time gains and losses	3.7%	2.4%	+1.3%	3%	2.1%	-1.5%	-3.6%	2.1%

All figures in INR Millions

Notes:

- Refer page 4 of this presentation for description of MCIE Standalone & MCIE Consolidated
- Financial figures of foreign subsidiaries have been converted at current exchange rate (1Eur= Rs. 79.81) for convenience.
- Results for CIE Forgings for F 14 above are for Calendar year 2013.
- F14 PAT and Apr-Dec 2014 PAT includes Exceptional gain on Sale of Land and Investments in Stampings Division (erstwhile MUSCO) of Rs. 1714 Mio (Net of Taxes)
- Apr-Dec 2014 EBITDA and PAT numbers include one time expenses like maintenance costs in Germany and redundancy & inventory write-off costs in Italy.
- In Apr-Dec 2014, EBITDA excluding Metalcastello is 10.0% as compared to 7.0% in Apr-Dec 2013.
- CIE Forgings numbers for Apr-Dec 2013, are calculated on Pro rata for 9 months based on CY 2013 financials

Q3 F15/ Apr-Dec 2014 Performance – Discussion

Standalone:

- With Indian OEMs being key customers, growth has been a challenge in the recent past,
 - In Q3F15, our key customers shrank by 13%, MCIE standalone revenues declined by 9%
 - Apr-Dec 2014, Production at our Key Customers shrank by 12%, and Mahindra CIE revenues shrank by 1.5%
 - The drop in EBITDA% is largely due to the drop in Revenues.
-

Consolidated:

MFE

- European CV Market continues to be uneven but profitability turnaround remains on track.
- Short term focus on cost reduction: Headcount, Downtime, Power subsidy, Procurement & Sales price and productivity improvements:
- First phase of turnaround by dedicated turnaround team completed; a new forgings management team taking over
- The next phase to focus on improving profitability by optimizing product-process- location combination

Metalcastello

- Top-line remains a concern due to continued decline in the European Off road Market
- Efforts to diversify markets and develop new products underway with the help of CIE
- Short term focus on cost reduction ; one time costs including redundancy costs depressing profitability this financial year
- Most of the organizational restructuring & headcount reduction has been completed

CIE Forgings Europe (Spain + Lithuania)

- European Car market continues to show steady growth
 - High profitability levels being maintained
-

Outlook

INDIA

Background

- India businesses are **operationally sound**
- Our key customers (Indian OEMs) are cautiously optimistic of future growth

Strategy Outlook

- Focus on maintaining profitability
- **Diversify** - Introduce products from CIE Stable & Explore 'Western OEMS': results by 2018

GERMANY + UK: Mahindra Forgings Europe

Background

- **Problems more 'internal'**; Turnaround strategy in place
- European **CV market remains uncertain**

Strategy Outlook

- **Turnaround on track**
- Focus on **maintaining profitability even if volume declines**

ITALY: Metalcastello

Background

- Excellent operations; Steady drop in volumes
- **Off Road market decline** continues
- **Problems more 'external'**

Strategy Outlook

- Cost & Capex Reduction
- Explore new customers & market segments
- **Turnaround happening steadily**

SPAIN + LITHUANIA: CIE Forgings Europe

Background

- Stable operations & **high profitability**
- European car **market growing steadily** at 3-5%

Strategy Outlook

- **Maintain financial performance**

Thank you

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