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27th February, 2023

BSE Limited Corporate Relationship Department, P. J. Towers, Dalal Street, Fort, Mumbai - 400 001. **BSE Scrip Code: 532756**	**National Stock Exchange of India Limited** Corporate Relationship Department, Exchange Plaza, 5th Floor, Plot No. C / 1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051. **NSE Scrip Code: MAHINDCIE**

Dear Sir / Madam,

Sub: Transcript of Mahindra CIE Automotive Limited Q4 and Full Year CY 22 Earnings 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 20th February, 2023 in respect of advance intimation for Q4 and full year CY 22 Earnings Conference Call, please find enclosed herewith transcript of the said call held on 23rd February, 2023.

The same is being uploaded on the website of the Company i.e. www.mahindracie.com.

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

Thanking you

Yours faithfully,
For Mahindra CIE Automotive Limited

PANKAJ VIJAY GOYAL
Digitally signed by PANKAJ VIJAY GOYAL
Date: 2023.02.27 17:25:28 +05'30'

Pankaj Goyal
Company Secretary and Compliance Officer
Membership No.: A 29614
Encl: as above

“Mahindra CIE Automotive Limited
Q4 and Full Year CY 2022 Earnings Conference Call”
February 23, 2023

MANAGEMENT:	**MR. ANDER ALVAREZ – CHIEF EXECUTIVE OFFICER – MAHINDRA CIE AUTOMOTIVE LIMITED** **MR. K. JAYAPRAKASH – CHIEF FINANCIAL OFFICER – MAHINDRA CIE AUTOMOTIVE LIMITED** **MR. VIKAS SINHA – SENIOR VICE PRESIDENT, STRATEGY – MAHINDRA CIE AUTOMOTIVE LIMITED** **MR. OROITZ LAFUENTE – BUSINESS CONTROLLER – MAHINDRA CIE AUTOMOTIVE LIMITED**
MODERATOR:	**MR. BASUDEB BANERJEE – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Mahindra CIE Q4 and Full Year CY 2022 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Basudeb Banerjee from ICICI Securities. Thank you and over to you sir.

Basudeb Banerjee: Thanks Lizann. Good morning, good afternoon, good evening to all the participants. Thanks to Mahindra CIE management for giving us opportunity to host the conference call. I'd like to introduce management, represented by Mr. Ander Alvarez, CEO; Mr. K. Jayaprakash, CFO; Mr. Vikas Sinha, Senior VP, Strategy; and Mr. Oroitz Lafuente, Business Controller.

Without wasting any time, I'd like to hand over to the management for their initial comments, followed by Q&A.

Vikas Sinha: Yes. Thanks, Basudeb. Thanks everybody for your time for joining on this call. I welcome all of you as well as Ander, our CEO. I will present MCIE results for the quarter four C'22 and full-year C'22. We follow the calendar year, just as a reminder. I will refer to the presentation that we have uploaded yesterday evening.

So let me begin with some key developments in the year 2022, which are described on Page five of our investor presentation. Our principal shareholder and promoter CIE Automotive Group of Spain increased its stake to 65.7% in C'22, an increase of nearly 5%. The increase in shareholdings shows the confidence CIE has in our company. The Board of Directors of MCIE at its meeting in December 2022, approved the proposal to change the name from Mahindra CIE Automotive Limited to CIE Automotive India Limited. India is one of the major growth markets that CIE Group is focusing on as part of its global strategy and the name change reflects this.

The name change will be executed once all regulatory approvals are in-place, and it may take a few months. The Board also took note of a proposal to actively look for a buyer for the Truck Forgings business in Germany. This will allow us to focus on the car forgings business out of Spain and Lithuania, especially managing the transition that we are seeing in the car business in Europe to electric vehicles.

Accordingly, the Truck Forgings business in Germany has been classified as held-for-sale. We are not presenting the details of the Truck Forgings business in the Q4 C'22 and full-year C'22 results. The details of the operations held-for-sale are presented separately. The name of the German Truck Forgings business was also changed to CIE Forgings Germany and we call it, CFG in our presentation as well as in the stock.

With these three key highlights, let me proceed to 2022. The year 2022 has been an excellent year for MCIE. Let us look at the results in detail. The quarter four C'22 results for MCIE India, we know that we operate largely in India and Europe. So, our results are along India and Europe. The Q4 C'22 results for MCIE India are on Page seven. While 4-wheeler and truck demand was good, 2-wheeler was very weak in Q4 C'22, and tractor suffered from a high base of last year.

Sales in India in Q4 C'22 were INR 13.4 billion, which was 26% higher than the same quarter last year, but lower than Q3 C'22, about 6.5% lower sequentially. The sequential drop happened because the Diwali season this year was in the third week of October and large part of festival led production happened in September.

The India operations achieved an EBITDA percentage of 18.5% in Q4 C'22 versus 12% in Q4 C'21 and 15% in Q3 C'22. Please note the Q4 C'22 EBITDA includes the positive impact of INR 378 million of profit on land sale. Without this, the recurring EBITDA margin in Q4 C'22 for India was 15.7%, still higher sequentially by 0.7%. Also note that Q4 C'21 EBITDA margin had a one-time VRS cost that lowered margin by 1.2%.

Even if we adjust for one-time effects in both the quarters, the Q4 C'22 margin is much higher year-on-year than Q4 C'21, 15.7% versus 13.2%. And this reflects the fact that the Indian operations continued the journey to match the global standards of the CIE Group. On Page eight, we have the results for MCIE Europe in Q4 C'22. These financials don't include the German Forgings business, CFG, which have been held-for-sale.

The Q3 C'22 and Q4 C'22 numbers have been stated accordingly. Sales of INR 7.3 billion in Q4 C'22 which are 43% higher year-on-year versus Q4 C'21 and 7.5% higher than Q3 C'22 sequentially. We are clearly beating the market with European light-vehicle production growing year-on-year by 6.6% in this quarter. EBITDA margin in Q4 C'22 was a healthy 14.5% higher both year-on-year and sequentially, that is versus the 11.1% in Q4 C'21 and 13.5% in Q3 C'22. Margins improved as some of the increases in energy and inflation got passed through and the energy prices are starting to stabilize.

On Page nine, we see the consolidated MCIE Q4 C'22 results, which are a combination of the good results in India and Europe. Consolidated sales were INR 20.7 billion, 31% higher than Q4 C'21. EBITDA INR 3.55 billion, 92% higher year-on-year, EBIT INR 2.78 billion, 135% higher year-on-year and EBT INR 2.7 billion, 145% higher year-on-year. The full-year C'22 results for our Indian operations are on Page 11.

Sales increased by 29% versus C '21 to INR 52.5 billion. This was higher growth than the underlying market. As said earlier, the four-wheeler and truck markets did very well, while tractors were sluggish on a high base and two-wheelers, continued to be weak. This trend is going to continue. The EBITDA margin of 15.9%, EBIT margin of 12.0%, and EBT margin of 11.9%, are all much higher than C'21. This reflects strong sales and margin performance.

Please note the effect of one-time cost on C'21 and C'22 results, as explained earlier. The PAT percentage in C'22 is 9.1% versus 3.9% the previous year. The C'21 PAT percentage was affected by the one-time negative impact of roughly, INR 1,426 million of deferred tax liability on Bill Forge goodwill. So please adjust for that.

Looking ahead, we expect the growth momentum to sustain in India for the next few quarters. Our order book in India is in line with these expectations and we have been adding capacities in almost all our verticals. In India, we are balancing order book requirements and investments in capacity, such that both growth and profitability objectives are met.

On Page 12, we have the full-year results of C'22 for our European operations. These are without CFG held-for-sale with sales of INR 29.8 billion. There has been a 27% growth vis-a-vis full-year C'21, much higher than underlying market growth. EBITDA margin in C'22 was 14.5%, EBIT 11.4%, and EBT 10.9% all slightly lower than C'21, largely on account of the unprecedented increase in energy costs. C'22 PAT is negative, INR 6,159 million and that includes INR 8,475 million of losses coming from discontinued operations. In Europe, we expect the market to start recovering very gradually and are focused on improving our profitability.

On Page 13, we have the C'22 consolidated results of MCIE. Sales was INR 82.2 billion, which is a growth of 28% versus C'21. The EBITDA margin was 15.4% versus 15.2% in C'21, EBIT 11.8% versus 11%, and EBT 11.6% versus 10.4% all one-time effects have been explained earlier.

The consolidated PAT is negative INR 1,362 million, which is minus 1.7% and includes, INR 8,475 million of losses coming from discontinued operations. About INR 2 billion of positive exchange rate impact on CFG goodwill and net assets is pending to be a lot allocated to the P&L account in 2023. This will be done once the CFG sale transaction is completed.

The note explaining the impact of holding CFG for sale is shown on Page 14, separately. This note is also part of the results statements submitted to the stock exchanges and SEBI. We have already explained the details earlier in the stock.

On Page 16, you will see our average consolidated balance sheet which shows the healthy state of MCIE. Return on net assets is 17.9% and return on equity without the goodwill, write-off is 15.3%. Net financial debt is INR 1,444 million that is roughly INR 145 crores.

The cash flows are shown on Page 17. The company generated operating cash flows to the extent of 73% of consolidated EBITDA, which is very good. Growth capex was INR 3.5 billion and this is without maintenance capex, and this was largely focused on projects in India, some of which are highlighted later on pages 20 and 21.

Overall capex was 5.6 percentage of sales, which is in line with our norms, while our consolidated PAT is negative on account of classifying CFG as held-for-sale. Our cash generation has been good in C'22. Taking this into account, the Board of the company commented that dividend payments be maintained. Accordingly, MCIE will pay a dividend of INR 2.5, that is INR 2.5 per share after the approval in the AGM scheduled later in the year.

Pages 20 and 21 presents some operational and commercial highlights subsequent to some of the new photographs of the new plants added. Pages 22 and 23, give details of geographic and technology-wise breakups, market segments and key customers that we operate with. Page 24 provides details of our electric vehicles' portfolio; electrification of powertrain has seen rapid adoption in Europe. Market share of battery-electric vehicles has crossed 10% there. And it is getting to become more mainstream in India as well, especially in two- and three-wheelers. We have developed a good order book for EV parts and are working with major European and Indian OEMs in the EV space across segments.

Our EV order book covers aluminium and steel forgings, gears, stampings and composites parts for E-two-wheelers, E-three-wheelers, and E-four-wheelers. So, the photographs of some of the parts and there. Page 25, summarizes our overall strategy, which has remained unchanged from previous years. Our strategy is based on the global strategy of CIE Automotive Group the global strategy, which has a track record of success in four continents, Europe, North and South America and Asia.

Pages 27 and 28 provide a report card on the effectiveness of our strategy. On page 27, we have shown revenue and EBITDA margin trends for our Indian and European operations since calendar year 2016, which was the first full year of reporting results. Revenues from India have grown 3.2 times between C'16 and C'22 and this includes two acquisitions. Revenues in Europe in C'22 are 0.9 times of that in C'16, but this does not include CFG, which has been held-for-sale.

The share of India and consolidated revenue has grown from 33% in C'16 to 64% in C'22. EBITDA margin in India has grown from 11.5% in C'16 to 15.9% in C'22 and that in Europe from 10.9% to 14.5%. Page 28 shows similar trend for consolidated results. Consolidated revenue has grown 1.6x, EBITDA 2.2x and EBIT 3x between C'16 and C'22. EBITDA margin has increased by 430 basis points and RONA percentage that is return on net assets by 890 basis points in the same period.

Page 29 provides a snapshot of our stock market history since 1st January, 2015. The next few pages talk about market statistics and forecasts from relevant sources, followed by the results submitted to SEBI in the prescribed format. The MCIE team is confident that it can utilize future opportunities and face future challenges with agility in order to meet the shareholders' expectation of sustainable growth and profitability.

With that, I would like to thank you and proceed to Q&A. Basudeb?

Moderator: The first question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services.

Jinesh Gandhi: Quickly, a couple of clarifications. One is with respect to the European business. Can you talk about the growth in euro terms, constant-currency growth?

Vikas Sinha: For the quarter or for the year?

Jinesh Gandhi: For the quarter and the year.

Vikas Sinha: Yes. So I think for the year, volume term growth would be about 11%. And for the quarter. Oroitz, can you help me with that?

Oroitz Lafuente: Yes. For the quarter, the volume increase has been 40% there was negative exchange rate impact of 3%, but volume increase has been approximately 40%.

Vikas Sinha: Okay.

Jinesh Gandhi: Wonderful. 40%.

Vikas Sinha: Oroitz, is it 40% or 14%?

Oroitz Lafuente: 40%.

Vikas Sinha: 40%. 40 percentage.

Jinesh Gandhi: Okay. And this is a volume growth, tonnage growth?

Vikas Sinha: Yes, without exchange rate, without raw material.

Jinesh Gandhi: Second clarification was with respect to the India business financials given in the PPT. So in which line item would the revenue, the gain on-sale of land would be accounted for? Would it be in revenue or operating other income?

Vikas Sinha: Which one? Which plan?

Jinesh Gandhi: The gain on sale of land.

Vikas Sinha: JP, which line item in the SEBI result takes into account the gain because of land sale. Hello?

K. Jayaprakash: Sorry, Vikas. I was on mute, Vikas.

Vikas Sinha: Sorry, sorry. You heard the question?

K. Jayaprakash: Yes. I heard the question. Sorry, it is shown as an exceptional item, it is neither in sales, nor in other operating revenues.

Jinesh Gandhi: In the PPT. India financials, because I could not see any exceptional item there.

K. Jayaprakash: In the PPT it's part of EBITDA.

Jinesh Gandhi: EBITDA also the part of our revenues, right?

K. Jayaprakash: Not revenue, because revenues only, purely product sales.

Jinesh Gandhi: And in terms of the question which I have is regarding the business one. We have seen a very sharp improvement in profitability of EV forging business, which is held-for-sale. So anything structural which has changed there, or that there is any one-off there?

K. Jayaprakash: So can I take that Vikas?

Vikas Sinha: Yes, please. Yes, JP, go on please.

K. Jayaprakash: Yes, so yes, we have exceptional write-back this quarter for the employee payouts that's been planned because of volume drop expected, but since contracts have been signed, those provisions are no more required.

Jinesh Gandhi: Okay.

K. Jayaprakash: Some settlement of prices from -- back dated. So they are exceptions, almost EUR 7 million of the EUR 10 million.

Jinesh Gandhi: And the last question pertains to what we've seen on the aluminium forging side. We have mentioned about, we have started supplies there. So can you talk about what kind of order wins we have? How has been the response from customers for this new product category for us? That will be my last question.

Vikas Sinha: So Ander the question is. What has been our experience with aluminium forgings so far.

Ander Alvarez: Okay. We have -- we are actively quoting several projects in the aluminium forgings field. We are developing this product commercially and we have got as you all know and we already informed, we got already our third business and we are already producing the first products in this technology.

And we are, let's say, sure that in the next quarter, in the next month, we will be able to get additional projects and develop this business. Okay. So, we are planning to make this transition from our combustion engine components to this, let's say, new technology that we will prepare and we will manage to make this a smooth transition in the next year. Okay, so the process is going quite well. We have already started and the expectations are also optimistic.

Moderator: The next question is from the line of Siddhant from Goodwill.

Siddhant: Yes, hi. I just had one question regarding the dividend policy. My assumption was that there would be around the INR 200 crores payout or 25% of profit. Is it because of the write-off that you've chosen to give a lower dividend or could you give a future guidance on dividend policy?

Vikas Sinha: JP, will you take that?

Oroitz Lafuente: Yes. You can explain it JP.

K. Jayaprakash: Yes. You're right. We had -- we have a dividend policy where we say 25% of PAT. But since we have a negative PAT this year, we have chosen to continue with the last year's dividend that we had declared. Since we started only last year. But going forward, our policy is very clear on what we want to do.

Siddhant: Okay. So next year, we can expect 20%, 25%.

Vikas Sinha: Yes.

K. Jayaprakash: Yes, absolutely.

Moderator: The next question is from the line of Pratik Kothari from Unique Portfolio Managers.

Pratik Kothari: Sir, my first question on the India business. I believe, in the last quarter call, we had -- so earlier our stated guidance or aspiration used to be that we'll outperform Indian markets by 5 percentage points, 10 percentage points. But then. I guess last quarter, we revised it at, we'll do at least 10 percentage of outperformance. And we have seen that happening here. If you can just highlight what is driving this outperformance or regaining market share, etcetera?

Vikas Sinha: Yes, I'll take that. Yes, thanks, Pratik. So if you look at the weighted-average for the year, full-year, I'm talking about the full-year. The weighted-average growth rate and you have the segment-wise breakup for India, about 49% is four-wheelers, 23% is two-wheelers, 20% tractors and construction equipment and so on, and roughly 8% is trucks. These are overall, rough numbers.

So if you do a weighted-average calculation based on these numbers, that would be 14%, against 14% we have done 29%. Some of it is of course raw materials, which this year would be lower. Where are we getting it from, we have to understand. Lot of our anchor customers are growing M&M, Tata Motors, Maruti, they're growing. M&M both in light vehicles, as well as tractors. We have been getting more orders in areas where we were earlier less present like Hyundai, Kia John Deere, even in Tata Motors. So we are increasing our presence and we have been adding new customers.

So all three parts are there. Large part of the growth -- and also exports, especially from AEL, Aurangabad Electricals. So these would be the drivers that has allowed us to grow much faster than the market. We expect some of these trends to continue. As we have pointed out, we are adding capacity in for the last one, two years and this year also. We will be adding capacity in almost all our verticals. And we are careful because we want to balance both growth and profitability objectives. So that is not really a problem for us at this point of time. So balancing investments and profitability is our key focus at this point.

Pratik Kothari: Sir, my second question on Europe. I believe in the middle of last year, our expectations, and I believe that was also the IHS forecast that second half could better than first irrespective of holidays, energy prices, etcetera. But that hasn't panned out. So one, your comment on that and second outlook for next year in Europe especially.

Vikas Sinha: I'll give you the overall numbers and then I'll request Ander to comment on the European market. Of course, we have outgrown the market in Europe also, quite handsomely. You saw the volume growth numbers that Oroitz said, about 40%. In Q4, the growth numbers in the light-vehicle market was 6.6%, so it is much higher than that. A part of it is because of Metal Castello.

Going forward, what is the forecast? I think this year we ended up in light vehicles at about 15.2 million units production. That is expected to go up to 16.1 million or 16.2 million, something like that. So that is the kind of growth, so some, okay, 6%, 7%, 8% growth is expected in Europe this year. So this is from a market perspective, but from a more business perspective, I'll request Ander to talk about how he looks at the European market.

Ander Alvarez: Thanks. Okay. Yes, it is true that in global figures in calendar year '22, the market performance especially in the light vehicles was quite disappointing, because we were all expecting certain growth. But unfortunately, mainly because of the Ukrainian war, plus the semiconductor shortage that still remains, we were not able to -- we saw market going down a little bit in calendar year '22. Okay.

For calendar year '23, we expect the market to recover, at least as Vikas said, we can expect between 5% to 8% recovery that was expected. Of course, this is providing the Ukrainian war and let's say the restrictions with Russia will not create additional disturbances in the market. Okay. That is probably one risk factor that we all have in mind. But we see the economy recovering, we had certain fears of recession in the economy in Europe, it seems that this is not happening and also the inflation is going down.

And the most important point that I think is affecting our day-to-day business, is that the energy prices have also been stabilized and the electricity cost is approximately, now at EUR 140 per megawatt, when three months ago we were that above EUR 300 per megawatt. Okay. So, considering all this scenario, we think that 2023 will be a good year. We will see increase also in our activity both in metal Castello, CIE forgings.

We see a strong demand in this moment. We expect a good year also. And let's say that the '23 '24, this period, we will see the recovery that we didn't see in the last couple of years due to the semiconductors and Ukrainian war. So we are moderately optimistic for the next couple of years.

Pratik Kothari: And the outperformance in volume versus European market is outstanding, so hearty congratulations to the team there. Just on that part again. So this additional wallet share of the business that we have won against the industry, against the smaller peers. We were talking about consolidation earlier. So how sustainable, I mean, obviously, this doesn't happen every year, but whatever extra that we have gathered, I mean, how sustainable is this?

Vikas Sinha: Ander, so the question is, since we have grown much faster than the market in Q4, especially, means that we have gained from smaller suppliers. So, a bit of market consolidation is happening. How much of that is sustainable or we'll lose some of that going forward?

Ander Alvarez: Okay, let's say, that we think that this trend will continue in the next year, okay, I mean the perhaps was quite relevant or higher than even what we expected. But for the next year we think that this consolidation will continue. Okay. This growth especially in the let's say the automotive passenger forgings activity will continue and we will see certain improvement for that side, that's our expectation. Probably at a slower pace than in the previous year. Okay. So that is also a reality.

And regarding the growth coming from Metal Castello, that was last year, we have the big jump on Metal Castello, the gears business that we mainly are exporting to the US. This market is doing really well also. And we expect to continue this growth trend, especially because we have been awarded with additional new programs. So, we are quite optimistic on that, okay. The key point here is that we are adding capacity to full and to cope with this additional demand, because in this moment, our capacities are almost full. Okay. So that is the comment that Vikas maybe before regarding that we need to align our capacity to the demand, and we are taking care of that capacity increase in our verticals.

Pratik Kothari: Great. Good to know. Sir, last question just on the other operating revenue, that has doubled over the last two years and that I believe is largely scrap, seems. If you may just highlight what is the material number now?

Vikas Sinha: JP, other operating income has doubled in the last two years. Any comments on that? It is largely scrap. That's correct.

K. Jayaprakash: No, no, it is largely scrap, but the doubling is actually a reclassification of all the energy compensation that we are getting from customers, were credited to the power and fuel expense in other expenses line, because that was more a sharing of expenses in terms of concept with the customer. But from an accounting point-of-view, it had to be reclassified to other operating revenues, so you see increase in other expenses as well as increase in other operating revenue. Otherwise, the operating revenue will remain at the previous quarter level.

Pratik Kothari: Okay. Sure. Thank you and all the best sir.

Vikas Sinha: Yes. Thank you so much.

Moderator: Thank you. The next question is from the line of Nemish Shah from Emkay Investment Managers Limited. Please go ahead.

Nemish Shah: Yes. Thanks for this opportunity, and congratulations for a very good set of numbers. So, I had a question on the Europe business and specifically on the margin front. So if I compare our CY '21 margins ex of German business, so we did about 17.2% EBITDA margin in CY '21 and we have closed at about 14.5% in CY '22. Now, given that the inflationary trends are largely stabilizing and we expect some pickup going forward as well. And so do we anticipate us inching back to those CY '21 level margins in the coming financial year?

Ander Alvarez: Okay. Let's say that you are right that we had this margin reduction from calendar year '21 to calendar year '22, and there are two main reasons. Okay. One is the raw material growth, raw material prices inflation and that our pass through, almost 100% of the cost increase is passed-through to the customer, but without any margin. Okay. So that dilutes our margins, approximately 1% is coming from that effect, okay.

The second main effect is, as you know and as we have already mentioned is regarding the energy prices, energy price increases. I mean, electricity and gas prices went up dramatically during calendar year '22. And this impact, we negotiated and translated, and transferred to the customer, only partially, okay. It was a big discussion on this passing through process and part of this was absorbed by our accounts.

Okay. So that's the second main impact that we had last year. Okay. So, regarding let's say, the evolution of these margins during calendar year '23, we think is that the raw material effect will continue, because it seems that in Europe, there will be a certain additional increase on steel prices, that is our main raw material in these verticals.

So, we will have this disadvantage in margins in calendar year '23. But on the other hand, regarding the electricity, water and gas prices that are going down and stabilizing, as I mentioned before. So, I expect that we will recover certain margins coming from that concept. Okay. So, let's say that we expect certain recovery, but not all because of this raw material increase, that is continuing, going up.

Nemish Shah: Okay. Understood. Yes, that's it from my side. Thank you.

Vikas Sinha: Yes. Thanks, Nemish.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Thanks for opportunity, sir. My congratulations for good performance as well as for taking decision on selling of this German forging business, which is a very difficult decision for CIE, because our accord is always to turn on any difficult acquisition we make, but finally, we have taken this decision. So, my heartily congratulations for that.

Sir, my question is on this -- since last three, five years, I'm hearing from Mahindra CIE external some, speaker of some auto giants, automobile companies, auto parts that ICE engine parts will be a very big opportunity for companies like Mahindra CIE.

So, would like to understand that this opportunity has already arrived and that's why we are outperforming or you see much more opportunity from this internal combustion engines parts globally, because locally, they are doing really well, but outsourcing, exports, how big those opportunities and how prepared we are and how you see those happening now?

Vikas Sinha: Ander the question is: as electrification happens in Europe, whatever ICE parts that are left, internal combustion engine parts are left. Will Europe transfer or outsource them to India and therefore there could be a big opportunity for Indian operations to export internal combustion engine parts to Europe say in the next five, seven years or whatever?

Ander Alvarez: Okay. We don't see this transfer of production from Europe to India. We see India internally, yes with the internal demand and the internal growth that we have seen in the local market in India. We think that we will have full opportunity to continue our growth strategy. Okay. So we don't expect moving production from Europe to India in at least in the next years. Okay, but of course, in eight, nine years later on, could make sense to concentrate all the internal combustion engine components in India, but not in the short term.

Based on the short-term, we think that there will be consolidation in the market in Europe, so some of the players will be eliminated. So there we will be certain winner that will consolidate the remaining market that is our aim. So that's the strategy, then also we are developing additional products for, let's say, with all the technology, as mentioned before, let's say, all these aluminium forgings, so we expect to do this a smooth transition.

So that is probably the key point for our next European business evolution, the key points are the transition, consolidation plus transition, that will be the strategy, but movement from Europe to India is not, considering at this moment.

Sunil Kothari: Right. Sir, second question is our parent company has some goals and objective, by 2025 for some growth rate and having over 19% EBITDA margin. So, I understand Mahindra CIE also follow those type of goals, ambition and objectives, which are the hurdles or which are the challenges which you should overcome to achieve those type of numbers may not be 19%, but maybe 17%, 18%, 19% whatever? And what you are doing for that?

Ander Alvarez: Okay. We are working extremely hard in the improvement in our operations. Okay, you have listened to me in the previous calls, we always talk about our efficiency improvements and productivity improvements. Where we can be competitive and profitable in all our verticals. Okay.

During all these years, we have improved and we do you have same calendar year ’22 results and we also expect to continue this improvement trend in the next year. So, as you also know, we want to be at the same EBITDA and profitability margins, our parent company. I mean, we need to be at that level, in this 17%, 18% EBITDA margins, those are our mid-term targets. So, we continue improving.

Yes. As an example, this calendar year ’22 our added value per employee improved, about 15% improvement in this productivity ratio that is really important. So, for next year we even want to continue this improvement even further than this 15% that we got this calendar year. Okay. So, the difficulties on the -- let’s say the hurdles that we see in this process is that let’s say that the mentality and the production style in our Indian verticals is less efficient than in Europe.

And we would like and we are trying and we are, let’s say, making this transfer of technology and continue visits from our technicians and management to Europe to learn our strategies and how we manage our plants to transfer this these best practices. And I think this is paying a lot of results. Okay. So, this trend will continue and we expect to continue improving our margins in India.

Sunil Kothari: Great, sir for a very detailed answer. Just last question is on this German operation, which we are planning to sell. What is the challenge to get the buyer or already we have found somebody? Throw some light.

Ander Alvarez: Okay. You know that we took this decision in the December’s Board, in making of CIE. Since then, we have received several expressions of interest of certain several companies, and we are preparing the documentation. We are, let’s say, exchanging information with these interested parties and we are developing this process, okay. Now there is no additional information to share, and during next months, when we advance in this process, we will inform accordingly.

Sunil Kothari: Great, sir. Wish you good luck and thanks a lot. Thank you very much.

Ander Alvarez: Thank you.

Vikas Sinha: Thanks, Sunil.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hello. Good afternoon sir. Yes. So Yes, I heard, the answer of…

Vikas Sinha: Rahil, you are very faint. Can you speak up a bit?

Rahil Shah: Hello, hello. Is it better now?

Vikas Sinha: Yes. Yes, much better, please.

Rahil Shah: Yes. So, I was just pointing back to the -- so that's -- previously about improving margins and the strategies you are following and how you continue to maintain a trend. So, on the similar lines, are we to expect as investors that from hereon, for CY '23, everything will be maintained, like on revenue front, on the EBITDA margins front? So you will be able to maintain the numbers, and it will only be upwards from here on?

Vikas Sinha: Rahul, you are asking a very difficult question, whether -- of course, we will try to maintain the trend as Ander pointed out. As he pointed out, our parent margin is higher, the previous question was that the parent is targeting 18% to 19% EBITDA margin. We are still some distance away. So our mid-term target as Ander pointed out, is to come as close as possible to CIE Global target of EBITDA margin. So that trend will continue.

Your second question around growth. Whether we'll be able to maintain the same growth rates is something that I will not comment on, but both -- but I'll talk about both the markets that we have. In India, we said that, our key challenge in India is really not order book, our key challenge in India is to balance order book requirements and investments. So, we are quite comfortable on the growth aspect. What we're focused on is to balance growth and profitability.

And in Europe, Ander pointed out, there is a consolidation happening on ICE engine parts, and therefore, there are growth opportunities in Europe, beyond just market growth. So with these two factors, I would suggest that, yes, we'll continue on the growth trajectory, but whether it will be same, different or not, is a -- that is a question I will not answer, but yes, we will continue both on our margin improvement and growth trajectory. Is that sufficient or you would want some more clarification?

Rahil Shah: No, that will be all sir. Thank you and all the best to you.

Vikas Sinha: Thanks, Rahul. Thanks for your question.

Moderator: Thank you. The next question is from the line of Aman Agrawal from Carnelian Capital. Please go ahead.

Aman Agrawal: Good afternoon, sir, and thank you for the opportunity. A few questions from my side. Number one. It was on the German forging business, like this question is a continuation to the question asked by a participant. Like given that current macros, like weak macros in Europe and globally.

Have we set any internal timeline of -- by then, we basically want to dispose this business? That was my first question.

Vikas Sinha: Aman, there is no such timeline that we are talking about. As our Board has noted that we need to do this -- we need to execute this strategy, and as Ander has pointed out, there have been several expressions of interest. So, it is our endeavour to execute this as quickly as possible and as and when some developments happen we'll keep you updated. But at this point of time, if like with your permission, this is the kind of update that we have.

Aman Agrawal: Understood, sir. The second question was on the India business, that we were talking about 5 percentage points to 10 percentage points higher than the industry growth, like that is our target for the India business. But if you can touch upon like with segment which we want to focus on, like we are present across the categories, forging, cutting and all, like which specific segment are we more focused on and growing faster than the industry and which we want to grow more or less in line with industry. If you can touch upon it.

Vikas Sinha: Again, and I will take you back to the question, Rahul just asked, because he asked the same like whether the trend in growth will be maintained. Right now, the four-wheeler market is doing exceedingly well. As you know, it is perhaps the best year that we have had in a very long time, 2022, it's actually higher than 2018, which was the previous high.

And within the market itself, some of the customers that we work with more closely, M&M, Maruti -- M&M and Tata, especially and Maruti in the latter half of the year. They are also doing well. Plus, we are increasing our presence with Hyundai and Kia.

So, to that extent, four-wheeler market is one area that has been doing very well for us. Two-wheeler market. We have a strong presence but the two-wheeler market is just grew about 2% or 3% this year and therefore, and in the two-wheeler market, I think, Bajaj is our anchor customer, and because Bajaj very export-oriented, I think exports because of the currency crisis, especially in South America and Africa, Bajaj exports are little muted. So, to that extent, two-wheeler will continue maybe not very big growth for us.

Tractor market, again, has been doing very well. Even though tractor market in C'22 was some like maybe 2% lower than C'21, but the base is very high. I think the production in both C'21 and C'22 actually crossed 1 million, which is a very big number in tractors. So that base we think will continue in tractor. So, tractor is again a very good area for us.

Trucks, you know, the base has come down very strongly even though on a low base, trucks grew well. I think almost more than 20% and this year also, all forecasts are suggesting at least 10% growth. So, truck market is growing, but on a low base. So, four-wheeler, yes is one area where we think we will benefit, largely, not only because the market is growing, but within the market some of our key anchor customers are growing, and within the anchor customers also, we have been doing well in terms of new orders that we're getting from them and we have talked about say whether it is M&M or Tata Motors, we have talked about it in the past.

So right now, that is the situation, why we think we are confident that to answer both you and Rahul's question earlier that we are confident that the growth trajectory will continue. Whether at the same level, I think this year, we grew by about 28% or 29% in India. So, whether that kind of growth will -- trend will continue or not, is something we have to see, but the direction is, yes, we will benefit from growth in the market, as I've talked about segment-wise.

Aman Agrawal: Thanks for an elaborate answer sir. My question was mainly from the technology point of view, like we are present in forging, aluminium casting, iron casting, stamping, composites and all these segments. So within this like which are the main technologies we will be focusing on in terms of growth? And this was coming from the point of view that we want to increase our margins in the India business…

Moderator: Sorry to interrupt Mr. Agarwal. Sir, there's lot of echo from your line.

Aman Agrawal: Is it better now?

Vikas Sinha: Yes, Yes, Aman. So, you are saying among forging, casting is that one area that we are focusing on. Sorry, I took it the other way, whether we are focusing on some segment. In fact, when it comes to technology segments, I think we are like, we are focused everywhere. So, it is not as if we are focused only on this or only on that. And let me just elaborate a bit, like forgings both in Bill Forge, as well as in -- as well as forging second plant, we have added capacity. Bill Forge, we have talked about CIE Hosur in the past. In forgings, we have added presses.

Like last year, we talked about in foundry. We had like refurbished our oldest and largest moulding line. Magnetics, we are increasing capacity. In gears, we have put up a new plant. In AEL, we have put up a new plant. In stampings, we have been doing a lot of robotic automation which will help provide value-added welded products. So, it is across the board. That is why I have given at least one example from each vertical to show that growth is happening across the board, it is not really restricted to any one vertical. So, we're really not focused on only one vertical. I talked about more market segments. So sorry for that.

Aman Agrawal: Got it sir. Just one final question from my side. Like in past con calls, like two, three years back, we have talked about merging the global forging businesses and also about acquiring a plastic business in India…

Moderator: Sorry to interrupt Mr. Aman Agrawal. Sir, your audio is not clear. We are not able to hear you clearly.

Vikas Sinha: I am able to hear, ma'am. So let me -- so his question is: few years back, we had talked about merging the Brazil, Mexico, China forging business of CIE. What has happened to that? Frankly, after the pandemic came, we have not pursued that proposal. So as of now, we are not pursuing that proposal. That's the answer to Brazil, China, Mexico, at this point of time. In fact, the priorities are different, there has been -- EV transition is happening, so all of us are focused around that and perhaps we will, I don't think we'll go ahead with that proposal.

And to your next question about M&A in plastics. Yes, plastic continues to be an area where we want to look for acquisitions. And we continue to look for it, if there is anything of interest, at the appropriate time, we'll let you know. So, that strategy continues. We haven't yet -- we have not been able to proceed on that.

Aman Agrawal: Thank you, sir. That was really helpful, sir. Thank you for answering my questions.

Vikas Sinha: Yes, thanks, Aman.

Moderator: Thank you. The next question is from the line of Navin Matta from Mahindra Manulife. Please go ahead.

Navin Matta: Yes, thank you for the opportunity and congrats for the strong results. Just a question on the energy cost, you did comment that prices have come off from EUR 300 per megawatt to about EUR 140 currently. I just wanted to get a sense, the quarter four, what would have been our consumption off energy cost at? Would it be higher, and there could be some benefits that can flow through going forward?

Oroitz Lafuente: Yes, Vikas. Go on please.

Vikas Sinha: No, Navin, I was just asking if the question is, what percentage of our cost is or what percentage of sales is energy cost, is that what you're asking?

Navin Matta: No, sir. I was trying to understand what was our energy consumption cost in the fourth quarter, because I'm sure it's come down from EUR 300, to EUR 140 over the last quarter, but we would have consumed at a higher level. So, I'm just trying to understand what benefit can flow through as we get closer to this EUR 140 in our production cost?

Vikas Sinha: So absolute power cost in Q3 and absolute power cost in Q4 right?

Navin Matta: Yes, Yes, that's also fair.

Vikas Sinha: Yes, so Ander he is asking for total energy costs in Q3 versus Q4.

Ander Alvarez: I don't have the details in this moment, but the trend during the Q4 last year was, in October, we had something like EUR 300, to EUR 250 – EUR 300 per megawatt, then November was reducing and in December, we finished at approximately EUR 150 something like that. Okay, that is the average, you can that, could be around EUR 200 and EUR 250. Okay.

Then for this quarter, for this half of the year, in this moment we are at about EUR 140 per megawatt, that is the trend and is quite stable in the last weeks, so we can expect and this is positive because this will let's say reduce also the impact of the energy in our country, okay. So that was the effect that we expect to be positive in our margins through this effect.

Navin Matta: Got it. Thanks for that. And just one question on, our European operations again, we have showcased new products and we are gaining new orders. I'm just trying to understand over next two, three years, how should we think about our revenue mix between ICE and EVs? This is specifically for Europe.

Ander Alvarez: Okay. I think we will see the transition and a smooth transition from, let's say this calendar year '23, where the total electric vehicles' market share is approximately 10%. So what we expect to be above 60%, 70% in 2030. So, we will see this transition. What we are now -- we are getting new orders from our customers and that for example, last year, approximately 30% of our new orders are from electric vehicles.

So what we expect is that there will be a transition, and our share of electric vehicle components will continue or will be increasing smoothly during this period, okay. It's difficult to give you a figure because the evolution of the market is unknown and the start of the new project is usually being delayed, especially when there are new technologies. And you can see the evolution of the new electric vehicle plants in Europe being delayed by the OEMs, mainly because of the technical reasons also the supply of the components, battery components and all these kind of things. Okay.

So my expectation is that we will have this smooth transition and increase on the share, and also the expectations are good or optimistic, mainly because of the new order share on electric vehicles is becoming higher and higher every year.

Navin Matta: Understood. That's it from my side. Thank you so much.

Ander Alvarez: Thank you.

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

Basudeb Banerjee: Thanks. Couple of questions on my side. One question from the point which Navin was discussing. So at the steady state…

Moderator: Sorry to interrupt Mr. Banerjee, sir, can you use the handset mode while speaking.

Basudeb Banerjee: Yes, audible?

Moderator: Much better sir, thank you.

Basudeb Banerjee: Yes, so one question. Just wanted to know like before last one year, and this power price move to EUR 400 per megawatt-hour as you said. When it used to be at those steady levels, what was the energy cost as a percentage of revenue that time? And how much it moved up to at its peak?

Vikas Sinha: That is only for Europe or for consolidated?

Basudeb Banerjee: Only for Europe business, yes.

Vikas Sinha: So, Oroitz the question is, what was the power cost as percentage of European sales before the energy cost started going up? What was the max it went up to power cost as a percentage of sales and how much is it stabilizing at?

Oroitz Lafuente: Before it went up, it was approximately 5%, it increased for up to 8% more or less…

Basudeb Banerjee: Vikas, if you can repeat again, what Oroitz said.

Vikas Sinha: So it increased by about 5%. Oroitz, is that right? It increased by about 5% and now it is at around 8%, you are saying.

Basudeb Banerjee: So, it went from what level to what level? That 5% increase was from which level?

Vikas Sinha: So, Oroitz we couldn't hear you. When you say 5% increase. What was the level before the increase?

Oroitz Lafuente: More or less 3% it was 3%, over the sales, and now it has gone up to 8% over sales, more or less.

Vikas Sinha: So it was -- it has come back to 8% is what you are saying?

Oroitz Lafuente: Yes. The reference level before these energy increases went up, was around EUR 80 -- between EUR 60 to EUR 80 per megawatt, the previous energy price -- electricity price in Europe.

Vikas Sinha: So Basudeb we will clarify this a little later, because we are not able to hear Oroitz properly. So, we will clarify this later.

Basudeb Banerjee: And second question sir, like as you duly mentioned that because of the goodwill write-off of the Truck Forging, those one-off accounting aspects, dividend was limited to INR 2, INR 2.5 this year. And with normative free cash flow again starting to come back from next year, get enhanced along with some potential value sweeping in through selling off that asset.

So that extra cash flow on one side. And on the other side, in the December press release, you also mentioned that larger focus on European EV-led components speeds. So, if you can highlight any specific technology aspect or strategy aspect, how are you looking at European EVs, or in terms of acquisition? So, what's the way ahead other than what you are doing presently?

Vikas Sinha: No, no. Basudeb we will continue to do whatever we are doing. As Ander has pointed out, we do expect a smooth transition to EVs. As we have been saying the EV transition in Europe is being led by the same companies that we deal with. So to that extent that transition is a bit easier. So what we're seeing is a twofold thing.

We are getting more-and-more new orders in the EV space. The new orders, as a percentage of overall orders that we get is increasing. And number two, we are also getting because of consolidation a higher share in the ICE engine market. So both these factors will continue for some time and I think at this point of time, we don't require any special effort like doing an M&A or something, we just have to manage this transition. Ander, would you like to add anything more to this?

Ander Alvarez: Nothing…

Basudeb Banerjee: Because exactly, that's what I was trying to understand to grow and expand European business through the EV route, you need some external capability addition or organically, you can grow. So that's what I was trying to understand.

Vikas Sinha: No we can grow organically. No problem. The only new technology we're adding is aluminium forging and that is going on as Ander pointed out.

Basudeb Banerjee: But that is anyways a part of your 6% capex to sales outlook.

Vikas Sinha: Yes, exactly. There is not too much capex required in aluminium forging. I think in a previous call Ander had pointed out, it is largely the allied machines that are required, heat treatment and finishing and so on and so forth.

Basudeb Banerjee: One of your key competitor who has also entered the same field almost two years back is still grappling with capacity utilization and making EBITDA losses. So, how to look from that angle then?

Vikas Sinha: Yes, it's a journey for them and us for both. So that's okay. We have to manage this transition.

Basudeb Banerjee: Sure. Okay sir, thanks.

Vikas Sinha: Yes, thanks, Basudeb.

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

Vikas Sinha: Yes. Thanks and I'll hand you over to Ander for his closing remarks.

Ander Alvarez: Okay. So thank you all for your participation in this call and your all directed questions. I hope we answered appropriately and you felt the real performance and value of our company. And as always, I want to thank you all Mahindra CIE team for their commitment and fantastic job during a very complicated year. So thank you very much everybody. Thank you.

Moderator: Thank you members of the management teams. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

[Edited for grammatical errors]