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27th February, 2017

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**

Subject: Recording of Q4CY16/12Months CY16 Results Conference Call

Dear Sir/Madam,

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 16th February, 2017 in respect of the schedule of results conference call, please find enclosed herewith recording of the Q4CY16/12Months CY16 results conference call held on 24th February, 2017.

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

Thanking you,

Yours faithfully,
For Mahindra CIE Automotive Limited

Krishnan Shankar
Company Secretary & Head - Legal
Encl: As above

MAHINDRA CIE AUTOMOTIVE LTD. MUMBAI

"Mahindra CIE Q4 CY16 Results Conference Call"

February 24, 2017

ANALYST: **MS. NISHANT VASS - AVP - EQUITY RESEARCH, RESEARCH ANALYST - AUTOS - ICICI SECURITIES**

MANAGEMENT: **MR. HEMANT LUTHRA - CHAIRMAN - MAHINDRA CIE LIMITED**
MR. PEDRO ECHEGARAY - CIE REPRESENTATIVE
MR. K. JAYAPRAKASH - CHIEF FINANCIAL OFFICER - MAHINDRA CIE LIMITED
MR. VIKAS SINHA - SENIOR VICE PRESIDENT - STRATEGY - MAHINDRA CIE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Mahindra CIE Q4 CY16 Earnings Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishant Vass from ICICI Securities. Thank you and over to you Sir!

Nishant Vass: Good afternoon everyone. Thanks for joining us today for the Mahindra CIE Automotive Conference Call. From the management side, we are represented by Mr. Hemant Luthra - Chairman, Mr. Pedro Echegaray - CIE Representative, Mr. K. Jayaprakash - Chief Financial Officer, and Mr. Vikas Chandra Sinha - Senior Vice President - Strategy. Now I would like to hand over the call to the management for initial comments.

Hemant Luthra: Thanks Nishant. Good morning everybody and thank you for your interest in Mahindra CIE, particularly on a public holiday, so I apologize for intruding on your time, but because we have a CIE Board Meeting on Monday and doing a call on that day would have been tough because some of us are going to be there. We have taken the liberty of scheduling this call today so that we can be here to answer all of your questions and anything else that comes to your mind even over the weekend. As always the good news outweighs the few hiccups that we have experienced this quarter, but some of those hiccups are fortunately seemed to be behind us. On the good news front is not even the acquisition I am saying on the partnership with Bill Forge in a deal which is structured to show tremendous mutual confidence. Bill Forge, we were contemplating making a merger then we figured that the merger would handicap us in several other opportunities, and courtesy Raghuram Rajan putting some stringent NPA provisions on the banks and more opportunities showed up we did not want to be stuck with capital structure that we could not alter for a year, so we had a cash plus stock transaction. The cash plus stock transaction was such that the shareholders of Bill Forge, which is Kedaara and the management team, put in half of the deal back into the company into Mahindra CIE. As a result of which if you see the chart, which I assume you have seen on the website, the form of Bill Forge shareholders own approximately 8.46% of Mahindra CIE and as a result of which, almost half with Kedaara and a little bit more with Bill Forge, management team has a little less than half with Kedaara. I am not getting into detailed numbers. When we had made this transaction and we put it together, we had presented to you what the company looked like, approximately 20% Y-o-Y growth, approximately 20% exports, and approximately 19% EBITDA margins. The acquisition took place effective end of September. Bill Forge had an excellent start in the first quarter when they joined the family, but has been hurt by demonetization, but not by much and is fortunately recovering. I think we had also mentioned to you that Bill Forge has made an investment in a Mexican plant because of demands from their large customer GKN. This

plant has been committed ahead of schedule and its main customers do not see any major concerns. Since exports out of Mexico from GKN, direct and indirect, to the US account for only approximately 30% of sales. While there are lots of betterments and they are optimists, I always tend to see the glass is half full. We do not truly believe that Trump will ask US OEMs who have invested a huge amount of money in their Mexican facilities, which has sophisticated as any in the world, to commit hara-kiri by shutting of their ability to access North American markets or other European markets. Maybe this talk about import duty of 20% like he says, that he asked for the moon in any deal and then comes up with something else and maybe it will be 25%, maybe it will be 10% and maybe it will be nothing, but if you look at the cost differential in labour cost between Mexico and the US, Mexico at $3 an hour and US maybe $15 plus an hour, the advantage is such that the total amount of duty even if it is a face-saving solution would not hurt our Mexican operation for sure. Bill Forge does one more thing. It corrects the India, Europe balance and now we are approximately 50% based in India, 50% in Europe Mahindra CIE consolidated and it addresses other issues of holes our portfolio which includes now getting into the two-wheeler market holes in our geography which means that our presence in the north and the south in addition to our operation in the west. MCIE India operations continue to do better. For your convenience this time we have also broken up the consolidated numbers into MCIE India and MCIE Europe. Germany problem should be finally behind us, I think they are and we will get into some specifics, but I want to completely level with you in the spirit of what CIE stands for and what Mahindra stands for in terms of transparency. We had shut down a plant, we had taken a hit, we had transferred machining facilities to third party, unfortunately that third party experienced financial trouble, had some issues, almost on the verge of bankruptcy. We had to pull back machining and the associated one-time cost of doing all of this whether it was to meet the customer requirements, whether it was to compensate the customers, whether it was to have extra shipping cost, all of that has now been absorbed in Q4 and we should have clean run ahead of us. If you take out all of that Q4 in Germany was at the same level as Q3 and much better than the Q2 before that. We do not see any problem going forward. In Germany, CIE forging is based in Spain and Lithuania is making up whatever we have lost in Germany. Bill Forge is helping us to make up whatever we lost in Germany. The gear business continues to do well. I would not take much time. I will turn it over to Pedro who will get a little more granular. We do not want to take so much time. Pedro will run you through slides #5 onwards on the presentation for a bit and then we are open to Q&A for as long as you like. Does that work for all of you, moderator?

Moderator: Yes Sir.

Hemant Luthra: Okay, so over to Pedro.

Pedro Echegaray: Hemant thank you very much. Good afternoon and also good morning to those who have joined this call from Europe. I am Pedro Echegaray and I will present Mahindra CIE results for Q4 2016 and also for the whole calendar year 2015. Before we start presenting the results, let us clarify how the data is presented. We have made some changes with respect to previous calls in order to make it more clear and easier to understand. First of all, all figures are under Ind-As. We are now showing separately our performances in India, Europe and consolidated instead of a standalone and subsidiaries as we used to do in the past. Sales refer to product sales only therefore it does not include other operating income like scrap. Sales do not include excise duty. EBITDA considers all incomes including other operating income. No adjustments are made to the results therefore margins include also the impact of exceptional and non-recurrent items. For comparison purposes, the same criteria have been used for all quarter and all years.

Let us begin with Mahindra CIE India. First, we will be seeing quarterly results and secondly we will explain full calendar year results. Sales of Mahindra CIE India in the Q4 of 2016 of Rs.5.6 billion, has grown 37% because of the acquisition of Bill Forge. All results have been consolidated since October 1, 2016. Without this acquisition, we have a relatively good performance and despite demonetization in Q4 2016, we have been able to maintain a sale level similar to last quarter as well as to the same period of last year. When we compare this with evolution of our main customers Mahindra and Tata, Mahindra CIE revenues outperformed our customers in sequential quarters, this is Q4 versus Q3 2016, while if compared with the same quarter last year we grew less than that because the new Mahindra models like KUV, TUV, and Jeeto are smaller and lighter, and therefore have less purchase material than the other ones like Bolero and Scorpio. The acquisition of Bill Forge has reduced our dependency from these two customers from more than 50% to around 40% now. Our EBITDA margin in India of 11.8% in the Q4 2016 has improved significantly versus same quarter of last year, but has slightly dropped sequentially as in Q3 2016 we had exceptionally low cost and also some nonoperational incomes, which have returned back to normal levels in the Q4. If we exclude the positive impact of profitability of Bill Forge acquisition, our EBITDA in Q4 2016 has been 2% better than in the same period of last year.

Now let us go to next slide with full year 2016 results for Mahindra CIE India. Where our sales of Rs.18.1 billion grew 10% versus last year again because of Bill Forge acquisition, but if we exclude the effect then our sales in 2016 have grown only 0.7% versus same period in 2015. While in the same period, our customers Mahindra and Tata have posted 10% growth in number of vehicles produced. This variation is caused because the average cost of raw material in 2016 has been significantly lower as you know than in 2015 and also because Mahindra's new models are smaller and lighter than the other ones as we already mentioned. Our EBITDA margin in India for the whole calendar year 2016 was 11.5%,

which is almost 2% better than last year. Even without the positive impact of Bill Forge acquisition our EBITDA margin has improved 1% versus last year average.

Let us comment on our performance in Europe. We have finally solved, as Hemant has already explained, our delivery and quality problems, which affected the production, transfer from Jeco to other German plants after it was shut down at the end of 2015. Now we are optimizing the efficiency and productivity of the new manufacturing processes, so we expect a gradual margin improvement in 2017. In Q4 2016 slide, we see that our product sales of Rs.7.7 billion have declined 5% versus same period last year as we had to discontinue production of some parts, which were not profitable. This is also the reason why we did not grow in line with the market. Sequentially, our sales stayed flat versus Q3 2016. Our EBITDA margin in Europe was 6.9% in the Q4 2016 and has improved significantly versus same period of last year because of exceptional cost of Rs.778 million related to Jeco plant closure in November 2015. Without considering these extraordinary effects, our EBITDA margin in Q4 2016 has been similar to the same period last year, but 4% lower than Q3 2016 due to some exceptionally high production cost and provisions related to delivery and quality problems in our German plant, which are now already solved. In the last three months of the year, we decided to settle all pending customer claims, so we made a complete clean up and now the situation is back to normal. In fact, we received a letter from our main customer, Daimler, congratulating us for the improvements in the last quarter. Now we have focussed on gradually improving our productivity and optimizing our cost solvency with positive effect in the next year.

Let us move now to next slide, showing the whole calendar year 2016. Our European sales of Rs.33.4 billion declined 2% versus calendar year 2015 due to the discontinuation of some non-profitable parts in Germany and also because of raw materials price reduction which did not allow us to grow in line with the automotive market. Our European EBITDA margin in calendar year 2016 was 10.9% has improved significantly versus previous year mainly because of the exceptional cost in 2015 related to Jeco closure. If we exclude this positive effect, our average EBITDA margin for the year has been similar to previous year.

Now we go into our consolidated results, which have just the addition of India plus Europe, so I will not spend much time in repeating the reasons for the evolution as they have already been explained in previous slide. In Q4 2016, our consolidated sales have been Rs.13.3 billion representing a 9% growth versus same period of last year, while the EBITDA margin of 8.9% has improved 7% versus same quarter of last year.

The next slide will show the whole calendar 2016 results. Our consolidated sales of Rs.51.2, have grown by 2% versus last year while our consolidated EBITDA margin of 11.1% has improved close to 3% versus previous year.

Let us go now to the balance sheet of December 31, 2016. All figures have significantly changed versus end of 2015 because of Bill Forge acquisition. This is the main reason for the increase of fixed asset and volume. On the working capital, Mahindra CIE has a negative working capital while Bill Forge working capital is positive, so our consolidated net working capital has grown from Rs.-4.4 billion to Rs.-2.0 billion. We are already working optimized it, so we expect some improvement in the working capital in 2017. The equity has increased because of the two preferential allotment of shares made to acquire Bill Forge, while our net financial debt has increased because of the cost reduction in Mahindra CIE related to the payment of Bill Forge and also because of the consolidation of Bill Forge's debt. If we have to look at our main performance ratio, all of them have improved during 2016 and we continue to be in a very sound financial situation with the net financial debt of only 1.6 times EBITDA. On the other side, we are still not satisfied with our return on assets of 9% and we expect it to relatively improve in the medium term.

Let us go now to our cash flow statement where again the main factors have been the acquisition of Bill Forge with a cash out of Rs.15.3 billion and Rs.10.9 billion of capital increase.

In the last slide, you have the performance of Mahindra Shares in the stock exchange. Now I will hand over the call back to Mr. Luthra for his final comments before the Q&A.

Hemant Luthra: Gentlemen, I do not want to add any final comments because I think we have taken a few more minutes of air time. We thought we would do 15, we have taken 20, so why do not we go straight into questions and Vikas is here as head of our investor relations, JP is here as CFO, and Pedro is here as the CIE rep on our team, and I am there so if you want to direct your questions feel free to do so.

Moderator: Thank you very much. We will now begin with the question and answer session. We take the first question from the line of Ronak Sarda from Axis Capital. Please go ahead.

Ronak Sarda: My question was as I talked to you yesterday. Can you please give out the excise number separately for the quarter and full year both standalone and consolidated?

K Jayaprakash: Excise would be only applicable for India, so I will give you the first full year number CY2016 it is 2047 million. For October to December quarter it is 656.

Ronak Sarda: This is just India numbers right as per the schedule VI format, does not include Bill Forge?

K Jayaprakash: It includes Bill Forge for Q4 and for the full year also.

Ronak Sarda: But in the schedule VI numbers that we have shared, let us say the revenues of…

K Jayaprakash: For standalone, this does not include the Bill Forge.

Ronak Sarda: Exactly. I would need without bill forge excise numbers.

K Jayaprakash: Okay, I will give both the numbers. For Bill Forge you can knock off 164 million.

Ronak Sarda: This is for full year?

K Jayaprakash: Yes, it is only one quarter right. For gears, you could knock off about 30.

Ronak Sarda: So it is roughly 120 for year?

K Jayaprakash: Yes, 118.

Ronak Sarda: Okay, perfect. If you can just modify your presentation format and as all the other companies have been sharing if you can highlight it separately that would be very helpful. And second question if I look at your European numbers, the 6.9% EBITDA margin for this quarter is roughly from 12% in last quarter, so does this include all kind of exceptional items relating to the shifting of machineries and it is all behind us right, from next quarter can we assume that the numbers would be back to the old level?

Pedro Echegaray: Exactly. We have made all clean up of every negative impact in the German plants because of the Jeco transfer, so now all those additional costs are passed and from now on we will improve gradually in our EBITDA and profit margins, but we will not have any major significant delivery problems or quality problems which affected negatively in the Q4 results.

Ronak Sarda: When I say it is all behind us all the machining is now done in house and obviously the delivery and all would improve right?

Hemant Luthra: Yes. We have pulled back machines from the vendor that had bankruptcy issue hanging over his head, and we have them back to where they need to be. Some customers have penalized us, some have asked for some discounts, some have asked for some opportunistic reduction, they are all included and it is all behind us.

Ronak Sarda: Okay, perfect, that is glad to hear. And lastly, just from the presentation perspective, Bill Forge numbers we will have to always work out based on your MCIE India numbers subtracting the standalone numbers from that or you would be highlighting the Bill Forge numbers for some time given it is a new acquisition just to get us hold of the numbers or how would you present this Bill Forge numbers going ahead?

Hemant Luthra: I would not encourage you to look and I am talking as a businessman, the accounts and regards and JP can add. If Bill Forge has greater demand than then they can service out of their existing faculty because they service two wheelers. We are going to look at and see that can it be serviced out of Chakan. If Bill Forge has got traditional demand that can be serviced, we will look at the fact that if Stokes has an additional press, can that Stokes press be moved from England to India because at the end of the day it is all the same company. So my suggestion is that it might be more productive for you not to try and focus on is Bill Forge doing differently because it is all one company.

Pedro Echegaray: Please understand we are not a conglomerate of companies. We are just one single company with multiple technologies and multiple plants, but we are a single company. For us as Hemant rightly explained it does not make much sense to communicate results separately by plant because there is a close relationship between most of them, so we will continue reporting Europe and India separate, but without any further breakdown.

Hemant Luthra: Even in Europe, it will reach a point where some stuff can be moved around or has already started moving, so looking at plant wise performance is not going to be, we have been giving you stuff about Germany because there was some concern and we wanted to settle that concern and address.

Ronak Sarda: Thank you. I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Chetan Vora from Value Quest. Please go ahead.

Chetan Vora: I just wanted to understand the European sales have declined by 14% on a Y-o-Y basis to 765 Crores, so I wanted to understand the reason for that. The other thing is the EBITDA margin has stood at 6.8%, so what I understand this includes the exceptional cost also. So how much that exceptional cost would be and what would be in a normal case the EBITDA margin on the European side?

Pedro Echegaray: Sales reduction has been because of the discontinuation of some non-profitable parts in our German business. That discontinuation has finished, so from now on we should see stability if not some moderate growth in our sales in German. On the Q4 margins as I explained they have been impacted by some exceptional delivery and quality problems as well as some provisions we made in order to settle all past claims from customers, so now the situation is totally clean.

Chetan Vora: What is the quantum of that exceptional cost?

Hemant Luthra: Our estimate is about, what we have lost is 10.9, you can make a guess, assuming the Q4 was same as Q3 everywhere, 10.9 drops to 6.9 on slide #7. This means 4% of 771 million is about 300 million, so that is about 30 Crores, 30 Crores is about 4 million Euros.

Chetan Vora: So 30 Crores is the estimated exceptional cost.

Hemant Luthra: Yes. I am not making a list of every single line item, but the idea is just to make sure that nothing is carried forward and also I think the new CEO who has joined us should have the luxury of not having to carry past baggage.

Chetan Vora: So now henceforth we would not be seeing any cost overruns basically because of the plant shutdown right?

Hemant Luthra: I would imagine not.

Pedro Echegaray: To understand our current profitability level in Germany, you should look more on the calendar year 2016 average rather than the Q4. The calendar year is more representative of which is our current profitability level and as I said from now on we would be gradually improving.

Chetan Vora: Right. The second question was in the Indian business can you split what would be the standalone for Bill Forge margins, because for the first half it had declined down to close to 16% from 25% of FY2015, so what would have been the margin for this quarter?

Pedro Echegaray: As I said we are not disclosing margins or sales by plant, but as you can imagine because of approximately 30% dependency from Bill Forge from two wheelers they have seen a negative hit in the last two to three months, which affected their revenue and also their profitability, but gradually it is going back to normal as you know, we expect month of March almost normal, back to last year volumes and hopefully from April onwards Bill Forge will be back to the historical EBITDA margins.

Chetan Vora: By when?

Vikas Chandra Sinha: Chetan, your question is FY2016 margins were 20 and H1 FY2017-2016, the 16% was because of the inventory write-off that we had done as part of the acquisition deal, so that was not really a drop in any operational EBITDA. Any drop in operational EBITDA because of demonetization will disappear in a matter of one or two months. I think you know the two-wheeler industry has been affected. It is the segment that has been most widely affected by demonetization. In December, the production volumes for two-wheeler segment dropped by 25% Y-o-Y and in January about 8%, so that effect is slowly ebbing away as far as two wheelers is concerned and maybe by the end of February and beginning next month things would be back to normal.

Chetan Vora: Fine and the other thing was in the presentation what I was seeing that we disclosed up to PBT level only, any specific reason of not mentioning the PAT level for the quarterly number?

K. Jayaprakash: We have given the annual PAT numbers and quarterly, it is always an estimation and we do not really understand, at the end of the year all the adjustments will come through, so we will give the tax figures for annual numbers which we have given this time. I think quarterly we would probably not want to because the calculations are difficult.

Chetan Vora: Okay. Finally on the presentation side, whenever we see the latest presentation the preceding quarter numbers get changed to a certain extent. Why that would be? Suppose for in this quarter, Q4 of CY2016 we see that Q3 of CY2016 numbers have been changed and Q4 of CY2015 numbers have been changed. Why that would be?

Pedro Echegaray: As I explained in the beginning of my presentation we have implemented a new reporting format, which we think is more clear and reflects better and closer the business performance. So that is why in this specific quarter if you compare what we presented versus in the last call there is a variation, but anyway we have shown in our presentation also last quarter results in the same format, so you can make the proper comparison. From now on, we will maintain the same criteria, so you will have no more changes with the way we report our numbers.

Chetan Vora: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Jinesh Gandhi: A couple of questions from my side. The first is was there any acquisition cost for Bill Forge in this quarter?

K. Jayaprakash: Yes. There would be some acquisition cost because acquisition cost has to be charged off to the P&L, so we had it split between the earlier quarter and this quarter.

Jinesh Gandhi: And would it be material/meaningful?

K. Jayaprakash: Both put together it was about Rs.20 million.

Jinesh Gandhi: Okay. And secondly when we say that MCIE India margins Q-o-Q declined by about 100 basis points, it cannot be because of Bill Forge right? Bill Forge margins are upwards of 18%, 19%, it should positively impact on Q-o-Q basis because in base we do not have Bill Forge?

K. Jayaprakash: No. Bill Forge has definitely positively impacted the number, like Pedro explained there was some low cost on material in the earlier quarter which has come to normal now this time in India, both in stampings and forgings and the foundry.

Jinesh Gandhi: So you are saying the cost of material has gone up in this quarter vis-à-vis 3Q?

K. Jayaprakash: I think there was some inventory and those kind of balance sheet items, on that whatever gain was there that came through in the previous quarter and now would be at the normal level.

Jinesh Gandhi: Okay. So when you say excluding Bill Forge margins have gone up on Y-o-Y basis, can you also indicate how would have margins trended on Q-o-Q excluding Bill Forge?

Vikas Chandra Sinha: We have the H1 FY2017 data, you may take that as an indicator. In H1 FY2017 we had said that Bill Forge has done 311 Crores of revenue and the EBITDA margins as we reported on November 11th was about 50 Crores EBITDA 50 Crores including the inventory write-off, so you can make an estimation from that.

Jinesh Gandhi: Yes, actually my question was how have EBITDA margins ex-Bill Forge shaped up on Q-o-Q basis?

Pedro Echegaray: The EBITDA margin in Mahindra CIE India without Bill Forge has improved roughly 2%.

Jinesh Gandhi: That is Y-o-Y right or Q-o-Q as well?

K Jayaprakash: Y-o-Y, we said that there is a dip because we had some exceptional material cost being lower in the earlier quarter right.

Jinesh Gandhi: Okay. I will take this off line. My second question pertains to the goodwill note, which we have given. I think there is some difference in goodwill which we have reported in notes versus the financial pay bill, I am referring to slide #24. If you look at the note, which is there, number #5 in your presentation or that is slide number #24 in your presentation?

K Jayaprakash: #24 goodwill amounting to, you are talking of point number six right?

Jinesh Gandhi: Point #5.

K Jayaprakash: Point #5 is regarding the German goodwill.

Jinesh Gandhi: Okay. So, then this number plus Bill Forge goodwill should add up to the goodwill, which we have reported in our consolidated balance sheet, but that number is just about very small number actually, so I am bit, confused. If you can explain that?

K Jayaprakash: You are right and my apologies that number should read 74432.123.

Jinesh Gandhi: Okay, understood. Lastly with respect to this Jeco plant closure, now we have taken machining back to us. Does it mean that we are no longer looking for outsourcing the low-end processes to third party, is that experimentation over or this is just a pause?

Hemant Luthra: No. I do not think that assumption is correct because what we needed to do was if we found that buyers outsourcing to a specific party we were jeopardizing customer confidence and we needed to pull it back immediately and maybe the learning from that is going to be that next time we look at the outsourcing we will have to look much more closely and the financial strength of the company that we are looking at than we may have done in the past. The outsourcing philosophy does not change. We have to take it to the lowest cost, which is possible. Yes, we all make mistakes and this is one of the mistakes that we are acknowledging particularly that we should have, maybe I do not know, anticipated bankruptcy of the supplier. I do not know how to do that, but yes the philosophy does not change.

Jinesh Gandhi: Sure. So we should look forward to further cost reduction at a later date as we find the right partner?

Hemant Luthra: The benchmark is very clear. When we took over CIE, the rest of CIE was always doing 15% in Europe and therefore the consolidated performance of Europe must go for 15%.

Jinesh Gandhi: Understood. And lastly what would be the Capex guidance for CY2017 both for India and Europe?

Vikas Chandra Sinha: Capex guidance for us is anywhere between 4% and 6% of sales. This is what we keep saying and that would include largely maintenance Capex and a little bit of growth Capex whenever it is required for balancing or for debottlenecking, so that is what you can assume.

Jinesh Gandhi: This is both for India and Europe right?

Vikas Chandra Sinha: Yes, anywhere that is the thumb rule that we use.

Hemant Luthra: Also to give you some additional input there, some forging and casting facilities in India are not running flat out. By doing some balancing between Bill Forge and ourselves we may be able to save some Capex at Bill Forge and improve throughput at Chakan. The good news however seems to be that even just as Mexico has been launched for Bill Forge, the customer is already making welcome noises about adding more capacity in Mexico, so let us see how we ramp up that one and maybe we will be able to accelerate Mexico beyond what we thought, but at the moment just go with Vikas' guidelines.

Jinesh Gandhi: Okay. If I can ask one more question when you indicated by balancing between Mahindra CIE India and Bill Forge we can do much more than what we are doing. What kind of revenues can we do in our overall India operations including Bill Forge now considering synergy, which are there?

Vikas Chandra Sinha: As far as capacity utilization is concerned Bill Forge is obviously running almost flat out and that was the reason why they have been exploring some debottlenecking, etc., at their existing plants. As far as the other parts of the Indian operation are concerned they are anywhere between 65% and 70%. They can generate maybe a third of extra revenues and that is the reason why we have said that there could be some case for exploring what the Pune forging plant can help Bill Forge.

Hemant Luthra: I think we also have KR on the call, the Managing Director of the company and who is looking after the forging facilities. Is KR on the call?

Moderator: No.

Hemant Luthra: Okay, sorry. They are already talking about specific products between KR at Chakan and Anil and Hari at Bill Forge. They are already talking about specific products that they could do. Dies and quotations are moving back end for between each other. I think we may be able to report something to you on the next quarter.

Jinesh Gandhi: Okay Sir, thanks and all the best.

Moderator: Thank you. We take the next question from the line of Ujwal Shah from Quest Investment. Please go ahead.

Ujwal Shah: Thank you for taking my question. Just to understand more about the order transfer that we were looking at the opportunity from Daimler and Caterpillar to India, so how is that progressing and when will it hit the P&L?

Pedro Echegaray: Yes, both orders are firm. We are already working on the development of the tooling and on the processes for both projects, but this will affect our sales and our P&L in 2018. I would say that most of 2017 will be used to build the tooling, develop their products, should make samples, get customer approval, and maybe at the end of this year some products start production, but the impact on P&L will be next year in 2018.

Ujwal Shah: Fine Sir, thank you. Secondly, this Mexico plant of Bill Forge has just started and how big an opportunity it is for Bill Forge in terms of revenue? What is the kind of size that Mexico would contribute in terms of revenue and profitability for Bill Forge?

Hemant Luthra: I think in the first year the estimate was that the plant would do something like Rs.600 million or the equivalent of 600 million.

Ujwal Shah: Okay Sir and that would be what capacity utilization that you are looking at?

Hemant Luthra: I will need to get back to you, because I think there enough headroom in Mexico to do more than that. Let us get back to your rather than guess. A small response in addition to Pedro, the fact that Daimler who was affected by the machining stuff that we have sent outside and has come back, and the fact that Daimler has congratulated us on fixing the problem and being cooperative in terms of settling some losses and claims, it is also showing up in this discussion about how much more they want to outsource to India so that outsourcing plan has not been affected. I think Caterpillar might happen faster because I think Caterpillar is part of the gears business here and they have been an old customer. We used to supply to them through Turner. Caterpillar maybe on shorter because they have done this before Daimler, has not done some much from India so we will stick to the conservative view that it will show up in CY 2018, but I would not be surprised if we can push something into this year.

Ujwal Shah: Sure Sir. Lastly, in terms of the German margins that we are seeing, you did mention there would be some gradual improvement going forward. Can we quantify it by CY2017, CY2018 what kind of margin expansion are we targeting from the German?

Hemant Luthra: I am not sure you are asking us a legitimate question about the future. If I were you I would say that if CIE has been consistently doing in the forging business 15% and we have had in the past, which is part of our track record somewhere between 8% and 10%, so let us assume that with all these problems being fixed, by the end of 2017 should we be hitting a run rate which is close to what we were doing in the past give us another 12 months to get to something that we might be competing with CIE's own forging operations at 15%. So, do not ask me to make projections, please use the logic that I am giving you.

Ujwal Shah: I got your point Sir, thank you for your answers.

Pedro Echegaray: As I said before, please do not use Q4 results in Europe as a base. You should consider the 10.9% EBITDA margin for the whole calendar year 2016, that is the starting base and from that point we will gradually improve.

Ujwal Shah: Thank you Sir.

Moderator: Thank you. We take the next question from the line of Priya Ranjan from Systematix Shares. Please go ahead.

Priya Ranjan: My question relates to any new order wins apart from what we have talked about three months back which is related to Caterpillar or the Daimler order?

Hemant Luthra: You know something Priya, I do not know who is on the call and to be honest with you, should I be disclosing which are the RFQs that I have got from which customer, I do not think it is fair to my marketing team. That is why we tend to disclose it once we have got the order in hand, maybe it is a competitive world out there, but you can be sure that if Anil and his team at Bill Forge are trying to deliver 19% to 20% EBITDA and KR and company have been delivering 13% to 14%, and Europe has been delivering 15% to 16% with a combined average of 11% to 12%, we will always be looking at stuff to do (a) To utilize the capacity over here that is underutilized and (b) Growth does not necessarily have to come from organic. There will be some inorganic opportunities as I said that Mr. Raghuram Rajan has bequeathed us.

Priya Ranjan: And one question to JP what was the other income this quarter for standalone and consolidated and full year if you can?

K Jayaprakash: It was 121 million consolidated and it was equally split between Europe and India.

Priya Ranjan: For this quarter.

K Jayaprakash: Yes.

Priya Ranjan: And for full year?

K Jayaprakash: Full year CY2016 it was 314 million. India was 200 and Europe was 114.

Priya Ranjan: Okay. We have been trying to improve the foundry business and that was facing some kind of headwind in terms of productivity and all, so where are we in that?

Vikas Chandra Sinha: In terms of looking at various India businesses now we believe that we are more or less very similar across India businesses, of course it is expecting the new business of Bill Forge so whatever base that you have been seen in Q2 and Q3, I think it is fairly equally spread out among all our Indian businesses. So, to that extent now those sharp differences between verticals do not exist. Of course, our forging vertical in India does do a little higher profitability margin than others, but other than that it is fairly equal and therefore now we are very confident that you should be looking at the India numbers as one and not like looking at the performance of different verticals.

Pedro Echegaray: Our foundry has a very good operational performance. In 2016, they have significantly improved their internal rejection rates and raw material consumption. As Vikas said now they are very close to our average for all businesses in India.

Hemant Luthra: I just wanted to add one more thing that ever since Ander has come and taken a harder look. A few days ago we had somebody who will run the aluminum business for CIE for 20 years. We have had other people who have come in and taken a look at the foundry business as somebody was accepting with the machining business and therefore trying to get up to speed with the CIE's global practices and margins is now taking shape with specific teams coming in and doing stuffs, so I do not think we can say we are satisfied with what we are doing, but we are giving it our best shot.

Priya Ranjan: And just one question on Bill Forge, if demonetization would not have happened then probably our India margin would have been higher by how much?

Vikas Chandra Sinha: We will have to calculate that, for sure it would have been a little higher, but we will have to go through that calculation. We have not answered what if question, but it would have been a little higher.

Hemant Luthra: I can answer what if question. If wishes were horses even I would ride. If you look at Bill Forge numbers and they are saying that they used to do 19%, they will end up something closer to 16%, they will get back to 19%. It is difficult to say, because as Vikas Bill Forge's biggest advantage is that it has got no customers probably has customer concentration of more than 10% or 12% because they are supplying to different people, how much Hero has been affected by demonetization and how quickly he is growing back is different from how much Yamaha is affected or how much Honda is affected, so I cannot try and answer that question and I am not trying to escape it.

Pedro Echegaray: Also please take it into account that it was not only the demonetization, but also the one-time inventory write-off that we need following CIE practices.

Priya Ranjan: So I mean that was already reflected in the first half numbers which we have released. It is just more about this quarter numbers.

Vikas Chandra Sinha: We will have to do this calculation.

Priya Ranjan: Yes, got your point. My wish is probably by next quarter we should be back to normal as all the industry people are talking about.

Pedro Echegaray: I do not know if this answers your question, but in Bill Forge in the Q4 we did not have any other negative impact other than the demonetization and the write-off, that was all. Other than that, everything was normal.

Priya Ranjan: And if I look at your Mexico plant, I mean the Mexico plant will be almost running at the same profitability level as India operation or it will be higher to your CIE Mexico operations?

Pedro Echegaray: As you know, we try not to provide this kind of information because it is very sensitive. What I can tell you is of course in any new plant there is a learning course so obviously they will start with lower EBITDA margins for some time until they reach their normal recurrent EBITDA margins, which in Mexico are usually higher than in the rest of the world. That is what I can say at this moment.

Priya Ranjan: Okay, thank you. That is all from me.

Moderator: Thank you. We take the next question from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Sir if you really look at the CIE Europe business, this year we have done approximately 460 million as against 480 million full calendar year 2016. So, sales in Euro term are down by almost 6%. Can you explain how much is that we lost because of having off the unprofitable and how much we lost because of Jeco shifting and how do we see going ahead from this year?

Vikas Chandra Sinha: Bharat let me rephrase that question. You are saying that in the full year results of Europe we have drop from Rs.34,162 million to Rs.33,429 million, right? If we convert it into Euro the drop is about 6% and your question is in that 6% how much of it is caused by the market, how much of it is caused by portfolio reduction, and how much is being caused by loss of parts due to Jeco closure. Am I rephrasing your question properly?

Bharat Seth: Yes, that is true.

Pedro Echegaray: It is difficult to give a precise and exact breakdown of that number. I would say that most of that has been because of those parts discontinued because of low profitability margins. Most of it has been because of that. The market has behaved okay. I mean I do not see the market is going down and specifically Germany plants are supplying to the commercial makers. It has been mostly because of these unprofitable parts, which have been discontinued.

Bharat Seth: I understand also that we lost some of our main customers because of problem at Jeco plant earlier, are we able to get back those customers back to our fold and we can see improvement in top line from here onwards?

Hemant Luthra: Let me try and answer that question in two ways. We have not lost customers. If we had not done what we have done and pulled machines back and absorbed the cost, we would have lost them. In one or two cases, some customers who were using us as single source may have used the implied set of dual sourcing, so we have not lost customers. Daimler was our biggest customer. They are still there and they have complemented us on recovery. We have lost some volume, but we have not lost customer. Second way of answering your question about what Jeco is, I am not going to give you numbers, but I am going to give you some

history. Our company, Metalcastello was operating I think at about 75 million Euros and had close to at its worst when Italy had lost defense orders, had come down on EBITDA margins of 2% or 3%. By pruning the product mix and forcing customers and biting the bullet and saying even if our vendors who were doing some outsourcing for us bring that work back. It was a process of a year or so. We may have dropped the top line from 70 million to about 50 million, but the bottom line has gone from 2% to 17%. The philosophy of what we do is going to be, if we have to prune the products so be it. If we have to lay off people so be it. If we have to do some restructuring of cost so be it. If we take some risks in outsourcing and then taking a quick decision to pull it back so be it. You can look forward to increasing margins because all of these efforts. I am giving you the history of Metalcastello.

Bharat Seth: Okay. Europe business is around 450 million base, from here how do we see the next two to three years in top line?

Vikas Chandra Sinha: I will refer to you, there is a presentation on the CIE website dated 12th of May of last year, in which CIE has put out its strategic plan and of course being a CIE company we are bound by that plan. If you look at the European market growth we are talking about very close to market growth and we are conjecturing at this stage that the market growth would be close to about 2% to 3% in the CY period that follows from today. I would request you to have a look at the presentation also. We will go by market growth and that would be 2% to 3% for the next three years on a CAGR basis.

Bharat Seth: Okay. Coming back to the EBITDA margin, if we ignore this 30 Crores exceptional cost that we incurred in Q4 and if we calculate full-year margin, it works almost around 11.8% for CY 2016. Can we take this as a base and some improvement from here onwards in EBITDA?

Vikas Chandra Sinha: To answer your question, you are right. If you look at the full year EBITDA margin in Europe that is about 10.9% on sales. Yes, our target is much higher than that as you are aware. Therefore, we will endeavor to constantly improve it. How much it happens of course that we will have to deliver, but yes, we hope to improve that.

Bharat Seth: My question is reported number is 10.9%. If we remove this 30 Crores exceptional cost that we had to incur in Q4, otherwise margin was around 11.8%. Can we except that this 11.8% as a base and improvement because now we are with a clean slate?

Vikas Chandra Sinha: Whether it will be higher than 11.8%, etc., what we are saying is 10.9% is the base and from there we will improve. That is the way to look at it because the full average is the good way to look at the performance.

Bharat Seth: Okay. Once this Bill Forge Mexico starts reporting, it will be reported by the MCIE India or again it will be reported separately?

Pedro Echegaray: We will include under Mahindra CIE India at least initially. Maybe in the future, the volume is so variable and we have to create a sense of growth but for the time being, it will be under Mahindra CIE India.

Bharat Seth: And for CIE India for the full year we have reported 1810 Crores kind of a number, if we include Bill Forge for a full year then what the number would be?

Hemant Luthra: It is a very simple and extrapolation. We have said that when we made the presentation to you and the acquisition was made, Bill Forge was running at something like 600. We have said that Bill Forge has done a historical growth of 20%, so that makes this 700, which divided by 4, is 175 per quarter. If you look at the full year, you can multiply that 175 by 4. I am not giving you any numbers that are not on the table already. The performance of Bill Forge, assuming everything about demonetization comes back and nothing, it will improve and plus we are saying that there is Mexico in there. About Mexico, we have also said to you that the customers are already talking about how much faster can you add additional capacity and obviously we will be conservative about adding additional capacity until we see how this political fallout happens and our view on the political fallout is that American auto industry is going to be forced to commit hara-kiri by the Trump administration.

Bharat Seth: Okay. In the opening remarks, Pedro mentioned that our net working capital which was a negative 4.4 billion in CY15, it has come to negative 2.2 billion because of Bill Forge acquisition and he said that we expect to improve. Can you give some color how much improvement that we are expecting and that can generate a net debt that can reduce in the current year?

Pedro Echegaray: I made a comment in my presentation that you cannot directly compare Mahindra CIE working capital with Bill Forge working capital because Bill Forge exports a lot to the United States and also to Europe. That business model requires a higher working capital than Mahindra CIE, which has a lower content of export mainly in Europe and also stamping division in India too. You cannot make that comparison directly. Definitely there will be some improvement. We have already identified opportunities to reduce the raw material inventory, but it will be gradual. Do not expect sudden change or do not Bill Forge to have negative working capital this year.

Bharat Seth: Okay, thank you. That is all from my side.

Moderator: Thank you. We take the next question from the line of Shrinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Shrinath Krishnan: Good afternoon Sir, thanks a lot. In the balance sheet, the loans have increased from 82 Crores to 242 Crores in the consolidated place. Why is that?

K Jayaprakash: We have surpluses generated at various location and they are deployed if it is in Europe then it goes to the parent company. So, whatever temporary surpluses were there they have been deployed using the group in other companies. Similarly, we borrow from the group, so it depends on the difficulty level of shifting money from one place to another, but definitely the temporary surplus is deployed.

Shrinath Krishnan: Since you are a net debt company, why was it not used to retire debt Sir?

K Jayaprakash: I was answering that question. It depends on how quickly we could move from one country to the other country. The debt is in Germany probably and the surplus in Spain.

Shrinath Krishnan: What would be your consolidated net debt currently, sorry I missed it?

K Jayaprakash: It is 1000 Crores or Rs.10.4 billion.

Vikas Chandra Sinha: We have given that number on page 11 of the presentation.

Shrinath Krishnan: Okay, thank you. In the past you had mentioned that in Bill Forge there is excess order and you could transfer some of the orders to your other plants in India. When would that start happening from your Mahindra CIE Indian plant?

Hemant Luthra: It is my impression and people who are technically more competent than me can correct me. The PPAP process, which is the approval of the part to be produced at a facility requires the customer to approve the dyes and requires the customer to approve the facility, requires the customer to send some samples. I think a PPAP process for a new part at a new plant is different from a PPAP process for a new part at an old plant. Therefore, you have to assume that we have already started this process and from beginning to end of the process it takes probably about six months. I am not saying that we are starting the process. I am saying that the process has started. When it kicks in, when the PPAP approval comes from the customer, when he visits the plan, end-to-end it is a six-month process, which we have already launched.

Pedro Echegaray: We are right now analyzing which is the best solution. Whether moves production from Bill Forge to our forging plant in Chakan or moving equipment from Chakan to Bill Forge? So, we are still analyzing it case-by-case. It depends on customer location, etc. So we have not taken any decision, but anyway as Hemant said we expect probably by the second half of 2017 we may have some products of Bill Forge being manufactured in our forging plant in Chakan.

Hemant Luthra: For those of you who were asking some questions about Mexico, I am just consulting some old notes of mine. This Bill Forge as we just discussed does 700 Crores in a year. If Mexico does I think about 60 Crores or so, that 60 Crores is approximately 33% to 35% of Mexico capacity.

Shrinath Krishnan: Yes, got it. Similar PPAP process, your company during the analyst meet had mentioned they have appointed Mr. Yudego as a global business development manager and he would initiate this process for sourcing of parts from India to Europe. Where are we in that process? Has it commenced?

Hemant Luthra: It is an ongoing process and I do not think you want to know part-by-part.

Shrinath Krishnan: Not part-by-part, revenue of at least exports from India, when can we expect some traction?

Pedro Echegaray: Let me clarify that. That does not necessarily mean that we are going to export from India to Europe. Mr. Yudego role is to develop sales in India, either domestic for European customers and western customers as well as exports. Mr. Yudego was here last week here in India, meeting with each head of sales of every division. Finally we have a wrap up meeting and I participated in that meeting and I would say things are moving, but again this is a long-term process. The plants have to be approved by the customer. We have to develop the tooling process. Do not expect major revenue from these activities in 2017, but the process has already started.

Hemant Luthra: Also a supplement was that our initial target was somewhere between 5 and 10 million, and I think we will do that. Some of these export efforts are not linear. If you get some acceptance then it takes off, so just let us keep our fingers crossed that it will happen. The devaluation of the Rupee always helps.

Moderator: Thank you. We take the followup question from the line of Ronak Sarda from Axis Capital. Please go ahead.

Ronak Sarda: Thanks again. Just one question, last quarter when we met during the analyst meet we were highlighted that some QIP plans were onboard. What is the situation there, given that our debt-equity is pretty comfortable and things are improving, are we still going ahead with that QIP?

Hemant Luthra: I think we had said that we were exploring, but it is always helpful to have a target in mind before you start diluting our equity. We do not have an identified target with an identified timeline. Depending on the mode of acquisition of the target, depending on whether it is a merger or a cash transaction we will see what we need. Just now we are very comfortable with the fact that if the EBITDA is about 600 Crores and the Capex on a turnover of 5000 Crores, as Vikas said, is about 5%, and you have seen the cash flow statement, and the net

financial debt to equity is only 0.3 and net financial debt to EBITDA is 1.64. There will be headroom to borrow. So, we are at no rush to dilute earnings per share.

Ronak Sarda: Exactly that is what I meant. You balance sheet is pretty strong, so those QIP plans which we heard about is anything formula or we have postponed that, basically you are not looking at it currently?

Hemant Luthra: I do not think we had ever launched a QIP process. We were investigating it. In case, some of the targets that we have known to be likely to be available, show up on a quick thing, we wanted our investment community to know. You know as well as I do what is happening with possible targets. We are in no hurry to dilute earnings per share in case you are worried about that. There is enough headroom in the balance sheet to do what we want to do.

Ronak Sarda: Perfect, thanks a lot Sir. Have a good day.

Moderator: Thank you. We do not have any questions.

Hemant Luthra: Gentlemen, thank you all on Shivaratri for taking the time out. Thank you all for your support. Thank you for your questions, which keep us on alert. As usual, all that we can say is that with the combined reputation of Mahindra and CIE, both from the point of view of corporate governance and CIE's track record and performance put this share under your pillow and go to sleep, it is all that I can say. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your line.

Note: This statement has been edited to ensure quality