

Investor Presentation Q1 CY 2018 Results

Mahindra CIE Automotive Limited

19th April 2018 | Mumbai



Mahindra CIE

Disclaimer

Mahindra CIE Automotive Limited, herein referred to as MCAL provides a wide array of presentations and reports, with the contributions of various professionals. These presentations and reports are for informational purposes and private circulation only and do not constitute a prospectus, a statement in lieu of a prospectus, an offering circular, offering memorandum, an advertisement, an offer, or a solicitation of any offer, or an offer document to purchase or sell any securities under the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, or any other applicable law in India. These presentations and reports should not be considered as a recommendation that any investor should subscribe for or purchase any securities of MCAL or its subsidiaries (collectively, the "Group") and should not be used as a basis for any investment decision.

Further, these presentations and reports do not purport to be a complete description of the markets conditions or developments referred to in the material. While utmost care has been taken in preparing the above, none of the Group or any of its affiliates, advisors or representatives accept any liability whatsoever for any loss howsoever arising from any information presented / contained in these presentations and reports, or the opinions expressed by the presenters. We shall not be liable for any direct or indirect losses arising from the use thereof and the viewers are requested to use the information contained herein at their own risk. Furthermore, no person is authorized to give any information or make any representation which is not contained in, or is inconsistent with, these presentations and reports. Any such extraneous or inconsistent information or representation, if given or made, should not be relied upon as having been authorized by or on behalf of the Group.

These presentations and reports are confidential and should not be copied, reproduced, re-circulated, redistributed, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of the Group. Any unauthorized use, disclosure or public dissemination of information contained herein is prohibited. The distribution of these presentations and reports in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of the aforesaid should inform themselves about and observe any such restrictions.

Unless specifically noted, MCAL is not responsible for the content of these presentations and/or the opinions of the presenters. Individual situations and local practices and standards may vary, so viewers and others utilizing information contained within a presentation are free to adopt differing standards and approaches as they see fit. You may not repackage or sell the presentation. Products and names mentioned in materials or presentations are the property of their respective owners and the mention of them does not constitute an endorsement by MCAL. Information contained in a presentation hosted or promoted by MCAL is provided "as is" without warranty of any kind, either expressed or implied, including any warranty of merchantability or fitness for a particular purpose.

The information contained in these presentations and reports are only current as of their date and have not been independently verified. The Group will not update you in the event the information in the above becomes stale. You must make your own assessment of the relevance, accuracy and adequacy of the information contained in these presentations and reports and must make such independent investigation as you may consider necessary or appropriate for such purpose. Moreover, no express or implied representation or warranty is made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in these presentations and reports. Further, past performance is not necessarily indicative of future results. Any opinions expressed in these presentations and reports or the contents of these presentations and reports are subject to change without notice. The presentation should not be construed as legal, tax, investment or other advice.

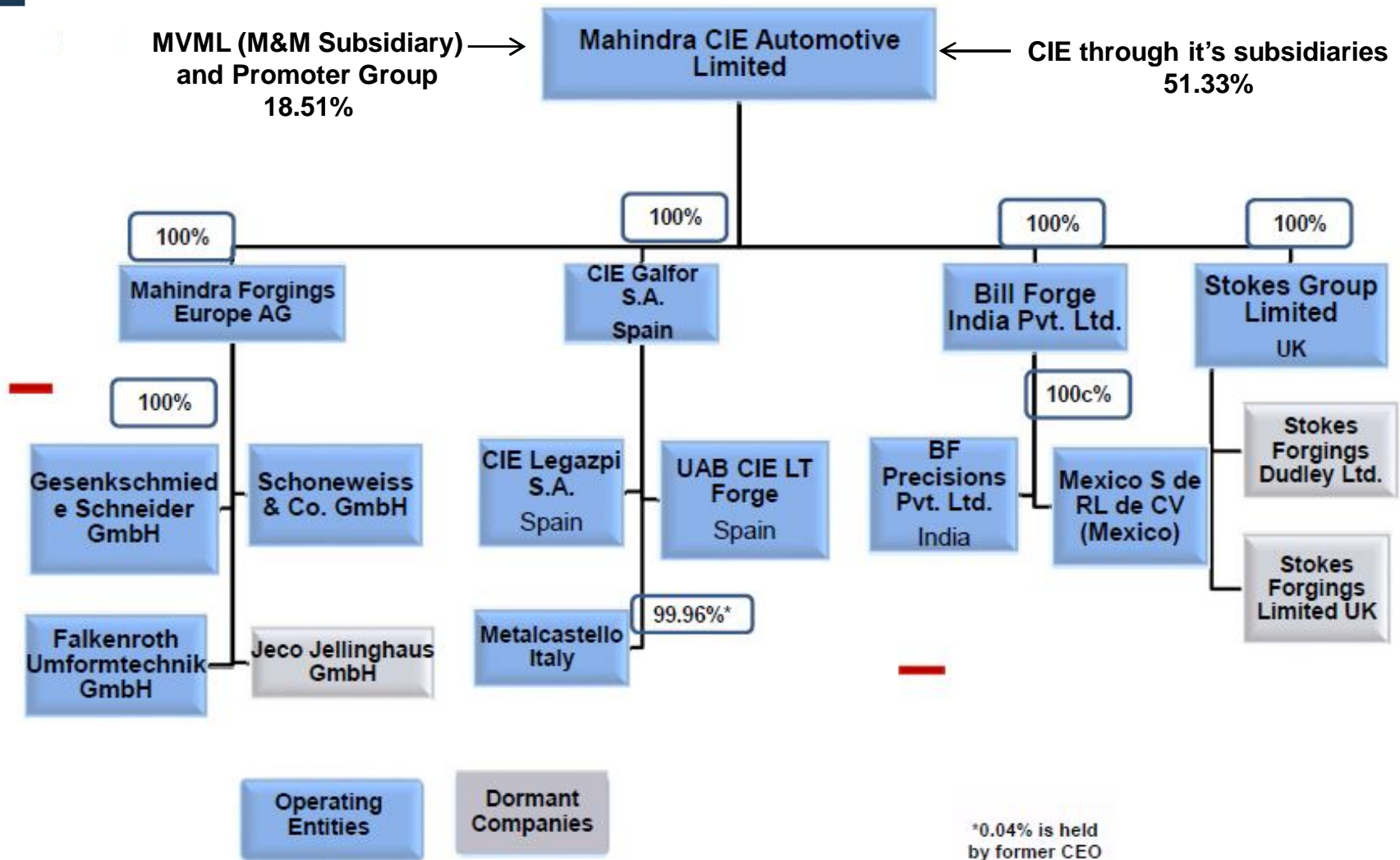
These presentations and reports contain certain statements of future expectations and other forward-looking statements, including those relating to the Group's general business plans and strategy, its future financial condition and growth prospects, and future developments in its sectors and its competitive and regulatory environment. In addition to statements which are forward looking by reason of context, the words 'may', 'will', 'should', 'expects', 'plans', 'intends', 'anticipates', 'believes', 'estimates', 'predicts', 'potential' or 'continue' and similar expressions identify forward looking statements. All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results, performances or events to differ materially from the results contemplated by the relevant forward looking statement. The factors which may affect the results contemplated by the forward looking statements could include, among others, future changes or developments in (i) the Group's business, (ii) the Group's regulatory and competitive environment, (iii) the information technology service sector, and (iv) political, economic, legal and social conditions in India and the United States.

The information contained herein does not constitute an offer of securities for sale in the United States or in any other jurisdiction. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.

Certain numbers in these presentations and reports have been subject to routine round off and accordingly figures shown as total in tables and diagrams may not be an arithmetic aggregation of the figures that precede them.

MCIE Overview

Legal Structure



MCIE India

Q1 C18 results

Financial Update

(INR Mio)	Jan-Mar 2018	Change	Jan-Mar 2017	Oct -Dec 2017
Sales (without Excise)	7,756	+24%	6,234	6,661
EBITDA (*)	1,175	+49%	790	829
EBITDA%	15.1%		12.7 %	12.4%
EBIT (*)	875	+71%	511	522
EBIT %	11.3%		8.2%	7.8%
EBT	967	+88%	515	406
EBT%	12.5%		8.3%	6.1%

(*) EBITDA: EBIT+ Depreciation, EBIT = EBT + Finance Costs

Market Update (Production)

	Jan-Mar 2018 v/s Jan-Mar 2017	Jan-Mar 2018 v/s Oct-Dec 2017
PV	-1.5%	8.7%
UV	30.2%	12.1%
LCV	36.6%	28.3%
MHCV	17.8%	25.4%
Two Wheelers	28.0%	14.0%
Tractors	31.3%	1.0%
Key Customers(#)	11.7%	11.9%

M&M, Maruti and Tata Motors combined constitute more than 50% of MCIE India business, includes production for which the segments considered are: M&M includes PV+UV+LCV+Tractors but excludes two wheelers and 3Wwheelers, while for Tata Motors it includes PV+UV+LCV but excludes MHCV and Maruti includes PV+LCV. The growth of MCIE's customers weighted as per their share of business in MCIE India for the Jan-Mar 2018 growth is 18.5% and sequential growth is 15.7%

As per International classification the segment defined as <6T is equivalent to the Indian segment PV+UV+LCV. The growth rate for <6T for Jan-Mar quarter as compared to previous year is 9.7% and sequential quarters is 12.1%

- Significant sales growth in all divisions
- Excellent trend in operative EBITDA
- EBT: Positive exchange rate effect of 107 Mio in BF Mexico

MCIE Europe

Q1 C18 results

Financial Update

(INR Mio)	Jan-Mar 2018	Change	Jan-Mar 2017	Oct -Dec 2017
Sales (without Excise)	11,416	+26%	9,041	9,588
EBITDA (*)	1,464	+27%	1,156	1,486
EBITDA%	12.8%		12.8 %	15.5%
EBIT (*)	1,052	+35%	777	1,017
EBIT %	9.2%		8.6%	10.6%
EBT	930	+46%	639	930
EBT%	8.1%		7.1%	9.7%

Market Update (Production)

	Jan-Mar 2018 v/s Jan-Mar 2017	Jan-Mar 2018 v/s Oct-Dec 2017
Passenger Vehicles	-1.5%	5.5%

Similarly as per VDA, Commercial Vehicle production in Germany in Q1 has fallen by approximately 6% as compared to the same period last year.

(*) EBITDA: EBIT+ Depreciation, EBIT = EBT + Finance Costs

Exchange Rates considered for Jan-Mar 2018, Jan-Mar 2017 and Oct-Dec 2017 are 79.21, 71.47 and 76.32 INR/Euro respectively

- Positive exchange rate impact of +10% in sales vs Q1 2017
- Q1 2018 results negatively affected by steel price increase not yet applied to customers. Most customers already agreed the increase
- Q4 2017 included retroactive steel price increase (impact of 68 Mio from previous quarters) and reversal of excess provisioning for Inventory

MCIE Consolidated

Q1 C18 results

(INR Mio)	Jan-Mar 2018	Change	Jan-Mar 2017	Oct -Dec 2017
Sales (without Excise)	19,107	+26%	15,212	16,184
EBITDA (*)	2,638	+36%	1,946	2,317
EBITDA%	13.8%		12.8 %	14.3%
EBIT (*)	1,927	+50%	1,288	1,536
EBIT %	10.1%		8.5%	9.5%
EBT	1,898	+62%	1,170	1,330
EBT%	9.9%		7.7%	8.2%

(*) EBITDA: EBIT+Depreciation, EBIT = EBT + Finance Costs

Exchange Rates considered for Jan-Mar 2018, Jan-Mar 2017 and Oct-Dec 2017 are 79.21, 71.47 and 76.32 INR/Euro respectively

- Operative margins (excluding steel price effect) improving, both in India and Europe
- EBT: positive exchange rate impact in BF Mexico of 107 INR Mio

Other Details

Q1 CY2018 Results

(INR Mio)	India	Europe	Consolidated
Other Operating Revenue	519	354	858
Other Income	27	25	52

Annexure 1: Results Declared to SEBI

STATEMENT OF PROFIT & LOSS ACCOUNTS

Rs.in Lakhs

Part-I		STANDALONE			
		Quarter Ended			Year Ended
		March 31, 2018	December 31, 2017	March 31, 2017	December 31, 2017
		Un Audited	Un Audited (Refer Note 3)	Un Audited	Audited
Particulars					
I	Revenue from operations	61,197	56,150	51,296	206,333
II	Other Income	610	377	243	1,269
III	Total Revenue (I+II)	61,807	56,527	51,539	207,602
IV	Expenses				
a)	Cost of materials consumed	34,319	29,358	25,525	105,223
b)	Changes in stock of finished goods, work-in process	(703)	(1,170)	46	(1,265)
c)	Employee benefit expense	6,738	7,559	5,585	24,250
d)	Finance costs	152	330	326	982
e)	Depreciation and amortisation expenses	1,885	2,282	1,712	7,593
f)	Excise Duty on Sales	-	-	4,843	10,266
g)	Other expenses	13,451	14,571	10,866	48,384
	Total Expenses (IV)	55,840	52,930	48,903	195,433
V	Profit before exceptional items and tax (III-IV)	5,966	3,597	2,636	12,169
VI	Exceptional item (Refer Note 6)	-	690	-	690
VII	Profit before tax (V-VI)	5,966	2,907	2,636	11,479

STATEMENT OF PROFIT & LOSS ACCOUNTS.. CONT

Rs.in Lakhs

			STANDALONE			
Part-I			Quarter Ended			Year Ended
Particulars			March 31, 2018	December 31, 2017	March 31, 2017	December 31, 2017
			Un Audited	Un Audited (Refer Note 3)	Un Audited	Audited
VIII		Tax expenses				
	1)	Current tax	1,896	1,989	1,260	5,317
	2)	Deferred tax	213	(546)	(288)	(767)
		Total tax expense (VIII)	2,109	1,443	973	4,550
IX		Profit after tax (VII-VIII)	3,857	1,465	1,664	6,930
X		Other Comprehensive income				
	A	i) Items that will not be reclassified to profit or loss	-	(75)	-	(75)
		ii) Income tax relating to items that will not be reclassified to profit or loss	-	26	-	26
	B	i) Items that will be reclassified to profit or loss	-	-	-	-
		ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-
		Total Other Comprehensive Income	-	(49)	-	(49)
XI		Total comprehensive income for the period (IX+X)	3,857	1,416	1,664	6,881
		Earnings per equity share face value ₹ 10 each				
	1)	Basic	1.02	0.39	0.44	1.83
	2)	Diluted	1.02	0.39	0.44	1.83

MCIE SEBI RESULT NOTES

- 1 The statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (IndAS) prescribed under Section 133 of the Companies Act, 2013 and other recognized accounting practices and policies to the extent applicable.
- 2 The Company has investment of Rs. 69,742.51 Lakhs in Mahindra Forgings Europe AG (MFE AG), Germany. After the significant decline in demand due to economic downturn in Europe and some onetime costs due to one plant closure, MFE AG results got impacted in 2015 and 2016. Actions initiated by the new management team has shown significant improvement in results for 2017. In view of this and the expected improvements, the Company is of the view that, there is no diminution in the Company's investments in MFE AG. The auditors while taking note of the actions initiated by the management, have mentioned this as a "Matter of Emphasis" in their report.
- 3 The figures for the quarter ended December 31, 2017 are the derived figures between the audited figures for the year ended December 31, 2017 and published reviewed figures of September 30, 2017.
- 4 Pursuant to the Order of Hon'ble National Company Law Tribunal, Mumbai, dated December 13, 2017, four of the Company's subsidiaries, namely, Mahindra Forgings International Limited (MFIL), Mahindra Forgings Global Limited (MFGL), Mahindra Gears & Transmission Private Limited (MGTPPL) and Crest Geartech Private Limited (Crest Geartech) ("Transferor Companies") merged with the Company with effect from July 1, 2017 (being the appointed date as per the Scheme of Amalgamation). Consequently, the Company has accounted for the merger (with effect from July 1, 2017) during the quarter ended December 31, 2017. Hence, the results for the quarter ended March 31, 2018 are not comparable with those of the quarters ended December 31, 2017 and March 31, 2017.

MCIE SEBI RESULT NOTES – Continued

5 Revenue from Operations for the quarter ended March 31, 2017 and year ended December 31, 2017 includes excise duty which is discontinued w.e.f July 1, 2017 upon implementation of Goods and Services Tax (GST) in India. In accordance with Ind AS 18, Revenue, GST is not included in Revenue from Operations. In view of the aforesaid restructuring of Indirect taxes, Revenue from Operations for the quarter ended March 31, 2018 and December 31, 2017 are not comparable with the previous quarter ended March 31, 2017.

Rs in Lakhs

Particulars	Standalone			
	Quarter ended			Year ended
	March 31, 2018	December 31, 2017 (Refer Note 3)	March 31, 2017	December 31, 2017 (Audited)
Revenue from Operations	61,197	56,150	51,296	206,333
Less: Excise duty	-	-	4,843	10,266
Revenue from Operations (Net of Excise duty)	61,197	56,150	46,453	196,067

6 The exceptional item pertains to Voluntary Retirement Schemes.

MCIE SEBI RESULT NOTES – Continued

- 7 The Company manufactures automotive components and is of the view that it constitutes a single business segment in accordance with IndAS 108 “Operating Segments” notified pursuant to Companies (Accounting Standard) Rules, 2015
- 8 The above results have been subjected to Limited Review by the auditors of the Company in terms of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) reviewed by the Audit Committee and approved by the Board of Directors of the Company at their respective meetings held on April 19, 2018.
- 9 Previous period figures have been regrouped / reclassified, wherever necessary to conform to the current years classification.

For and on behalf of the Board of Directors,

Executive Director

Date : April 19, 2018

Place : Mumbai

Annexure 2: Market Overview and Outlook

India Market: Key Segments Update - Quarterly

Demand Growing



Market - Production Numbers

Period	Cars + UV's		CV's		Tractors		Two Wheelers	
	Units	Δ%	Units	Δ%	Units	Δ%	Units	Δ%
Q1 C18	1,024,441	6.2	291,806	28.3	189,818	31.3	5,989,795	28.0
Q4 C17	961,935	10.3	227,601	-0.7	167,659	40.5	4,671,778	-1.2
Q3 C17	885,980	9.8	162,077	-21.2	195,737	14.7	5,637,231	9.0
Q2 C17	985,345	2.1	211,260	11.8	203,400	19.8	6,267,056	12.6
Q1 C17	933,851	5.6	229,573	21.9	188,019	10.0	5,252,975	16.4

Source: SIAM, TMA

* Δ% - means comparison of Quarter volumes of this financial year with that of the same quarter of the previous financial year. E.g. Q1 C17 Volume is compared to Q1 C16 volume respectively.

Market Outlook - India



- **PVs+ UVs:**

“The domestic passenger vehicle industry is expected to grow at 9-11% in 2017-18 over a high base of 2016-17. The growth is expected to continue its momentum at 9-11% in 2018-19 as well.”... CRISIL Research report downloaded on 18 April 2018

- **CVs:**

“LCVs to continue to grow at ~13% in fiscal 2019, aided by higher replacement demand, improved agricultural output and private consumptionMHCV sales is expected to continue growing, at ~9% over a high base, in fiscal 2019...” ... CRISIL Research report downloaded on 18 April 2018

- **Tractors:**

“CRISIL Research expects domestic tractor sales volumes to continue growth momentum from previous year, and increase by 18-20% in 2017-18, on the back of a second consecutive near normal monsoon (5% below Long Period Average) and favourable farm sentiments. Tractor sales to further improve by 11-13% in 2018-19 over the high base this fiscal, with assumptions of a normal monsoon and increased government support.”... CRISIL Research report downloaded on 18 April 2018

- **Two Wheelers:**

“CRISIL Research projects the two-wheeler industry to grow by 10-12% in fiscal 2019 assuming normal monsoons, improved affordability, and positive rural sentiment. Further improvement in government spending is likely to boost demand in the second half of fiscal 2019, pushing demand upwards by 1-3%.” ... CRISIL Research report downloaded on 18 April 2018

Market Outlook - Europe

Mature Market, Stable Growth

- EU – Cars:
 - *IHS Global has forecasted that the Passenger Vehicle production will grow at a slow but steady pace of 0.7% CAGR from 2017-2022.*
- EU - CVs:
 - *IHS Global has forecasted that the Medium and Heavy Commercial Vehicle production will grow at a steady pace of 2.3% CAGR from 2017-2022.*



Thank you

Mahindra CIE