

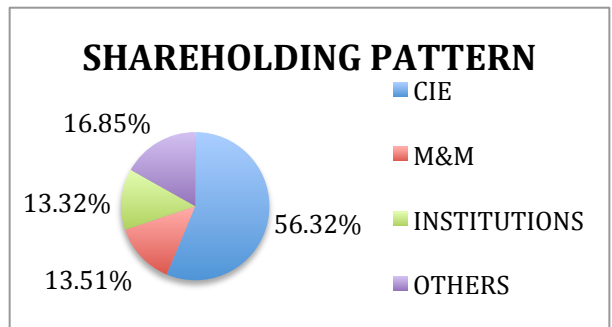
COMPANY OVERVIEW

Mahindra CIE Automotive Limited is an auto components supplier with presence in many Technologies, which include forgings, stampings, Castings, composites and magnetic products. MCIE is auto-ancillary company, which supplies components to tier-1 and OEM (Original Equipment Manufacturers). MCIE is subsidiary of CIE Automotive. MCIE has total 29 plants 20 in India and 9 in Europe. It operates in India, Italy, Spain, Lithuania, Germany and UK. The company is focused on the automotive market, including cars, utility vehicles, commercial vehicles and tractors.

Parameters	(In Million)
Sales	Rs62546
EBITDA	Rs8420
EBIT	Rs5612
PAT	Rs3584
DEBT	Rs10173
FCF	-Rs317
OPERATING PROFIT	Rs108.75
ROE	10.293%
ROCE	11.73%

CIE AUTOMOTIVE S.A

- CIE Automotive is parental company of Mahindra CIE.
- CIE automotive currently holds 56.32%
- It designs and manufactures components and sub-assemblies globally, in 98 production sites distributed in 90 locations.
- It is in 3 strategic areas

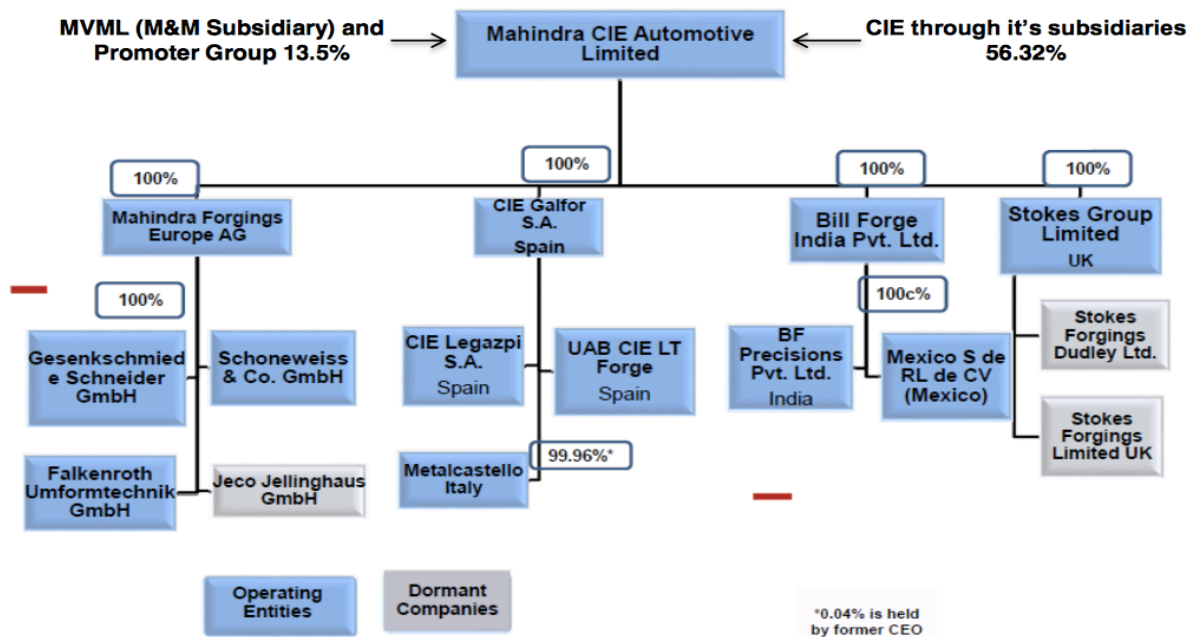


- (a) Automotive components (Aluminum, stamping, plastic, casting, machining, forging) tube welding present in 9 countries
- (b) Biofuels (plants operating in Spain, Italy, presence in Brazil and Guatemala)
- (c) Dominion, Technological Solutions and services (plants in Spain, Mexico, Brazil, Argentina and Chile)

INVESTMENT RATIONALE

- (a) Mahindra CIE had came up with Phase-1 and Phase-2 strategy, as period of phase-1 has ended. So, if company is able to reduce its debt, follow CIE Standard and diversify its technology (achieve phase-2 target) it will be an added advantage for growth of its business with increase in customers and global reach.
- (b) MCIE majority revenue comes from Forgings so it has huge opportunity to develop and expand in other technology by providing diversified products in each technology and keeping balance between customer’s requirement and its manufacturing.
- (c) Slowly and steady MCIE is making organic growth in India, majority revenue comes from Europe but in last 4 years revenue growth in India is faster as compare to Europe. So, MCIE has lot of opportunities to expand and grow in India automotive market with low cost benefit and excellent performance of Bill Forge (one of subsidiary in India).

MERGER



The Mahindra group (India) and CIE Automotive S.A(Spain) signed global alliance agreement between Mahindra's automotive component business(held under Systech sector) and CIE Automotive (involving also its subsidiary Autometal) on June 15,2013. As part of the transaction, CIE automotive – through one of its subsidiaries will acquire from Mahindra group a stake in companies belonging to Systech automotive component business and CIE automotive will contribute its forgings businesses in Spain and Lithuania and together consolidate all companies under MFL which will be renamed as Mahindra CIE.

BENEFITS:

CIE AUTOMOTIVE

- It helped CIE to enter into new line business like gears, castings etc.
- Opportunity to enter and expand its business in emerging markets.

MAHINDRA GROUP

- Mahindra became 2nd largest shareholder of CIE Automotive (Spain) with minimum cash outflow.
- Strengthen its position in India and Europe.

MAHINDRA CIE

- Before alliance, the company faced lot of competition in Europe market, so alliance helped in diversifying in different automobile categories.
- MCIE has added advantage of good relationship of CIE with US and European clients (Ford, Renault, VW and General Motors Company) according to requirements in India

RISK FACTORS

- **Highly dependent on the growth and performance of Automotive manufacturers**

MCIE comes under tier-1.5 which supplies to OEM and tier-1 companies, demand for auto-components depends on growth, profitability and consistent improvement of OEMs. If 1-2 company (OEM) could not survive in market or move to other auto-component supplier then it will directly affect revenue of MCIE.

- **High customer concentration, MCIE is highly dependent on few large customers from where majority of the revenue comes.**

M&M, TATA Motors and Maruti Suzuki contributes 50% of MCIEs Revenue in India business. MFE AGs 2/3 revenue comes from top 5 largest commercial vehicle manufacturers. M&M contributes 16%, Daimler 12%, Renault 5% share in total turnover.

- **Hybrid and Electric Vehicles**

MCIE has opportunity to expand its business in electric and hybrid vehicles, currently top customers (BMW, Daimler, Audi, VW) moving towards hybrid vehicles (requires electric motor and ICE), currently less than 25% of MCIE's business has something to do with ICE. But Europe has shown 38.7% growth in passenger electric vehicles (all electric cars, electric utility vans and plug-in hybrids) but MCIE is going to take 10 years with technology upgrade, it has started its research and discussing with its customers on development. India have target of sales of 6-7millions of hybrid and electric vehicles by 2020, soon technology is going to change in both economy bringing MCIE into more risky position.

BUSINESS OF THE COMPANY

PROCESS OF SUPPLYING AUTO-COMPONENTS



<ul style="list-style-type: none">• Suppliers of raw or close to raw materials.• Tier-3 supplies to all levels including tier-1 and OEM.	<ul style="list-style-type: none">• Companies supply parts that wind up in cars, often experts in their specific domain.• They supply to lot of non-automotive customers.• MCIE comes under Tier-1.5 because it directly sells to OEM as well as as Tier-1.	<ul style="list-style-type: none">• It supplies in the form of automotive grade system.• Automotive grade system includes anti-lock system, airbag system, 4-wheeler steering system.	<ul style="list-style-type: none">• Original Equipment Manufacturers (OEM) is in designing, marketing cars and ordering parts from suppliers and assembling final product.
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FORGINGS



STAMPINGS



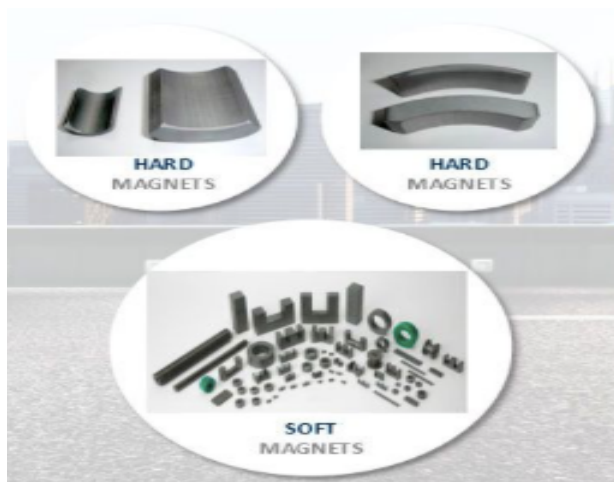
GEARS



CASTING



MAGNETIC PRODUCTS



COMPOSITES



TECHNOLOGY

	PROCEESS	CAPACITY (INDIA)	KEY PRODUCTS	KEY CUSTOMERS
FORGINGS	Forgings is manufacturing process involving shaping of metal using localized compressive forces.	135000 tons annually	Crankshaft, wheel hubs, steering shafts, CV joints	Renalut Nissan, Maruti suzuki, Ford, Mahindra, TATA, nexteer, Hero, Honda, Fiat, KXN
STAMPINGS	Stampings is a process of placing flat sheet metal in either blank or coil form into stamping press where a tool and die surface forms the metal into net shape.	185000 tons annually	Skin Panels, Chassis & structural parts, Suspension Arms, Front Panels	Mahindra, TATA, Ashok Leyland, Scooters India Limited
GERAS	A gear or cogwheel is a rotating machine part having cut like teeth, or cogs, which mesh with another toothed part to transmit torque.	8 million gears and shafts annually	Gears, shafts, helical gears, shafts, welded components	Mahindra, Caterpillar, Eaton, CNH Industrial
CASTINGS	Casting is a manufacturing process in which a liquid material is usually poured into a mold, which contains hollow cavity of desired shape, and then allowed to solidify.	55000 tons annually	Crankshaft, Turbine Housing, Differential Housing	Hyundai, DANA, Ford, Mahindra, Honewell, JCB, CNH Industrial
MAGNETIC PRODUCTS		6000 tons annually	Soft and Hard Magnets	Denso, MITSUBA, Varroc, Comstar, Sumida, In Tica
COMPOSITES	It's a material made from 2 or more constituent materials with significantly	10000 tons SMC 4000 tons DMC	Mahindra, Volvo, Scania, TVS	Front LID, Crash shields- fuel tanks, Electric box top tray, Front

	different physical or chemical properties that when combined, produce a material with characteristics different from the individual components.			Bumper
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APPLICATION OF TECHNOLOGY AND ITS COMPONENTS

	CARS AND UTILITY VEHICLES	MEDIUM AND HEAVY COMMERCIAL VEHICLES	AGRICULTURE AND OFF-ROAD	TWO-WHEELERS
FORGINGS	Crankshaft, knuckles/stub axles	Forged Camshafts, stub axles, spring saddles	Forged Connecting Rod, stub axles, front axle support, links, trunion bracket, lift arm, rocker arm, toppling crank, crankshaft	
STAMPINGS	Body in White-stampings	Stamped Cabin Components	Cast Hubs, Differential and transmission gears, planetary carrier, hood, fenders, bonnet, foot plates, front grill	
GEARS	Engine gears, gears, shafts		Engine Gears	Transmission gear and shafts
CASTINGS	Turbine Housing, Exhaust Manifold, synchro hubs, differential housing, brake calipers	Hubs, Differential Housing, Carrier Housing, Turbo Housing	Cast Exhaust Manifolds, Differential housing, crankshaft	
MAGNETIC PRODUCTS	Passive Entry Antenna Components, Ferrite Magnets for PMDC & BLDC Motors			Alternator & starter motor ferrite magnets
COMPOSITES	Oil sumps	Forged Crankshaft, NVH Covers		

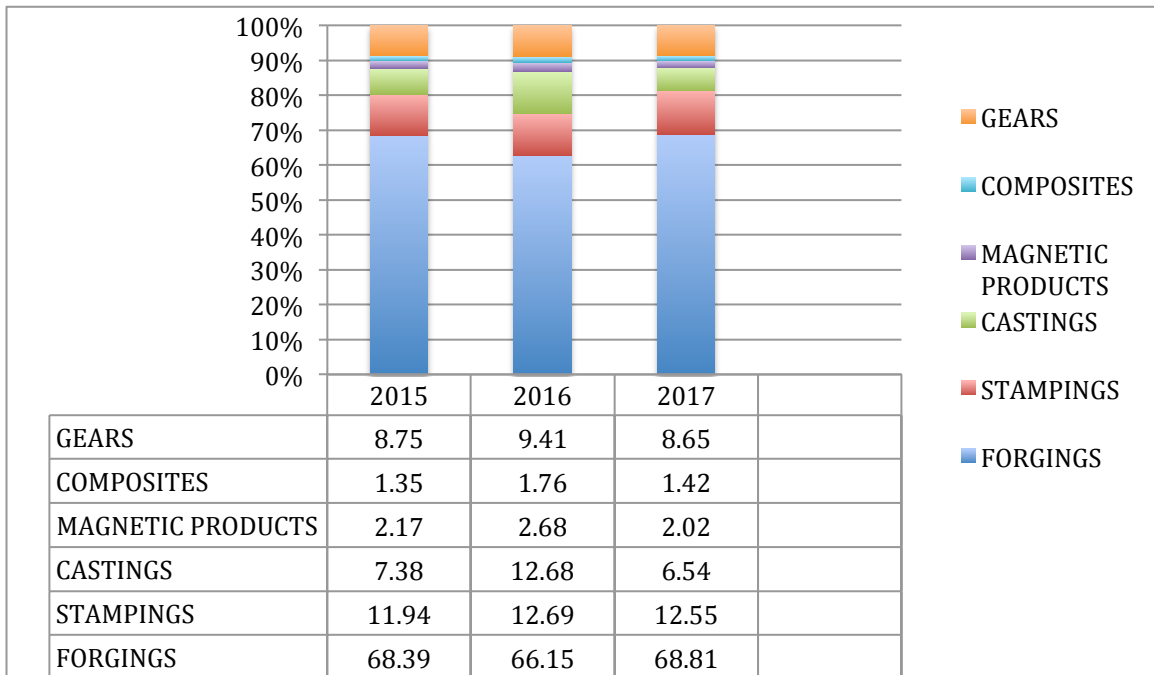
PHASE-1 AND PHASE-2 STRATEGY

	TARGET	IMPLEMENTATION
Phase-1 (2014-2017)	<ul style="list-style-type: none"> • Optimize operations in India • Turnaround Europe • Control Capex & reduce debt • Initiate new products and customers (in process) 	<ul style="list-style-type: none"> • Team working 1 week per month in India from Spain to support the local team to give training, preparing engineering tools to be used, it was done in past 6-7months. • Acquisition of Bill Forge October'16. • New customers include TBK(India) for gears and Ashok Leyland for stampings • As on 31st Dec'2017 CAPEX was of Rs3054Mn • Debt increased from Rs3157.55million in 2014 to Rs10173million
Phase-2 (2017-2020)	<ul style="list-style-type: none"> • M&A • Capex for expansion • Expand in India and south east Asia • Entry into technologies where CIE has a global presence but MCIE is not present • Redefine product portfolio at MCIE's German & Italian operations 	<ul style="list-style-type: none"> • Some products in portfolio are loss making so either increasing prices or exiting from products due to inefficiency in MFE Europe. • Reduced debt by 10%, at the end of year target is to bring debt to 800Crs.

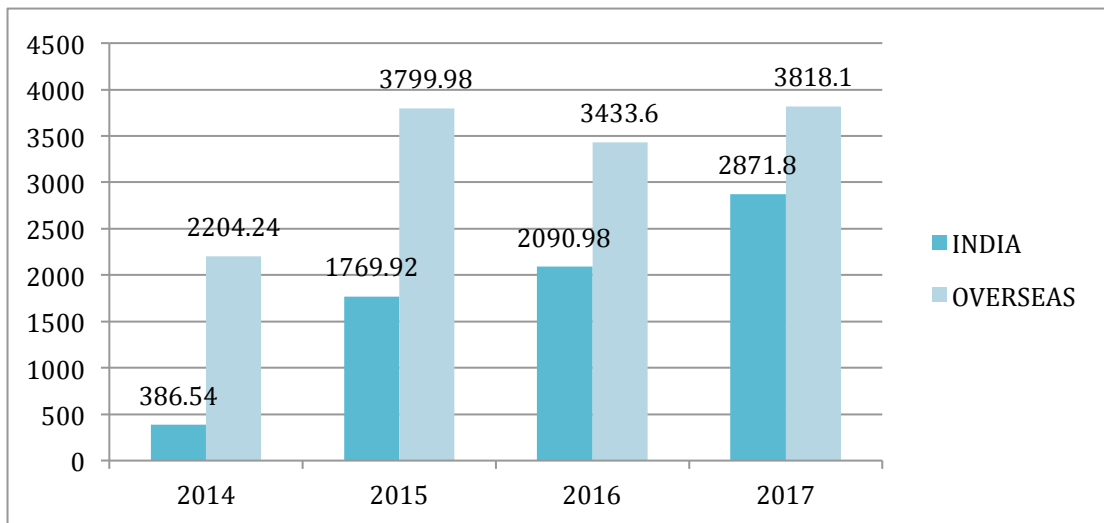
REVENUE CONTRIBUTION

Geography	Product Speciality	Focus Areas	Key Customers	FY 2017 Revenue (₹ in Million)
Forgings				
India	Crankshafts - As forged and Machined, Stub Axles As forged and Machined	Passenger & Utility Vehicles and Tractors	M&M, Maruti Suzuki India Limited, Tata Motors	4,594
Bill Forge India	2 Wheelers: Steering races and engine valve retainers Pass Vehicles: constant velocity joints, tulips, steering shafts, steering yokes and wheel hubs	Passenger Vehicles and Two Wheelers	Hero, Bajaj, HMSI and TVS, Ford, GKN, NTN, Nexteer, RaneNSK	7,394
Germany	Forged and Machined parts, Front Axle Beams and Steel Pistons	Heavy Commercial Vehicles	Daimler AG, Man, DAF, Volvo Group, KS, Linde, AGCO, ZF, Scania, Ford, SAF Holland, Robert Bosch	16,275
UK	Flashless Near Nett Forgings	Passenger Vehicles		922
Spain + Lithuania	Forged steel parts for Industrial Vehicles and Crankshafts, Common Rail, Stubs, Tulips for passenger cars	Passenger Vehicles	Reanult,VW Group, Daimler, GKN, JLR, GM, Fiat, DAF, Bosch, NTN, Faurecia, Dana, ZF, BMW	17,075
Stampings				
India	Sheet Metal Stampings, Components and Assemblies	Passenger & Utility Vehicles	M&M, Tata Motors	8,437
Castings				
India	Turbocharger Housings, Axle & Transmission Parts	Passenger & Utility Vehicles, Construction Equipment & Earthmoving , Tractors and Tier 1	M&M, Honeywell, Cummins, Hyundai, JCB, Automotive Axle, New Holland, Dana India CV, John Deere	4,397

Magnetic Products				
India	Soft and Hard Magnets, Magnetic Induction Lighting	Tier 1 of Passenger Vehicles, Utility Vehicles, Two Wheelers	Denso, Sumida, Varroc, Intica, Mitsuba	1,360
Composites				
India	Compounds, Components, and Products	Electrical Switchgear, Auto Components	L&T Switchgear, Phoenix Mecano, TVS, M&M, Volvo Eicher	955
Gears				
India	Engine Gears, Timing Gears, Transmission Gears, Transmission Drive Shafts	Passenger & Utility Vehicles, Construction & Earthmoving Equipment	M&M, Eaton, Caterpillar, NHFI, Turk Tractor (CNH), BEML, New Holland	1,918
Italy	Engine Gears, Transmission Drive shafts, Crown Wheel Pinion	Tractors, Construction & Earthmoving Equipment	Caterpillar, CNH, Merritor, GDLS/Mowag/Comer, Argo, John Deere	3,897

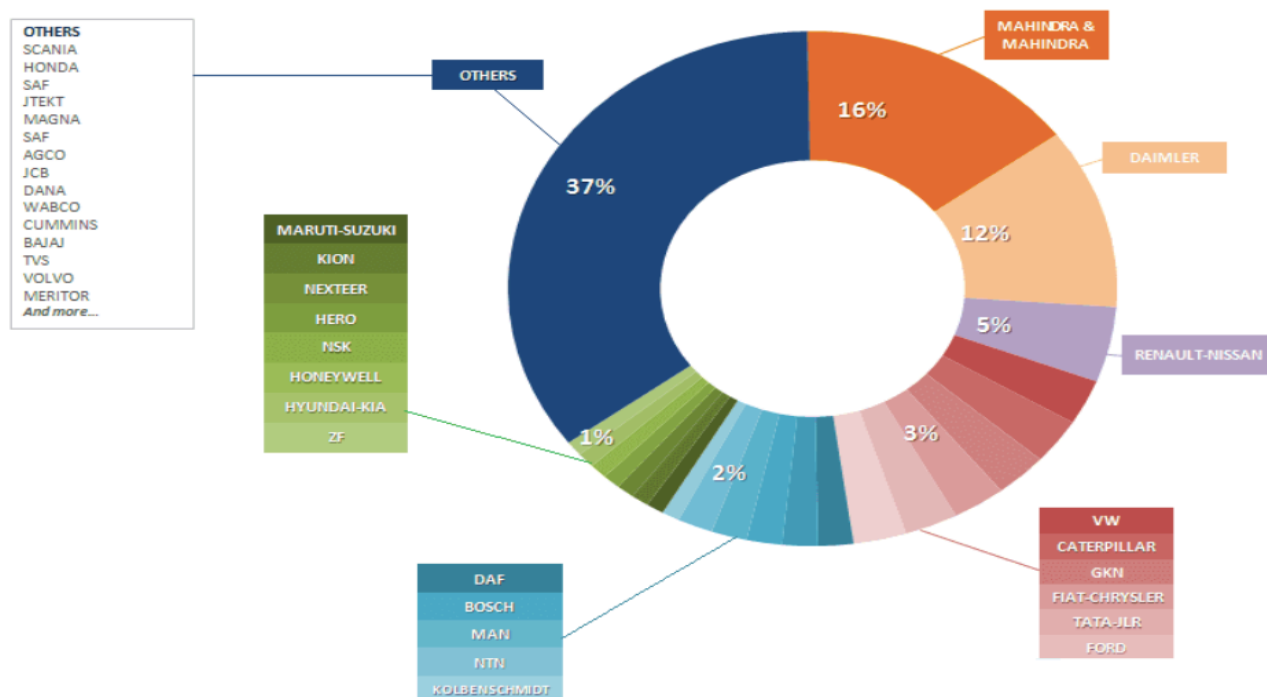


REVENUE CONTRIBUTION FROM INDIA AND OVERSEAS



- In 2014, overseas revenue contribution was 85.08% which came down to 57.073% in 2017 where as India revenue contribution was 14.91% in 2014 increased to 42.927% in 2017, so we can say Operations in India are improving due to Phase-1&2 strategy to work on efficiency and training.
- Management wants to reverse the numbers it wants 60% revenue from India and 40% from Overseas.

CUSTOMERS



- M&M, Tata Motors and Maruti constitute more than 50% of MCIE India Business.
 - (a) M&M includes PV+UV+LCV+Tractors (excluding 2-3 wheelers)
 - (b) Tata Motors PV+UV+LCV (excludes MHCV)
 - (c) Maruti includes PV+LCV
- M&M, Daimler contributes 12-15% and Renault contributes 5-6% of company's total turnover.

CUSTOMERS IN EACH TECHNOLOGY

TECHNOLOGY	KEY CUSTOMERS (India Business)
FORGINGS	Renault Nissan, Maruti Suzuki, Ford, Mahindra, TATA, nexteer, Hero, Honda, Fiat, KXN
STAMPINGS	Mahindra, TATA, Ashok Leyland, Scooters India Limited
GEARS	Mahindra, Caterpillar, Eaton, CNH Industrial
CASTING	Hyundai, DANA, Ford, Mahindra, Honeywell, JCB, CNH Industrial
MAGNETIC PRODUCTS	Denso, Mitsuba, Varroc, Comstar, Sumida, In Tica systems
COMPOSITES	Mahindra, Volvo, Scania, TVS

SUBSIDIARIES

(1) Mahindra Forgings Europe AG

- Production of drop forge parts from all usual steel grades, company is under forging technology.
- Subsidiaries of MFE AG: (a) Gesenkschmied e Schneider
(b) Schoneweiss & co.
(c) Falkenroth Umformtechnik
(d) Jeco Jellinghaus(closed in Dec'15)
- All operations are in Germany
- Focus area is trucks.
- Its 2/3 revenues comes from top 5 largest customers (commercial vehicle manufacturers)
- Out of 3 operating subsidiaries Falkenroth is going in loss rest 2 is showing profit.

2017	2018(upto 2 quarters)
<p>In 2016 MFE AG was the main concern because Jeco plant was not properly closed (Dec'15) which lead to</p> <ul style="list-style-type: none"> • Additional transportation cost • Unexpected delivery and quality constraints • Affected profits and efficiency of MFE AG • Its operations has been shifted to other similar business <p>Organic revenue growth in Germany MFE is 8% (euro denominated)</p>	<ul style="list-style-type: none"> • Truck business is booming in Europe Customers are scania, DAF, MAN, Daimler. • MFE AG is less profitable business, below CIE's standard. Company is not planning to invest in company only maintenance CAPEX, idea is to fulfill capacity and maximize resource
<ul style="list-style-type: none"> • Letter of awareness from CIE group to MFE AG for financial going concern valid up to March 2020 • Factors affecting performance <ul style="list-style-type: none"> (a) Industrial Vehicles business is usually low volume business. (b) In Germany, high-cost manpower that means margins in those components are lower than in passenger market (c) It has more manual process than amortized due to low volumes 	

(2) CIE GALFOR S.A

- Production of parts/components using forgings technology for automotive industry.
- Subsidiary of CIE Galfor: CIE Legapzi (Spain)
UAB CIE LT Forge (Lithuania)
Metalcastello (Italy, Gears)
- Focus area is Cars
- 80% sales to Western Europe
- All subsidiaries are earning profits.

Upto 2017	2018
<p>Growth in Europe is coming from</p> <ul style="list-style-type: none">• Caterpillar project at Metalcastello (order of 20mill euros)• Crankshaft project in CIE, Lithuania <p>Reverse Merger between Metalcastello (absorbing company) and Mahindra gears global Ltd (absorbed company) on 29th May'2017</p> <p>Invested in Lithuania in couple of presses.</p> <p>New orders in passenger vehicles division the forges in Lithuania, this order for customer in Poland and some new order for galfor.</p> <p>Investment in Europe</p> <ul style="list-style-type: none">• LT Forge new crankshaft line (Rs 460mill)• Metalcastello CAT project (Rs 380Mill)	<p>Growth in Metalcastello is 35% (excluding exchange rate)</p> <p>Lithuania will be at full rate by mid 2019.</p> <p>Growth in Europe is coming from Metalcastello and Lithuania from new projects.</p>

(3) BILL FORGE

- It manufactures retainers, steering races, hubs, pinions, gear blanks , shafts for 2-4 wheelers.
- Subsidiaries of Bill Forge are: (a) BF Precision Pvt Ltd (India)
(b) Mexico S de RL CV (Mexico)
- Bill Forge was acquired by MCIE in October'16.

2017	2018
<p>Investment in BF Mexico of Rs 330Mill</p> <p>Bill Forge Mexico</p> <ul style="list-style-type: none">• 50% of product is going to Canada and Germany not just north America so no worry from trump making demand of Mexico product impossible• Peak revenue will be \$20Mill <p>Maruti is an important customer of Bill Forge through Tier-1. Bill Forge supplies to tier-1 customer (GKN,Nexteer etc) which supply to Maruti.</p> <p>Benefits to MCIE from acquiring Bill Forge</p> <ul style="list-style-type: none">• BF is aggressive in commercial terms• Exporting close to 20% of its revenue to US and Europe• BF has higher margins than MCIE India.	<p>Bill forge is growing at 25% (excluding Mexico)</p> <p>Mexico Ramp-up</p> <ul style="list-style-type: none">• Reached 50% in journey of ramp-up• Problems regarding training new people, run new machine and new technology which is going to take time.• Produces 50% of expected volumes have project to produce 4.5mill parts currently supplying 2mill for completer.• Low margins due to internal scrap, low productivity coming from learning curve• End of 2020 they will be in peak of ramp-up.

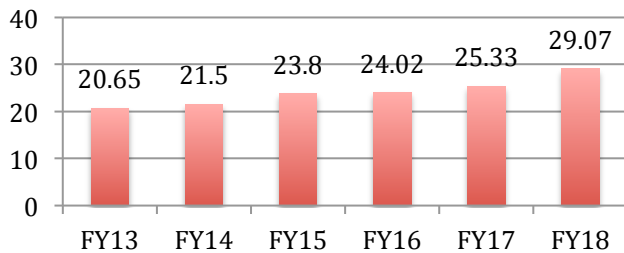
(4) Stokes Group Limited

- Manufactures steel forgings on variety of forgings presses at the UK site in West Midlands and Dudley.
- Supplying quality parts into automotive sector whether in raw forged state or fully machined part.
- Subsidiaries of Stokes group are: (A) Stokes Forgings Dudley Ltd
(B) Stokes Forgings Limited
- 92% sales within EU, other exports to US and China
- Both the subsidiaries are dormant companies, no operations
- Stokes Group is going into loss due to high administrative expense.

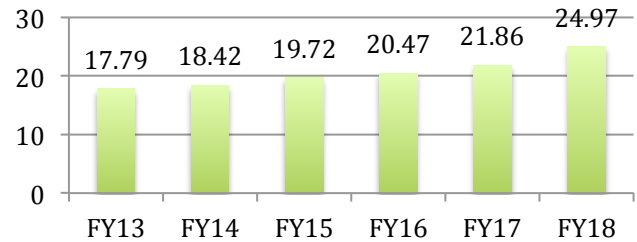
INDUSTRY

INDIAN AUTOMOBILE INDUSTRY

NUMBER OF AUTOMOBILES PRODUCED IN INDIA (in Millions)

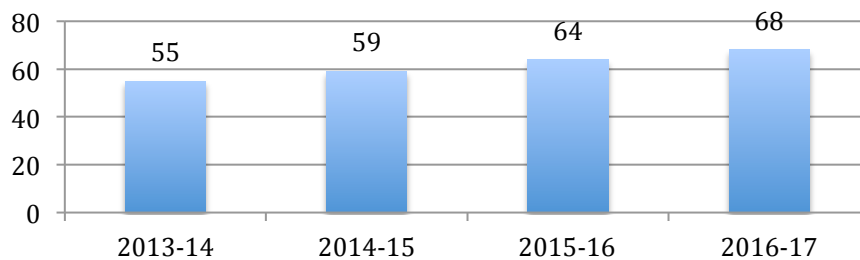


NUMBER OF AUTOMOBILES SOLD IN INDIA (in Millions)



- Domestic Automobile production increased at 7.08% CAGR between FY13-18 with 29.07 million vehicles manufactured in the country in India, year on year increases of 17.95%.
- India became 4th Largest auto market in 2017 with sales increasing 9.5% year on year basis to 4.02 million units in 2017. Overall domestic automobile sales increased at 7.01% CAGR between FY13-18.

GROSS TURNOVER OF AUTOMOBILE MANUFACTURERS IN INDIA (in US\$Billion)

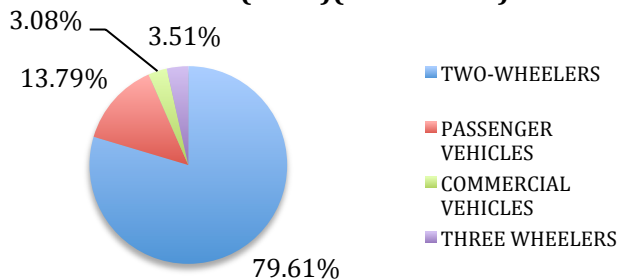


GROWTH DRIVERS

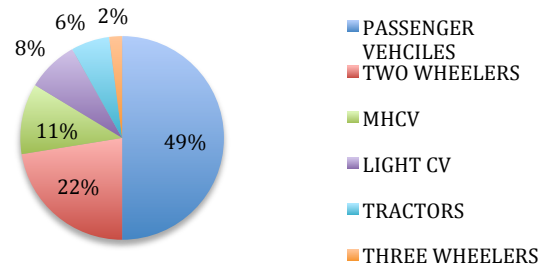
- Turnover of manufacturers is increasing at 7.01% CAGR from FY14-FY17.
- Rising income and large young population
- High demand of commercial vehicles
- Initiatives like in 'Make in India', Automobile mission plan 2026 and NEMMP 2020 to give huge boost to the sector.
(a) NEMMP- National Electric Mobility Mission Plan aims to achieve national fuel security by promoting hybrid and electric vehicles year on year from 2020 onwards.

INDIAN AUTO-COMPONENTS INDUSTRY

DOMESTIC MARKET SHARE BY SEGMENT (FY18) (No. of Units)

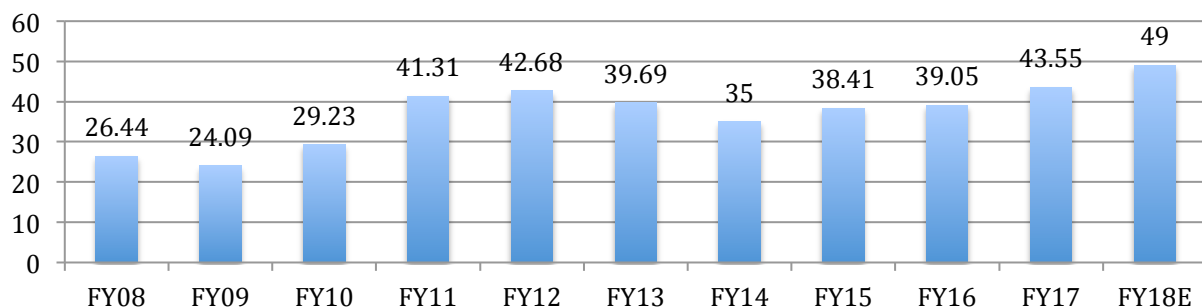


AUTO COMPONENTS SUPPLY TO OEM (FY17)



- Production of two wheelers is 23.25Mill, passenger vehicles are 4.01Mill, commercial vehicles are 0.89Mill and 3-wheelers is 1.02Mill in 2017-18.
- Passenger vehicles has highest share of total auto-components supplies to OEM in 2016-17, followed by 2 wheelers and MHCV.

AGGREGATE TURNOVER (US\$Billion)



- Revenue have risen from US\$ 26.5Billion in FY08 to US\$ 43.5Billion in FY17 at a CAGR of 5.7% during FY08-17.
- Market size for auto-component sector increased by 11.5%.
- The industry is expected to post a 13-15% growth rate in FY18, on the back of robust growth in domestic passenger vehicle, tractor and 2-wheeler segments.
- Auto-components production in 2018-19 is expected to increase 12-14% in FY19.

EUROPE AUTOMOTIVE INDUSTRY

- Turnover generated by the automotive sector represents 6.8% of EU GDP.
- Auto-industry is largest private investor in R&D in Europe, with almost 54Billion euros invested annually.
- Margins for many companies has reduced in last couple of years due to
- Increase in material and labour cost.
- Rising competition hence pressure on selling price
- Diesel emission scandal and allegation of collusion among large car makers have increased insecurity in industry.

PEER COMPARISON

FORGINGS

	EPS	P/E	P/BV	EV/EBITDA	EV/SALES
BHARAT FORGE	16.38	39.48	6.47	17.72	3.96
RAMKRISHNA FORGINGS	29.13	21.12	4.07	9.85	1.91
MM FORGINGS	25.10	24.46	3.77	11.98	2.67
KALYANI FORGE	20.52	16.91	1.17	5.88	0.68
MAHINDRA CIE	9.47	140.74	2.64	12.94	1.67

	NET SALES	PBIDT	PAT	ROCE	ROE
BHARAT FORGE	5372.95	1655.47	707.3	22.5%	15.99%
RAMKRISHNA FORGINGS	1453.33	288.43	94.66	7.37%	3.96%
MM FORGINGS	620.62	136.56	68.51	14.7%	20.04%
KALYANI FORGE	265.36	28.47	6.56	9.26%	6.29%
MAHINDRA CIE	6520	841.4	358.4	11.73%	10.29%

GEARS

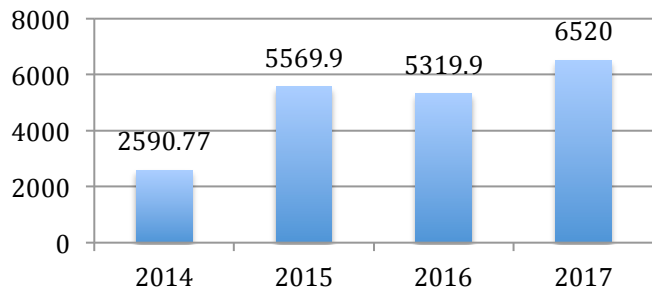
	EPS	P/E	P/BV	EV/EBITDA	EV/SALES
BHARAT GEARS	7.93	13.47	1.77	6.0021	0.52
SHANTI GEARS	3.92	33.79	3.32	20.89	4.8
MAHINDRA CIE	9.47	140.74	2.64	12.94	1.67

(in Crs)	NET SALES	PBIDT	PAT	ROCE	ROE
BHARAT GEARS	508.96	44.37	6.30	13.37%	8.74%
SHANTI GEARS	214.12	48.73	28.58	10.44%	9.16%
MAHINDRA CIE	6520	841.4	358.4	11.73%	10.29%

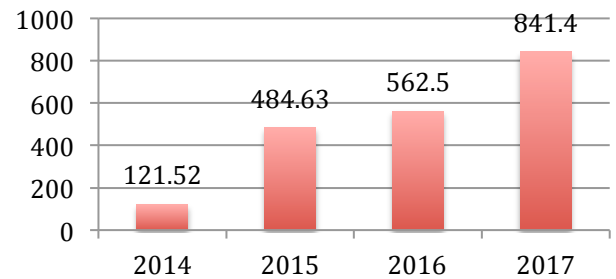
FINANCIALS

(in Crs)

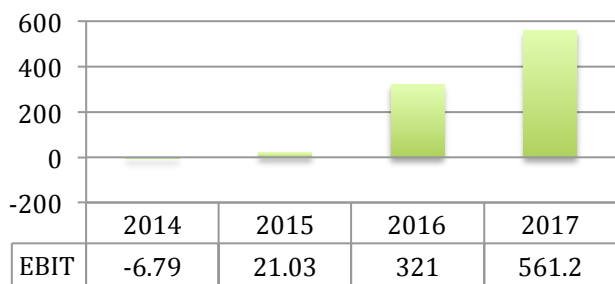
NET SALES



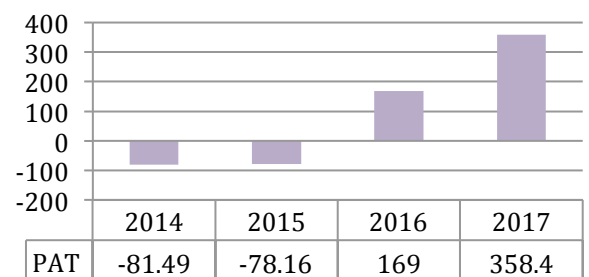
EBITDA



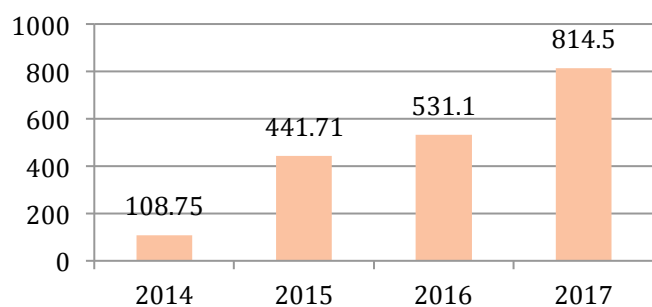
EBIT



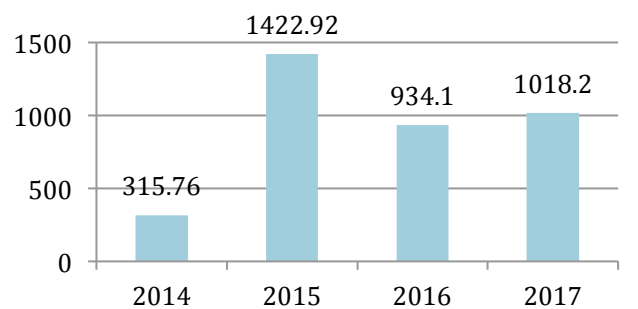
PAT



OPERATING PROFIT



DEBT



QUARTERLY UPDATE

QUARTER-1 JAN-MAR 2018

(in Million)

(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%

- Decline in EBITDA%(13.8% as compare to previous quarter 14.3%) due to one time VRS.
- Improvement in margin due to
 - Volume increases in all divisions
 - Most performing technology (castings, gears and forgings)
 - Castings and forgings production use to be 3000tonnes now its 4000 pm.
- CAPEX to be 5-6% of sales (maintenance +growth)

INDIA BUSINESS

- Significant sales growth in all divisions
- Excellent trend in operative EBITDA
- 24% growth in India (3-4% rise in steel prices, expected to rise in future)
- Expected to invest in 400Cr\$ (PY 300Cr\$) in India
- India exports 15% (all division and segments)
- M&M, Maruti and Tata Motors combined constitute more than 50% of MCIE India Business,
M&M includes PV+UV+LCV+Tractors (excludes 2&3-wheelers)
Tata Motors includes PV+UV+LCV(excludes MHCV)
Maruti includes PV+LCV

EUROPE BUSINESS

- Growth in Europe
 - Higher growth from Metalcastello
 - New order coming from Caterpillar(20Mill euros)
- Truck business is booming in Europe.
- Sales growth is 26%
 - Currency-10%
 - Commodity-2%
 - Volume growth-14%
- Europe export 2-4%

QUARTER-2 APR-JUN 2018

	Apr-Jun 2018	Change	Apr-Jun 2017	Jan-Mar 2018
Sales (without Excise)	19,731	+29%	15,248	19,107
EBITDA (*)	2,909	+41%	2,058	2,638
EBITDA%	14.7%		13.5%	13.8%
EBIT (*)	2,165	+60%	1,353	1,927
EBIT %	11.0%		8.9%	10.1%
EBT	1,926	+56%	1,233	1,898
EBT%	9.8%		8.1%	9.9%

INDIA BUSINESS

- Drivers of growth in India (growth above Indian market growth)
Market evolution in UV, tractors and 2-wheelers
Growth in customers
- Sales growth is 26%
Weighted average of all segments- 15%
Impact of raw materials- 5-6%
Customers- 5-6%
- Organic + inorganic growth

EUROPE BUSINESS

- Growth Drivers in Europe
Ramp-up in Lithuania (installed new presses)
Metacastello growth is 40%
MFE Germany Growth is 5-6%
- Inefficiencies in MFE
Low productivity in production, loss making products
- Only Organic growth in Europe

CONSOLIDATED PROFIT AND LOSS A/C

	31/3/14	31/3/15	31/12/2016	31/12/2017
REVENUE FROM OPERATIONS	2636.21	5745.59	5524.6	6663
OTHER INCOME	12.77	42.91	31.4	26.9
TOTAL REVENUE	2648.98	5788.5	5556	6689.9
COST OF MATERIALS CONSUMED	1080.2	2541.83	2152.7	2933.3
DEPRECIATION AND AMORTISATION EXPENSES	119.99	237.5	232.5	273.4
OTHER EXPENSES	1447.35	2763.51	2840.8	2915.2
PROFIT BEFORE INTEREST AND TAX	1.44	245.67	330	568
FINANCE COST	62.82	119.65	59.4	54.5
EXCEPTIONAL ITEMS	8.32	226.1	9	6.8
TAX	11.79	(21.93)	92.6	148.3
PROFIT FOR THE YEAR	81.49	78.15	169	358.4

CONSOLIDATED BALANCE SHEET

	31/3/14	31/3/15	31/12/16	31/12/17
ASSETS				
Non-Current Assets	1317.496	3603.24	5256.1	5171.8
Current Assets	699.12	1380.67	1675.6	2119.7
Total	2016.62	4983.91	6931.7	7591.5
LIABILITY				
Equity	656.04	1902.03	3266.3	3715.6
Non-Current Liability	510.28	1697.78	1427.4	1527.5
Current Liability	850.30	1384.1	2238	2348.4
Total	2016.62	4983.91	6931.7	7591.5

CONSOLIDATES CASH FLOW STATEMENT

	31/3/14	31/3/15	31/12/16	31/12/17
CASH FLOW FROM OPERATING ACTIVITY	211.01	322.26	304	512.2
CASH FLOW FROM INVESTING ACTIVITY	(87.6)	(183.99)	(830.8)	(308.3)
CASH FLOW FROM FINANCING ACTIVITY	(116.36)	(293.66)	574.8	(235.6)
FREE CASH FLOW	7.05	(155.39)	48	(31.7)

VALUATION

A. RELATIVE BASED

FORGINGS

COMPANY	MARKET CAP/SALES
BHARAT FORGE	3.6
RAMKRISHNA FORGINGS	1.33
MM FORGINGS	2.32
KALYANI	0.42
AVERAGE	1.93

Market Cap for Forgings= Sales from forgings of MCIE*Average Market Cap/sales
= 4626CrS*1.93
= 8928.18CrS_____ (A)

GEARS

	MARKET CAP/SALES
BHARAT GEARS	0.26
SHANTHI GEARS	4.81
AVERAGE	2.54

Market Cap for Gears = Sales from Gears of MCIE*Average Market Cap/sales
= 581.5CrS*2.54
=1477.01_____ (B)

STAMPINGS

	MARKET CAP/SALES
AUTOMOTIVE STAMPING	0.23
ALCOA CORPORATION	0.63
MARTINREAS INTERNATIONAL LTD	0.31
SHILOH INDUSTRIES	0.2
AVERAGE	0.34

Market Cap for Stampings= Sales from Stamping of MCIE*Average Market Cap/sales
=843.7CrS*0.34
=288.86_____ (C)

OTHER TECHNOLOGY (CASTINGS+COMPOSITES+MAGNETIC PRODUCTS)

	SCENARIO-1	SCENARIO-2
MARKET CAP/SALES	1	0.5
(MARKET CAP/SALES)*SALES	671.2____(D1)	335.6____(D2)

	Assuming scenario-1	Assuming scenario-2
Total Market Cap	(A)+(B)+(C)+(D1) 11365.25Crs	(A)+(B)+(C)+(D2) 11029.65Crs
No of Equity shares	37.84Crs	37.84Crs
Price per Share	Rs300.35	Rs291.48

STEPS FOR VALUATION

- Firstly, we need sales from each technology or major contributors like Forgings, gears, stampings and others.
- We need to find Market Cap/Sales of all peers in each technology.
- Finding average of Market Cap/Sales in each technology excluding MCIE.
- Multiplying Average Market Cap/sales with Sales of MCIE technology respectively.
- We get Market Cap of each technology; we add them to get total Market Cap of MCIE.
- Dividing Market Cap by No of equity shares we get share price.

B. EARNING BASED

	H1CY18	H2CY17	H2CY18	CY18	CY19
Gross Sales	3883.7	3617	4159.55	8043.25	9249.74
NP Margin				5%	5%
NP				402.16	462.49
NP*(P/E)				10858.32	12487.23
Price per Share				Rs 286.95	Rs330

STEPS FOR VALUATION

- We already have 6 months sales (H1CY18) so we expect that gross sales will grow by 15% in 2nd half of 2018(H2CY18) from previous year(H2CY17).
- So, we get Rs4159.55Crs expect gross sales in second half of 2018, if we add first and second half of 2018 gross sales we get total sales that is Rs 8043.25Crs.
- We use gross sales of CY18, expect 15% growth in CY19 and we get Rs9249.74Crs.
-

- Net Profit Margin is 5.38%, we expect it to be 5%, so expected Net profit for CY18 is Rs402.16Cr and for CY19 is Rs462Cr.
- Multiplying Net profit with P/E (assuming P/E to be 27) is equal to Market Cap, hence we find Price of share as Rs286.96 for 2018 and Rs329.99 in 2019.

(in Rs Crs)	VALUE OF STAKE
5% Stake	480
100%	9600
Total Market Cap	9600
No of Equity Shares	37.84
Price per share	253.7

STEPS OF VALUATION

- CIE Automotive acquired an additional 5% in Mahindra CIE Automotive Ltd from Mahindra and Mahindra on 29th June 2018 for an amount of approximately 60Million Euros.
- Value of 5% stake is Rs480Cr, so total value of company is Rs9600Cr, which is the total Market Cap so we get price per share of Rs253.7. (1Euro=Rs80 as on 29th June 2018)

CONCLUSION

Mahindra CIE is growing in last 4 years after its global alliance between Mahindra and CIE Automotive. MCIE sales is increasing at CAGR of 36.02%, EBITDA at CAGR of 90.06% and operating profit at CAGR of 95.65%. PAT and EBIT were negative in 2014 but within 3 years it is able to recover positive profit numbers.

In spite MCIE showing strong quantitative growth still it's a risky company because MFE AG (one of its subsidiary) has been issued Letter of Awareness valid till March'2020 that is financial support from CIE Autometal S.A. Europe growth is highest dependent on Metalcastello and India growth from Bill forge (acquired in 2016). Europe is growing market for electric and hybrid vehicles but MCIE is going to take time to upgrade its technology so until then it might loose market share in Europe. MCIE is not updated with changes in technology happening in industry. Out of 14 subsidiary, 2 are dormant companies, majority of them have not achieved standard set by CIE Autometal (Spain), its going to take time for some subsidiary where there is huge previous loss.

MCIE is planning inorganic growth in India which will make business more into merger and acquisition rather then working on efficiency and technology. Firstly, MCIE has to reach balance level of continuous efficiency and growth, diversifies its customers and focus more on performance then expansion.

DISCLAIMER

I am not a SEBI registered Research Analyst. No recommendations are given for the company discussed in the report. Any valuation discussed in the report is solely for informational reasons and not to be taken as an investment recommendation. I do not hold any shares of the company, neither am I a beneficiary to any of the shares of the company.

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