



CIE Automotive

**TO THE SPANISH SECURITIES MARKET COMMISSION
DISCLOSURE OF A RELEVANT EVENT**

Following article 17 of Regulation (EU) 596/2014 on Market Abuse, article 228 of the Royal Legislative Decree Law 4/2015, dated October 23, on the Securities Market and applicable legislation, CIE Automotive, S.A. (hereinafter, the “**CIE Automotive**” or the “**Company**”), announces that its Indian subsidiary Mahindra CIE Automotive has entered into an agreement to acquire all the shares of the Indian company Aurangabad Electricals Ltd (hereinafter, “**AEL**”).

The price of the transaction amounts to 8,756 million rupees (110 million euros approximately), which includes a contingent deferred payment of 622 million rupees (8 million euros approximately). The consideration will be paid by Mahindra CIE Automotive Ltd in cash, and will be funded by means of the available cash of Mahindra CIE Automotive Ltd.

Founded in 1985, AEL is a family owned (lead by Mr. Rishi Bagla) market-leading manufacturer of automotive aluminum die casting products based in Aurangabad, India, with five manufacturing facilities in the country across Aurangabad, Pune and Pantnagar.

AEL is a crucial supplier to a number of domestic and global two-wheeler and passenger car OEMs and Tier 1 companies. It manufactures a variety of body, brake and engine parts through high pressure die casting as well as gravity die casting processes.

AEL’s turnover in the last closed fiscal year amounts to ~ INR 8,500mn (108 million euros approximately) and an EBITDA margin near 12%

The closing of the transaction remains subject to fulfilment of customary conditions in this kind of transactions, which are expected to be conducted during April 2019.

A presentation describing the transaction and the main features of AEL and a press release are enclosed herewith. Said press release has been made public in India simultaneously to this relevant information notice.

Bilbao, 12 March 2019.
Roberto Alonso Ruiz.
Secretary of the Board of Directors



Press Release

CIE AUTOMOTIVE ACQUIRES AURANGABAD ELECTRICALS LIMITED

The Indian market-leading manufacturer of automotive aluminum die casting components will be integrated through Mahindra CIE

Bilbao, 12.3.2019 – The Board of Directors of Mahindra CIE (“MCIE”) resolved today to acquire the business of Aurangabad Electricals Limited (“AEL”) through the acquisition of 100% of its equity shares for an enterprise value of INR 8,756 million, which includes a deferred payment estimated up to INR 622mn.

Founded in 1985, AEL is a market-leading manufacturer of automotive aluminum die casting products based in Aurangabad, India, with five manufacturing facilities in the country across Aurangabad, Pune and Pantnagar. AEL has been promoted by the Bagla Group and has been led by Mr. Rishi Bagla, who has made a significant contribution towards developing the aluminum die casting industry in India. Motilal Oswal has acted as the financial advisor to the Bagla Group during this transaction.

With more than 3,300 employees, sales of ~ INR 8,500mn and an EBITDA over sales margin near 12%, AEL is a crucial supplier to a number of domestic and global two-wheeler and passenger vehicle OEMs and Tier 1 companies. It manufactures a variety of body, brake and engine parts through high pressure die casting as well as gravity die casting processes. AEL also has capabilities for machining, heat treatment, powder coating, assembly and leak testing, along with a modern tool room.

According to Jesús María Herrera, Chief Executive Officer of CIE Automotive, “We welcome AEL and team to the CIE family. We are very impressed by the business they have built and its sustainable and profitable growth. We believe that their integration in MCIE will provide important opportunities for both MCIE and AEL. This transaction also reinforces CIE’s commitment to the Indian automotive market and means a new opportunity to further extend the CIE model of manufacturing excellence in India.”

Ander Arenaza, Chief Executive Officer of MCIE, says “This acquisition allows MCIE to enter the aluminum die casting technology. AEL’s complementary product and customer mix leads to further diversification of the business portfolio of MCIE India, strengthening especially our presence in the two-wheeler space. The company has very good manufacturing processes and internal controls and is run by a very capable team.”



CIE Automotive

Rishi Bagla, Chairman and Managing Director of AEL, comments, “AEL has built up a formidable reputation as a high-quality supplier of automotive aluminum die castings in the Indian and international market over the last three decades. While AEL has been a family owned business, it has been operated by a very professional management team. We are convinced that the partnership with MCIE and CIE will give the company a great boost and allow AEL to benefit from global best practices in aluminum die casting. We share a wonderful relationship with CIE based on mutual respect and trust and this has given us great confidence to enter into this strategic operation. With the proceeds of the transaction, the Bagla Group will further develop its industrial activities and businesses.”

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Interim Update: M&A Announcement

Mahindra CIE Automotive Limited

12th March 2019 | Mumbai



Mahindra CIE

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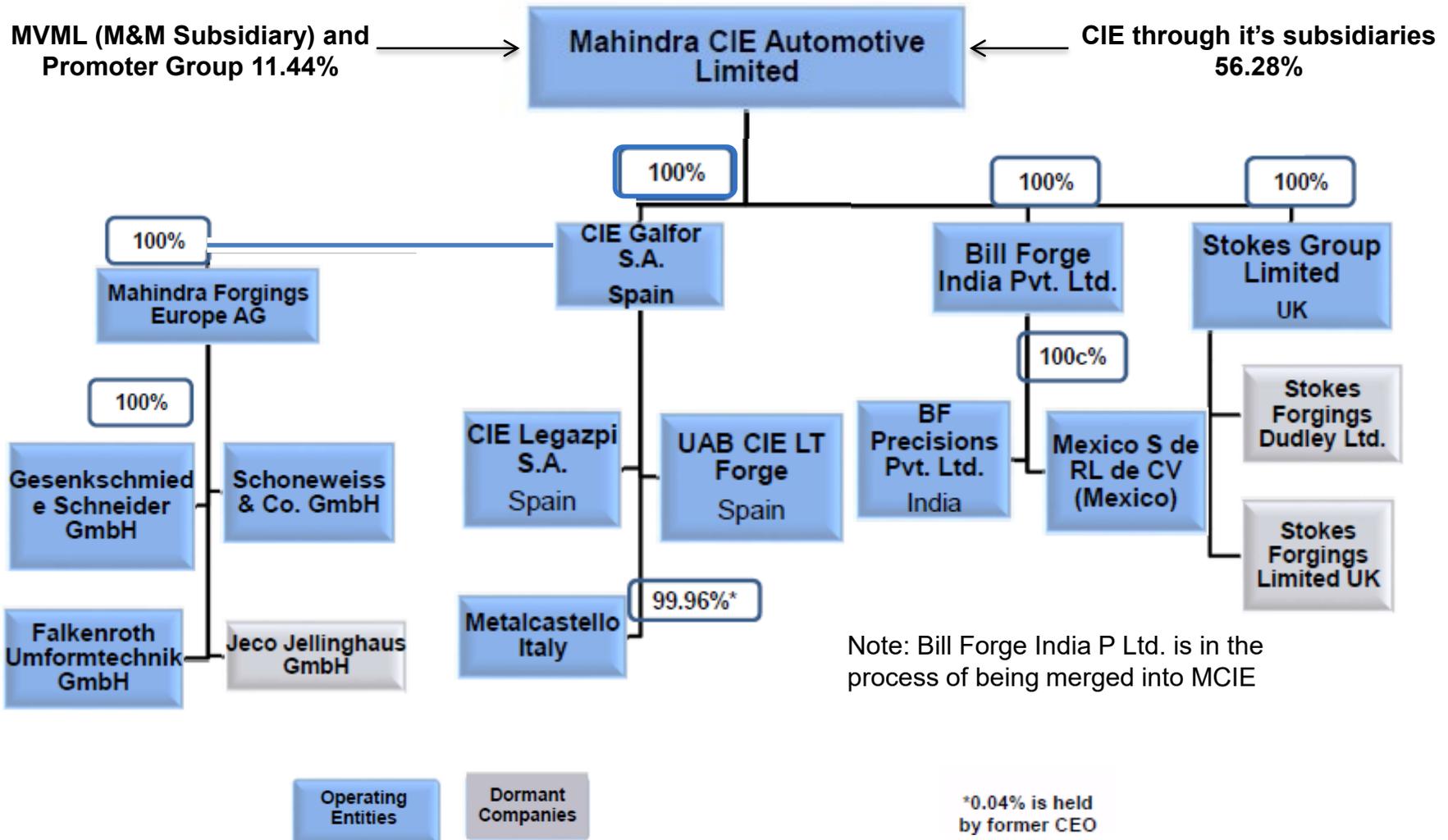
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MCIE Overview: CIE Automotive's Indian Arm



CIE Strategy & Culture: Diversification & Value Generation



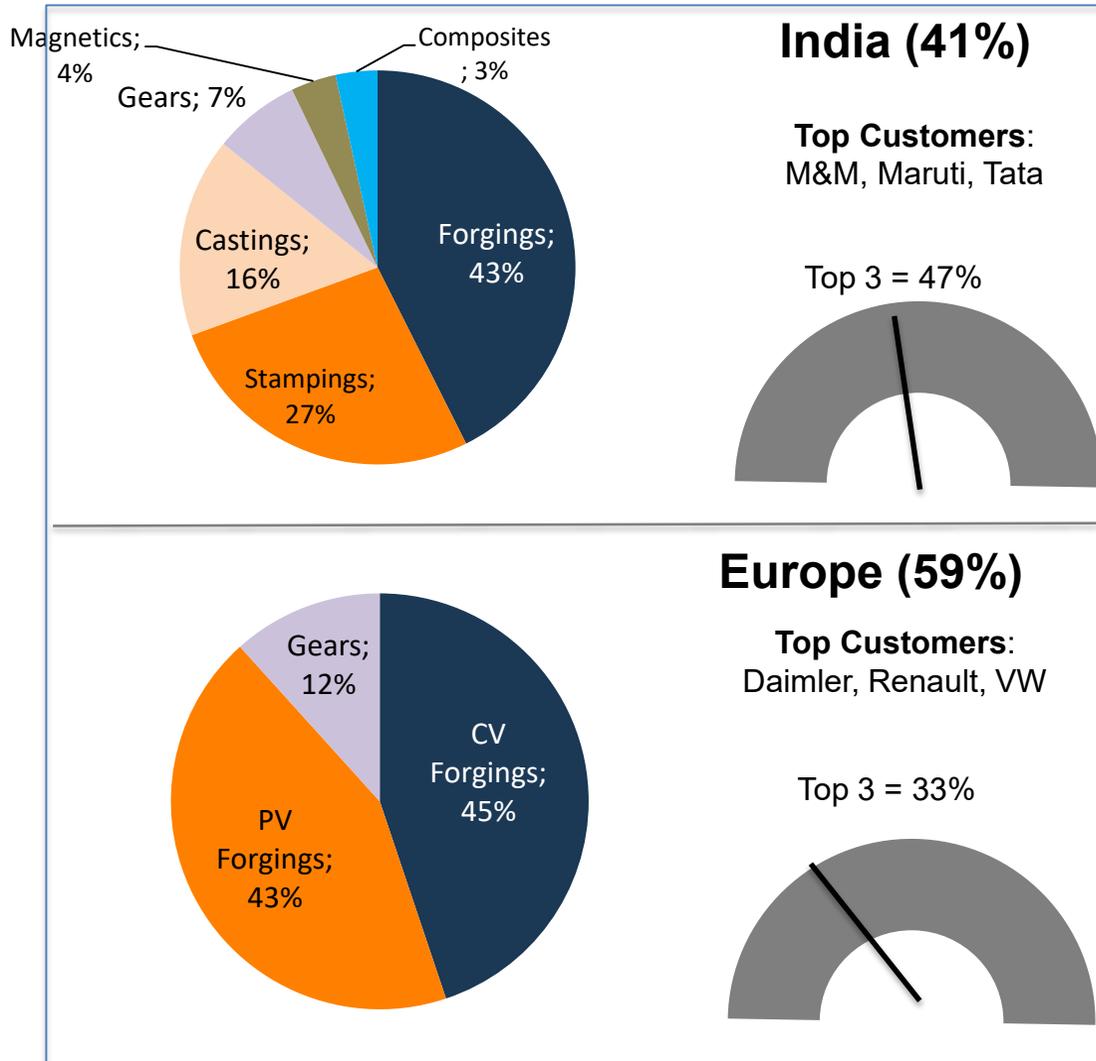
CIE grows through a mix of organic & inorganic initiatives –
it has done more than 70 M&A transactions since 1996, with over 20000 people integrated in Europe, North America, South America & Asia

Source: CIE Company Presentation, March 2019 accessed at

<http://www.cieautomotive.com/documents/125060/137252/Company+Presentation/1b391d2e-bca3-4cf6-ac11-90ef80ff3a53>

MCIE replicating CIE global strategy

Diversification : Geographic, segments, customers



Operational Excellence

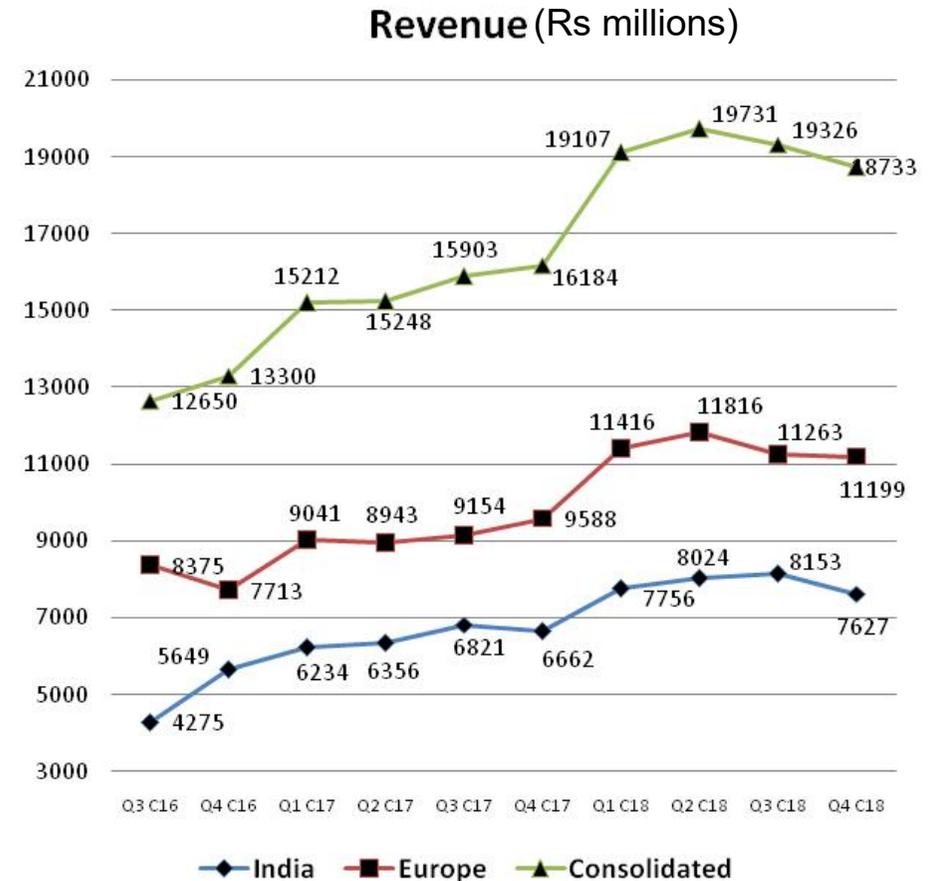
INVESTMENT DISCIPLINE AND RETURN EXIGENCE	
STANDARD FLEXIBLE MACHINERY	Valid to produce for different customers and platforms
STRICT INVESTMENT DISCIPLINE	Investment analysis discipline, always requiring high returns.
EBITDA CONVERSION INTO CASH	Optimization of productive capacity and investment control

*Data for CY18

MCIE performance has been consistent and it is in a position to focus on growth initiatives

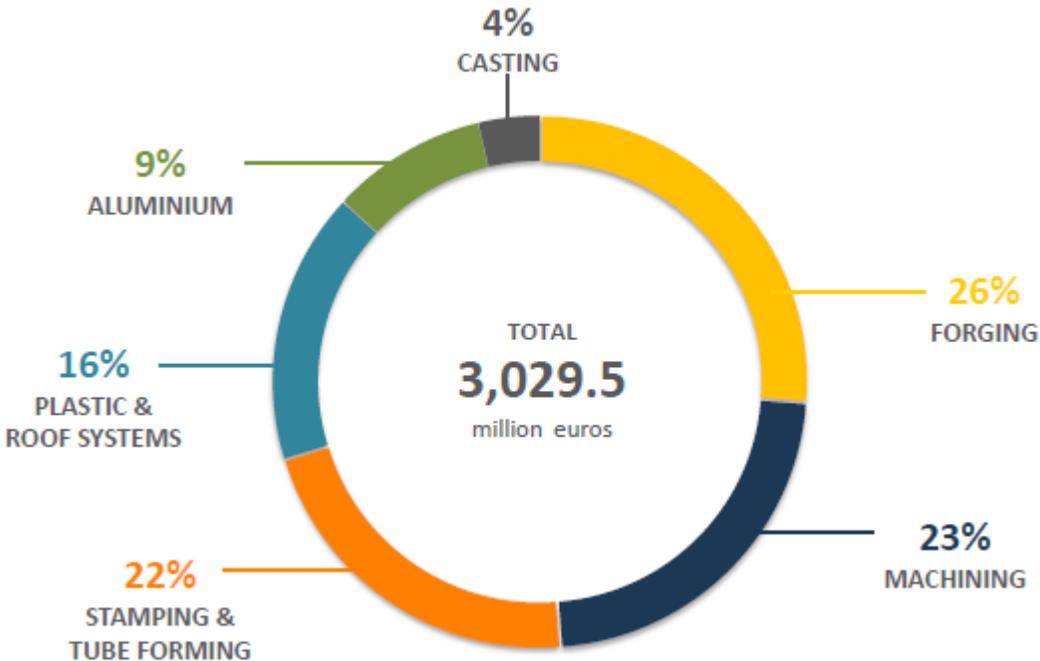
RATIO	CY 2018	CY 2017	CY 2016
EBIT% ⁽¹⁾	10.5%	9.2%	6.3%
RONA ⁽²⁾	15.8%	11.9%	9.0%
Operative Cash Flow /EBITDA	66%	44%	46%
NFD/Equity	0.17x	0.24x	0.3x
NFD/EBITDA ⁽³⁾	0.67x	1.1x	1.6x
ROE	11.6%	9.6%	5.2%
ROE Continuous Operations	12.8%		

- (1) The EBIT numbers for CY 2017 and CY2016 are excluding Stokes
 (2) RONA = "Return on Net Assets": EBIT / Net Assets (Fixed Assets + Net Working capital + Goodwill).
 (3) For all ratios of 2016, Bilforce last 12 months EBITDA and EBIT has been considered

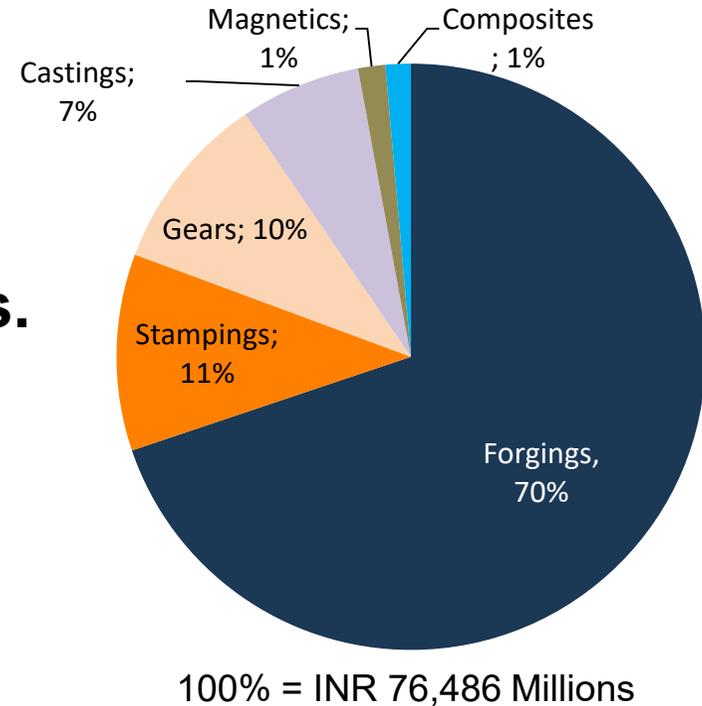


Entry into Aluminium is a key part of replicating CIE portfolio

CIE Consolidated (CY18)



MCIE Consolidated (CY18)*



Vs.

*MCIE is the forgings arm of CIE and CIE's vehicle in Asia – Forgings will continue to have higher weightage in MCIE than in CIE

Aurangabad Electricals: Aluminum Die Casting & Machining

Announcing acquisition of business of Aurangabad Electricals (AEL) – Aluminum die casting company for two wheelers & passenger cars primarily in the areas of body, brake & engine parts

Plant Locations

Plant N1
HPDC (17 presses: 150-900 T) +
Machining

Plant 3
HPDC (22 presses: 150-650T)+
Machining

Plant 3A&B
HPDC (7 presses : 840T) +
Machining

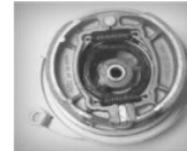
Plant GDC
GDC(32 machines) + Machining

Tool Room

Plant 6
HPDC (10 presses: 250-840T) +
Machining



Products



Brake Panel



Step Holder



Crankcase



Clutch Cover



Brake Drum



Cyl. Head



Oil Pump Hsg
(HPDC)



Brake Caliper
(GDC)



Turbo Cover
(GDC)

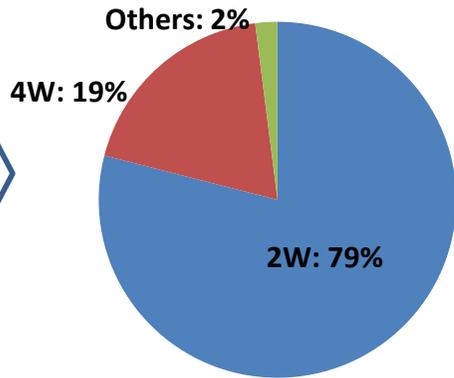
HPDC

+ Capabilities for Heat Treatment, Powder Coating, Assembly & Leak Testing

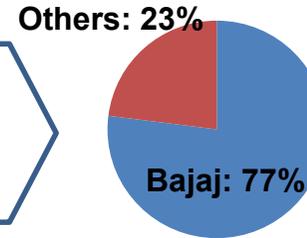
*HPDC= High Pressure Die Casting
GDC = Gravity Die Casting

Aurangabad Electricals: Overview (H1FY19)

Market Segments

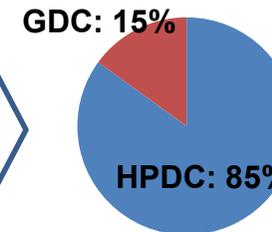


Customers

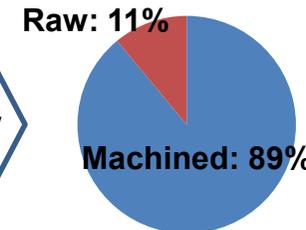


Others include Nidec-GPM, Brembo, Mitsubishi, Bosch, Valeo, Ashok Leyland etc.

HPDC vs. GDC

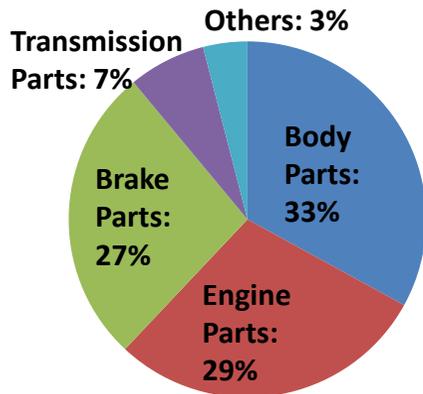


Machined parts vs. Raw Parts



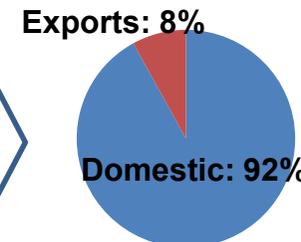
HPDC : >90%
GDC : 60%

Product Categories



100% share of business in many product categories

Domestic vs. Exports



~40% of Bajaj production is exported. Overall dependence on exports is 35-40% of revenues

Strong Customers + Strong Goodwill + Strong presence in 2W + Increasing Exports & Diversified Product Mix + High Machining Content + Competitive position in top products

Aurangabad Electricals: Financials

P&L*

- Net Operating Revenues F19 (E): INR 8586 Mn
- PAT% F19 (E): 4.7%
- EBITDA% F19 (E): 11.8%
- Revenue Growth
 - F19 (E): 34%
 - F18 (A): 14%

*Numbers are estimated for FY19 and as of March 31, 2019

(E): Estimates

(A): Actuals



Excellent Track Record

Aurangabad Electricals: Going Forward



- Market – AEL dependent on 2W market& especially Bajaj Auto
 - Two Wheelers is traditionally a segment with the least cyclicity and will remain largely stable
 - Rise in Rural income and penetration leading the growth
 - Scooters & Premium motorcycles demand growing
 - Exports growth led by Latin America and South Asia
 - Bajaj continues to be one of the strongest auto OEMs domestically and one of the largest exporters

- Exports – AEL expanding export portfolio
 - As Europe and other advanced economies curtail Gravity Die Casting (GDC), export opportunities are arising

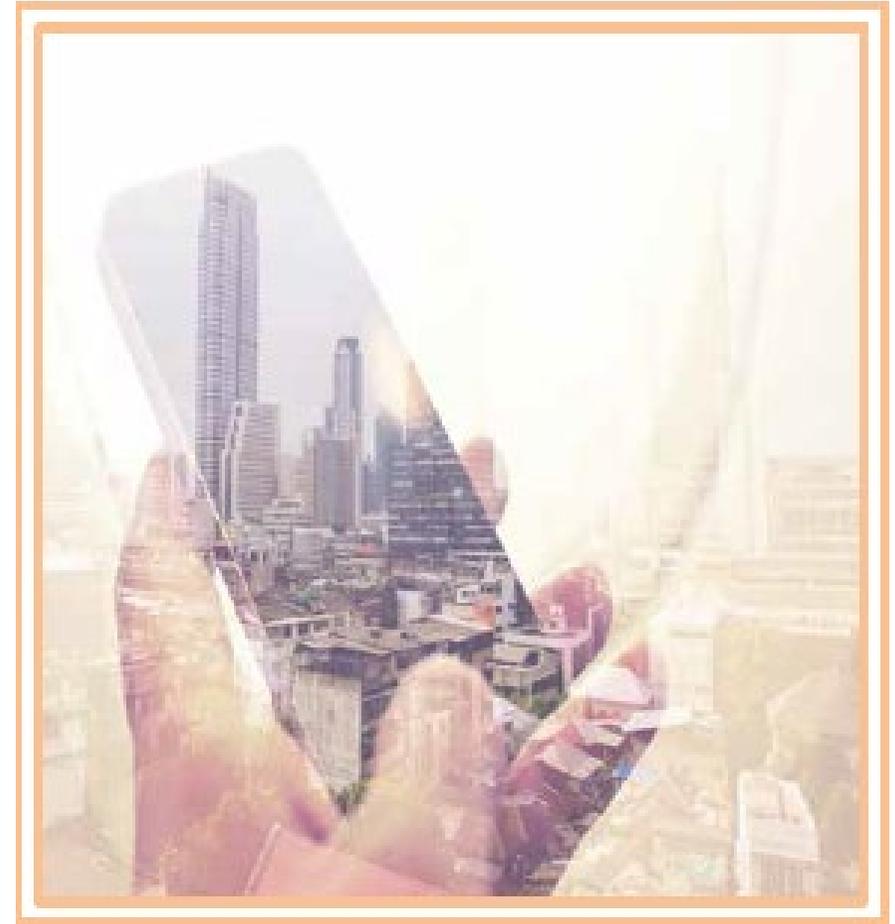
- Strategy
 - Continue to add new products in the 2W portfolio
 - Focus on GDC to increase exports
 - Optimise operational efficiency especially in new products & lines

- Capex & Growth
 - Aiming at double digit growth in the near future
 - Most of the capex for growth already done – from next year, 4-5% of sales as per norms

Deal Parameters

- 100 % of acquisition of business of AEL through equity
- All Cash Deal
- MCIE will pay through cash on its balance sheet
- Enterprise Value* of Rs 8756 mn
- EV/EBITDA – F19: 8.7, F20: 6.7
- Management team fully retained

*Enterprise NPV includes future deferred payment estimated upto INR 622mn associated with NPV of future cash flows of subsidies for AEL under the Government of Maharashtra's Package Scheme of Incentives, 2013



MCIE's Rationale for Acquisition & Subsequent Integration



- Ensures entry into AI die casting
 - AI will play a larger role as electrification of auto industry happens; will help MCIE in future
- Increases revenues & profits in India
 - MCIE's dependence on India: 41% to 47%
- Strengthens presence in 2W segment
- Diversifies customer base
- Is Value Accretive
 - Improves ROE% & EPS
 - Marginal impact on EBITDA% & RONA%
- Integrates a well run company
 - Strong historical performance
 - Excellent management team, led by industry veterans, team is being retained fully
 - Good internal controls
- Provides synergies with CIE
 - Expands GDC footprint of CIE
 - Opportunity to improve efficiencies via CIE manufacturing excellence model
 - More European business for AEL



Thank you

Mahindra CIE