

## Background & Business

MCIE has been formed by alliance of CIE Automotive (CIE), Spanish auto-component major & M&M's auto component business which falls under Mahindra Systech. Latter is not a legal entity, but a sector of Mahindra Group which oversees auto comp, engineering services, steel & aerospace businesses. However, in this alliance only the auto comp business of M&M i.e. all listed & unlisted companies in India & overseas were carved out; alongside CIE's forging plants in Spain & Lithuania which got merged into existing Indian listed entity called Mahindra Forgings; which got renamed to MCIE. Key segments of MCIE as per latest Annual report (Apr'15-Dec'15) are: Forgings (66.5% of standalone revenues), Stampings (12.5%), Gears (9.5%), Castings (7.5%), Magnetic Products (2.5%) and Composites (1.5%).

**From** : 21-05-2014  
**To** : 21-01-2015  
**Performance** : 135%  
**Recommendation** : CLOSED

## Investment Thesis

MCIE was carved out from CIE & several of M&M's businesses and was intended to combine M&M's reach with CIE's technological superiority. CIE has a reputation for being a specialist in turning around operations of loss-making companies. MCIE has undergone major revamp across its top management, led by appointment of new CEO, Ander Arenaza who has laid down a clear roadmap as MACA enters phase2 of growth from 2017-20. Apart from organic expansion, management is on the lookout for strategic acquisitions like Bill Forge Pvt Ltd for inorganic growth. Management indicated that multiple challenges, which were withholding synergistic benefits (like outsourcing) across the MACA group, would be addressed),

## Outlook

MCIE has considerable exposure to European economies, more so post the acquisitions that it has made over past few years. Hence, there remain medium-term challenges to growth of European economies and hence to MCIE's business. We have played MCIE's story successfully at an opportune time and have managed to log in nearly 135% returns. However, we feel that our investment thesis has fully played out and we do not see scope for further upside. Hence, we exit the stock.

