



“Mahindra CIE Automotive Limited (formerly known as Mahindra Forgings Limited) Q3 FY-14 Earnings Conference Call Hosted by ICICI Securities Limited”

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Participants

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Mr. Ajay Mantry
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Mr. Guruprasad Iyengar
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Mr. Vikas Sinha
(Head Strategy-Systech Sector)

Moderator

Ladies and gentlemen good day and welcome to the Mahindra CIE Automotive Limited Q3 FY14 Earnings Conference Call hosted by ICICI Securities Limited. As a remainder, 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. We have with us today Mr. Hemant Luthra – President Systech Sector; Mr. Sanjay Joglekar – EVP and CFO, Systech Sector; Mr. K Ramaswamy – MD, Mahindra CIE Automotive Limited; Mr. Ajay Mantri – CFO, Mahindra CIE Automotive Limited; Mr. Pedro – Representative from CIE; Mr. Guru Prasad Iyenger – Finance Controller, Systech Sector; Mr. Burkard Rausch – CFO, Mahindra Forgings, Europe; Mr. Deven Kataria – Senior VP, Business Development Systech; and Mr. Vikas Sinha – Head-Strategy, Systech Sector. I now hand the conference over to Mr. Hemant Luthra. Thank you and over to you sir.

Hemant Luthra

Good morning everybody and first of all thank you because we now have the pleasure of hosting I believe there are more than 50 people on this call. It is a nice change from the days when network was only Mahindra Forging, an Indian and Pan European company and it looks like now we are well on our way to becoming a global company and that helps by having all of you on the call.

I am not going to make a long presentation. I want to allow you to jump in with whatever questions you like as soon as you like and instead of the allotted hour if you want to go longer than that we will be very happy to help you. The merger was announced on the 4th of October. Mahindra CIE became a subsidiary of CIE and Mahindra took a 13.5% stake in CIE. Ever since then, the stock price of Mahindra CIE has gone up the stock price of CIE has gone up and I am only going to make a very general statement which is that there were some people who questioned doing certain amount of skepticism whether Mahindra should be investing in Spain and whether CIE should be investing in India. I think you will find that except for the fact that the Indian market has slowed down, German market is starting to come back, the Spanish market has come back, CIE forgings in Europe which will eventually become part of Mahindra CIE is doing well. The casting business under KR leadership has done well. The Indian forging business for which we are discussing today along with European forging business Mahindra Forging Europe, we are seeing some positive signs from Germany after 7 quarters of low growth. While we may not be able to talk about, what eventually will become Mahindra CIE because some other companies are unlisted and consolidated results of even the listed companies have not been posted on website. We will be happy to answer all questions of Mahindra CIE which consist at the moment of what was Mahindra Forgings plus what was Mahindra Forging Europe. But obviously you will have some questions and we can give some general direction because eventually what will become Mahindra CIE will be these 2 companies plus the forging companies plus the casting company plus the gear company and plus CIE forging operations in Europe.

On the call we have already got Sanjay Joglekar and KR. We have also got Pedro probably you have not met before and he is the CIE representative and helping us with the integration. Sorry, he is not yet on the board of CIE and we have got Burkard, who is on the management board of Mahindra Forging Europe. So please go ahead and we will take your questions and I will distribute them. The only thing that we can't talk about is a forward looking number and what it looks like.

Sanjay Joglekar

Sanjay here. Just to clarify we have uploaded in the website yesterday the consolidated highlight and standalone highlight as we do every quarter. So I hope you had a chance to look at it. So I think the brief is over and please go ahead.

Moderator

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Raghu Nandan from Asian Markets Securities. Please go ahead.

Raghu Nandan

I have 3 questions. First one was with reference to the press release which had come out; it shows that for the cumulative period that is 9 month fiscal year 2014, the PAT stands at minus 91 crores. Just wanted to confirm whether the number is correct? Because as of end of first half the press release had indicated a positive number of 21 crores profit and if I add it to the loss of this quarter that is minus 60 crores, it doesn't add up to the minus 91 crores of loss?

Sanjay Joglekar

It is like this let me clarify this point. As you know every quarter we had been valuing the opening stocks at the rate as on the opening of the quarter and closing stock at the closing rate of the quarter. This created always either notional gain or loss on the profit and loss account and we have been doing so since M&M group has been following this practice. From the current quarter, the group practice has been changed and it has been decided that both the stocks will be valued at the same rate that is the average rate and that correction has been made, this has been stated so in the release also. So you will know exact to match it like that. But when we meet next we can have a better reconciliation.

Raghu Nandan

And sir I had one more query. This is basically with reference to the Germany operations, so just wanted to know what are the steps being taken there and any milestones you are looking forward in that place for the cost reduction sir?

Burkard Rausch

There are different aspects. First let me start with the market in Germany and in Europe and when we had discussions a year ago, there was lot of uncertainties what the further developments of our main markets would be and after 9 months we see that the market is stronger than expected and trucks heavy CV built market is slightly growing and from an outlook it looks that this tendency will continue even with the effect of change between Euro V and Euro-VI. There was an uncertainty whether in the last quarter of 2013, there will be more sales of Euro V trucks for a cheaper competitive to Euro-VI emission norms trucks and there was some growth in the last quarter but as it looks, our main customer Daimler, Man, Scania, and Volvo, expect that positive tendency will continue in '14 as well. Then from a cost structure point of view within the plant, we can say that the tax refund for energy cost that's an important subject in Germany

especially after the nuclear accident in Japan, Germany decided to step out of nuclear energy till 2022 and therefore renewable energy has been pushed which led to significant increase in cost for electricity. From this year onwards, we get the refund of this additional cost which is a significant release of cost for electric power. This starts now in January. The next point is that we have significant improvement in the productivity and let me just give you one example here. The biggest press we have got in the German group, in the past we produced something around 16000 – 17,000 parts per month and taking some actions during the last months, now in January we have been able to produce north of 24,000. So there are significant improvements in productivity within the group. In addition we have a number of actions reducing the number of employees by automation and outsourcing and different actions. A huge number of projects going on which will significantly improve productivity of German group starting already at the beginning of this year.

Hemant Luthra

CIE will be announcing the results on the 28th of February and you will be able to see what the CIE Forging results are and they will be pretty much consistent with last years. I am not forecasting numbers but I am talking about margins will be pretty much consistent with what has happened last year and obviously the objective will be to make sure that Germany achieves the same kind of margins that have been achieved in rest of CIE in Europe. Meanwhile I think on an earlier call I don't want to go back on it unless Burkard corrects me, electricity refund we think may have the benefit of approximately, we had estimated last year about 4 - 5 million Euros a year. So starting January that's the kind of refund that you will see.

Raghu Nandan

In fact that was my question. I just wanted to understand the size of the refund. And just one last question from my side, wanted to understand on the cross selling opportunities both in terms of products and in terms of customers, what have been the initiatives which have been started off, if you can just throw some color on that. That's the last one from my side.

Hemant Luthra

Before we had the deal announced with CIE, we were looking at specific opportunities of parts that would be moved from Germany to India. That would have had incremental benefit. Now what we have to do is we have to look at all the parts that can be moved from Germany to Spain, Spain to India, some that can be discontinued and as you have seen that we have got productivity gains from 16,000 to 24,000 parts in the big press. So we are aligning the costing systems. It will be a while. The philosophy does not change but I just want to ask Pedro who is on the call from London and Deven who is the head of marketing to add to what inputs I am giving you over here. Deven you want to go first?

Deven Kataria

Sure. Since the deal was announced and we started moving forward, we have started working with our colleagues across CIE on things that allow us to grow, in terms of cross selling that is leveraging the CIE relationship network. Even an hour ago, we had a meeting with their people. We have colleagues from CIE who are visiting our teams, visiting customers with our teams, introducing CIE at some of the global OEMs. We have a Korean supplier that we met yesterday, we met with an American OEM yesterday in Chennai, and we are trying to build partnerships with colleagues from CIE. So this process is underway and administratively there are other

things we have to do that will enable more cross selling and we are working with our colleagues in CIE on that as well.

Hemant Luthra

So you want to add the way you see it from the CIE point of view I was looking at it all as one company and maximizing the profitability of one company. Pedro you want to go ahead?

Echegaray Pedro

In addition to what you and Deven have said about cross selling I would like to add also the opportunities are starting to appear in global projects. We are already discussing with at least 2 customers, the opportunity of developing the same product in America, in Europe and in Asia, in India, as part of this new partnership between Mahindra and CIE. And in addition to this commercial opportunity, I think it is important to remember other technology sharing opportunities. We are bringing state of the art process technology, manufacturing technology from Europe to India for the same product. Fortunately, we are manufacturing very similar product in CIE Europe and in India and we are able to exchange our technical experience and optimizing the processes and reducing the cost by doing so and one example is cost reduction and weight reduction on their Steel Blanks.

Moderator

The next question is from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan

In your presentation, you talked about a sharp growth 22% growth in Europe, due to increase in market share and sentiments there. You also mentioned there is a change in emission norm that is happening in Europe. How much of this growth would be attributed to the change in emission norm and secondly CIE has 2 plants in Spain and one in Lithuania, please correct me if I am wrong, so what is the utilization levels there? And if you could speak about Schoenoweiss & Co. GmbH and Gesenkschmiede Schneider GmbH there, you have combined about 90,000 capacity. So what would be the current utilization levels there? And finally to get a better understanding, how in terms of products, if you say in a truck it is Rs.100 and in that you cater to about Rs.20 of raw materials, go with the current MFE, Mahindra Forgings Europe, with the merger how much will the product total contribution increase to?

Hemant Luthra

I don't know whether I can go product wise because I think it's too granular but before handing it over to Pedro and to Deven, because they can talk about Spanish capacity utilizations, one thing I do want to point out to you is both shareholders, Mahindra and CIE have committed that this alliance is for maximization of profits of the entire entity. So Mahindra CIE which will be the entity that has everything under one roof is the entity that is going to maximize the profits. And therefore the capacity utilization at one plant or the other may not be as relevant as the fact as that how much of that product can be moved to where it can be manufactured at a cheapest cost. So I will turn it over to Pedro and Deven.

Deven Kataria

Basically the transition from Euro V to Euro-VI is now complete in the European market and if you look at comments from the global OEMs in the heavy truck industry, whether it is Volvo or Daimler, you will basically see that the second half of the year has been pretty strong because

people have been winding down they are Euro V stocks and moving to Euro-VI. I think when we talk about the future some of the concerns in the market remain around whether there was pre buying effect happening on the Euro-VI product. Everybody expects the market to be stable, may be grow little bit. But for us, if you look at our growth I think a piece of it; I can't really break the number, unless Burkard can. So what happened in the last 3 quarters for us that a piece of it was recovery in Europe when people had stepped out of the market, people were buying trucks. The second piece of course was in the third quarter a pickup in Euro-VI because OEMs were stock building or winding down the Euro V builds and going to Euro-VI and we have been telling you guys for the last year, year and a half, lot of Euro-VI vehicles carry more content from us. So we have more content on Euro-VI vehicle as opposed to Euro V vehicle. So this is a combination of 2 effects - economic recovery and Euro-VI coming in. I would not then try ascribe to how much of it is market penetration growth and things like that. It really a mix effects because of this transition. You had another question from a market stand point if you look at Rs 100 of content on a truck, we have Rs 20 but combining with CIE what happens? One of the things we have been mentioning to analysts in the past is that the 2 companies will complement each other very well. CIE is historically not been a heavy truck player. They do have some business in heavy trucks. But we have really been focused around heavy trucks in Europe and theirs' around passenger vehicles. There are some small overlaps and those are with 1 – 2 customers and it is not significant enough to alter the numbers very much. I would say in terms of content on European trucks, it might be 2 – 3% for us nothing significant.

Srinath Krishnan

Finally, you mentioned in the initial comments on Daimler, Scania, and Volvo, they are main clients for Mahindra Forging Europe and in your presentation you have given increase in market share. So is the market share mainly coming from your increase or rather addition in OEMs or is it higher penetration of existing customers?

Deven Kataria

So we are not adding any OEM, we have pretty much all the OEM those are in Europe doing heavy trucks with the exception of IVECO. So MFE has always had all the top OEMs in Europe as customers. Now within the OEM, some people are doing little bit better, some little bit worse, MAN is struggling, Scania might be doing okay. Daimler has been doing pretty well, Daimler is our biggest customer. We are not really adding any customer. It's all about being with the customers we are; some customers are doing little bit better than others.

Hemant Luthra

And I want to invite KR to offer his comments because when you people talk about capacity utilizations and so on, I think underlying that question is how soon can we get capacity up and other unstated question is whether we need to incur more CAPEX to improve our through put which is what we do. So KR would you just talk about how you manage the costs from the down turn and how many lines you have got on standby which could be used for products that move from other places?

K Ramaswami

As far the Indian operations are concerned, we have tried to run at rate on all machines given the current down turn in India. So that when the market picks up we will not only have adequate capacity. We will not have also rested in the process of the downturn. Just trying to keep

ourselves fit, not up to run swiftly when the market picks up. So we have adequate capacity, even when the market picks up, probably we would be able to run better than what we were earlier.

Hemant Luthra

I want to add one thing which is reflective of the quality of these partnerships. I don't know how many of you know that Mitsui is an investor in Mahindra's Sanyo steel project. Mitsui has 20%, Sanyo has 29%. I am not sure how many of you know that Mitsui is one of the investors in a company called Gestamp, and Gestamp owns 24% of CIE against Mahindra's 13.5%. They are the largest; we are the second largest shareholder. It's a nice family relationship if I may use the word, and a few days ago Mitsui came to us and Sanyo came to us saying that Abenomics has resulted in demand in Japan going up because of all the infrastructure spending and Sanyo is having problems fulfilling their customer demand in Asia and South East Asia from facilities in Japan. So they have been talking to us and saying that how much of your capacity in India whether it is at Mitsui Sanyo steel plant or how much of your capacity in India at ring rolling plant which is also part of MUSCO Steel or how much of your capacity in India at the Forging plant which can make hubs which are effectively larger rings and they are looking to see, how much product can be moved to India. So what we are seeing is because of Mitsui, Gestamp, CIE Mahindra quadrilateral relationships we will get orders not just from OEMs in Europe and North America but one of the biggest advantages we hope to see is that Mitsui will bring its Japanese OEM transplants in South East Asia to start placing orders on Mahindra CIE because of this relationships. I cannot put a number but I want you to think about what would happen if Mahindra CIE is now able to service the OEMs those CIE services, the OEMs that Mahindra services and some of the transplant that we have neither been able to service because of Mitsui relationship in this whole triumvirate Mitsui, Gestamp, CIE and Mahindra.

Echegaray Pedro

If I may complete the picture on plant utilization, the CIE Forgings in Europe, they are also right now underutilized because they demand mid action starting to come up. Right now utilization will be around 65%.

Sanjay Joglekar

As Hemant pointed out this Mitsui relation, this is probably on a one of the many things that we are talking about and few of them are still at a very nascent stage and some of them may materialize and some of them may not. What we are trying to give an indication is that we are really talking on all fronts and trying to expect synergies from everywhere.

Moderator

The next question is from the line of Ameen Pirani from Deutsche Bank. Please go ahead.

Ameen Pirani

Most of my questions have been answered but just wanted to come back on the higher content on the Euro-VI truck. Is it possible for you to quantify as to what is the extent? What I am trying to understand is that even if we have a recovery in the truck market, it's most likely to be in high single digit growth. So your revenue growth will be obviously driven by higher content on the new trucks as well as newer products. So can you give some more color on that?

Burkard Rausch

Following the markets by units, you are right that I would not say the growth rate is in the high single digit but what our customers expect is some 3 - 5% growth in the truck markets but in

addition our rate is somewhere between 10 and 20% of truck depending on which type of truck. So this is an additional factor for us to have more parts per truck.

Ameen Pirani And so you are saying you will have 10 – 20% higher content per truck because of the Euro-VI?

Burkard Rausch Yes.

Ameen Pirani Because of the pre-buy effect in the last quarter 2013, would we see that in the near term may be say 1 or 2 quarter truck demand being weak or you don't see that happening?

Burkard Rausch That is what we assumed, the last 2 quarters 2013 would be stronger and that would give a bit of softening in the first half of 14. Right now we do not see a softening in our order books. So we are a bit positive that this hit which we expected will not be that strong. So at the moment everybody is very careful in ordering but as it looks right now, the softening is not that strong.

Moderator The next question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Jinesh Gandhi Couple of questions first pertains to the timeline from merger of other group companies on casting, gearing, and CIE Forgings, do we have any timelines for that?

Sanjay Joglekar We had said earlier that we expect the merger process to be over by June, but there are some process delays while there is no concern expressed. It looks like that the merger process may go up to end July beginning of August.

Jinesh Gandhi And that will also include merger of CIE Forgings?

Sanjay Joglekar This all will be taken together.

Jinesh Gandhi Second question pertains to the change in method for valuing inventory for European operations. If we had not changed the method, what would have been the impact of that?

Sanjay Joglekar I think it is primarily rather than the method of valuation, what has been done is that we have become more let's say conservative in provisioning.

Jinesh Gandhi About €2 million is it?

Sanjay Joglekar € 1.4 million so that's roughly about Rs 12 crores.

Jinesh Gandhi You also indicated about employee reduction in Germany due to automations and other initiatives. What kind of cost saving can that result into?

Sanjay Joglekar We have lot of temporary people in Germany but we suggest Burkard can you talk on this?

- Burkard Rausch** For the last few years after the crisis, we followed a philosophy to have roughly 20% temporary hired contract workers. So to have say flexibility as learning out of the crisis 2008 – 2009 and that is pool we are working with. So any automation, any rationalization, we can mostly handle without additional cost of release of employees out of this pool.
- Jinesh Gandhi** Any number which you can give about expected savings from that?
- Hemant Luthra** I think we said that total employee pool of about 1300, 20% is temporary, so that's 260 people and I would imagine that employee cost is €40,000-50,000 per person per head?
- Burkard Rausch** Roughly €45,000, yes.
- Jinesh Gandhi** Last question pertains to the capacity utilization in India while you indicated; there is enough headroom to grow. So like in CIE Forging in Europe, it is operating at 65%, would Indian operation be at similar or lower utilization?
- K Ramaswami** It will be similar level. 60 – 65% on current utilizations.
- Jinesh Gandhi** Over next 2 – 3 years, we might not need very meaningful capacity additions unless until recovery is very strong?
- K Ramaswami** We are, given the current market scenario, we are now looking at getting all the new businesses that are coming our way and we are aggressively pursuing new businesses. Also we are looking at participating in certain areas of value addition which will make lot of sense to us. For example, we have gained significant inroads in to new businesses especially in the new vehicles that are coming in India in 2016 – 2017 and onwards, therefore in order to do value addition, we might have to add balancing capacities especially in machining and from that point of view, I don't expect any addition at least in the next 1 year to come until the market really picks up. But what we are now trying to do is improve our profitability and also be very aggressive in the market to get businesses with value addition and also participate in all the new models that are coming in India.
- Jinesh Gandhi** Last question pertains to the consolidated entity, once the entire process is through, what would be the debt on the books on net debt basis?
- Sanjay Joglekar** Net debt on the books is about, you are talking about the current Forging operations or you are talking about the entire consolidation?
- Jinesh Gandhi** Entire consolidation.
- Sanjay Joglekar** At the moment I can tell you about the Forging. The entire consolidated debt is difficult to state at the moment. The Forging debt is about 750 crores including Europe and India.

- Hemant Luthra** And also in order to be helpful rather than obstructionist, Mahindra & Mahindra Annual report of 31st March, 2013, it will have all the companies and all the debts.
- Jinesh Gandhi** Can you indicate debt in CIE Forging?
- Hemant Luthra** CIE Forging and balance sheet, can you wait till the 28th of February.
- Sanjay Joglekar** We have given an indication I think it's about €60 million.
- Hemant Luthra** So you have given the indication officially it is €60 million.
- Sanjay Joglekar** And net debt I am sorry I had spoken of gross debt, the net debt is about 570 crores not 750 crores.
- Hemant Luthra** And also an answer to your capacity question which you asked KR, I have told you that Mitsui is thinking of Sanyo that not to exploit this relationship between Mitsui Sanyo, Mitsui Gestamp Mahindra CIE and interesting this thing came out of discussion, that they find the RMB has gone up in value, labor costs are going up because of number of reasons and people do not want particularly in big cities and it is not necessarily easy to move jobs to the outside of major cities. So the Japanese companies are actually evaluating how to move some of the equipments from even places like China to India. Just thought I had given you an anecdotal. So when KR talks about the fact that we are not doing capacity increase, the only thing that might change what KR said is that if the Japanese come and say that we have a piece of equipment, we will ship it to India and why don't you produce to India at a appropriate margin because your margins here are going to be higher than China.
- Moderator** The next questions are from the line of Nishant Vaas from ICICI Securities. Please go ahead.
- Nishant Vaas** You were elucidating on the cross selling opportunities, could you highlight what kind of potential in terms of both cross selling and common sourcing savings that you can garner in 18 – 24 months?
- Sanjay joglekar** Too early, we are working on it and put a number on cost savings and cross challenges, it is bit too early.
- Nishant Vaas** Just wanted a longer term basis, obviously you would have done these numbers and have estimates with that. In a 18 – 24 months horizon after the whole thing by July gets over, what would the total combined group be looking at kind of ROC target, just on a ballpark basis for the business?
- Hemant Luthra** I can tell you a target, I can't tell you a forecast. Lets make it absolutely clear that we are telling you a target and its not a forecast and the CIE philosophy looking at India and Pedro you can correct me if I got it wrong, is that our exit run rate last year from the Forging business, I am giving you just an example in the last quarter of last year was about 16 or 17% EBITDA. CIE

has thumb rule, has been saying that achieve the best that you have or 15% EBITDA as a target, 10% EBIT as a target which most of the companies do, and 20%ROCE. Our different companies are at different stages of evolution but that's something that the team that is on this call has signed up in blood, now whether it takes us 12 months or 18 months or 24 months to get there it could be wrong on my part to predict.

Sanjay Joglekar

If you have seen our presentation which we have uploaded and which was made on the 23rd October quite a few of them aware that we made, this is also narrates various targets which are of course broadly long term as Hemant rightly said somewhere it can take 2 years, 3 years down the line, while it all depends the company wise the progress and the markets and so and so forth. But targets are definitely there.

Moderator

As there are no further questions I would now like to hand the floor over to the management for closing comments.

Hemant Luthra

I will not hog too much of your time but KR, is there running the Forgings and the Casting business. KR, you want to wrap up what you see is happening and then Pedro is there, who is a new partner if we want to wrap up with closing comment. KR, why don't you go first and then will ask Pedro to go.

K Ramaswami

Overall on the Indian market, if you look at the businesses in which Systech is involved in the auto component industry, the market as all of you know has remained sluggish and we don't expect this market to significantly change. Therefore our strategy would be to seek growth pass through export, rather than just depending on the Indian market to pick up. However, we are very confident that the Indian market will pick up if not in the next 6 months, may be a year from now. So what we are doing is we are preparing ourselves for the upturn that will take place in the Indian market by keeping ourselves trim and fit and looking at cost reductions all the way and this is the best time when the market is little bit down to experiment and do improvement and innovations in our line and that's what we are focusing on. We do not want to just wait for the market to pick up and therefore we are strategizing to continue to grow in export and aggressively pursuing this business as well. So I would say, the next 3 - 4 months, as well as the past 8 - 9 months will be spent and have been spent in new businesses in innovations and continuing to work on various ideas of cost reduction to remain competitive in the market when the market grows.

Echegaray Pedro

Yes, CIE is fairly excited about the alliance, this partnership because we are putting together to growth with lot of experience, lot of know-how not only in terms of drawbacks but also in terms of customer care relationships. The integration is working very well. I would say that the integration and the synergies and the commercial opportunities are gearing even faster than our original plan and this is only because the relationship between CIE and the old Mahindra Forging company that the relationship is going extremely well. Those targets that the Hemant mentioned, we are confident that based on what we already know, those targets are clearly achievable in the near term. So we have no doubts about that.

Hemant Luthra They have not met you on the call before and they have heard me too many times, is there something you want to say about CIE's attitude to India as a base for Asia, the lack of confidence in China and so on, if you want to add a few words on that?

Echegaray Pedro Right now if we may call it that way India project inside CIE Automotive, it is a most strategic project alliance that we have within the group. We have achieved significant success in Spain, in Europe despite the crisis in Europe we are doing very well. We had profit margins. I would say that the only region which was left for us to grow was Asia. And for that we have chosen with no doubt, India because we already have several plants in China. But in addition, doing business in China is not easy. We think that the potential that the Indian market or I would say potential of India manufacturing is much higher than the Chinese manufacturing, because of competitiveness. It has already mentioned in this call, some of our customers are resourcing products from China to India and this is only because of one reason, competitiveness. We have a global footprint; we can say that right now India is the most competitive region or market in the world. We have not only domestic opportunities, organic growth and we expect from the market so opportunities from western OEMs which are already in India but with whom we are not doing business yet but I am sure in the next month we will have some good news about that but also the export opportunities as already mentioned. So I think competitiveness is key for success of any automotive component company and in that sense, India is extremely well-positioned and in addition as other Asian markets develop, we are talking about Indonesia, Vietnam, of course Thailand, even though right now they are struggling but I am sure they are going to solve that situation soon. So we expect to use India as our base, as a hub for our future expansion in Asia. So our project will not be restricted just to India. We expect as soon as possible, we start growing in other Asian markets.

Hemant Luthra If there are any follow up questions to what Pedro and KR has summarized, we will be happy to take them and if not thank you very much.

Moderator There are no further questions at this time sir.

Hemant Luthra Thank you all and thank you for being on the call, thank you ICICI Securities.

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