



**“Mahindra & Mahindra Limited Q2 FY25 Analyst
Meet”**

Nov 7, 2024

**MANAGEMENT: DR. ANISH SHAH – GROUP CEO & MD, MAHINDRA &
MAHINDRA LIMITED**

**MR. RAJESH JEJURIKAR - ED AND CEO, AUTO AND FARM
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Moderator:

- Good afternoon, everyone and a very warm welcome to the Quarter 2 Analysts Meet of Mahindra & Mahindra Limited. We have with us today our group CEO and MD - Dr. Anish Shah, ED and CEO of our Auto and Farm business - Mr. Rajesh Jerurikar and our Group CFO - Mr. Amarjyoti Barua. Once the presentation concludes we will commence the Q&A Session. Just as a reminder this meeting is being recorded. For the purpose of completeness, I do wish to read this out.
- Certain statements in this meeting with regard to our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to be materially different from those in such forward-looking statements.
- With that I now hand over to Dr. Shah for his opening remarks.
- **Dr. Anish Shah – Group CEO & MD, Mahindra & Mahindra Limited:**
- Good afternoon, everyone. Good evening to folks who are joining online or good morning as well. Before we start the presentation, I'd just like to say that this is one quarter where we've seen all our businesses come together. While we've always driven consistent operating performance, we've always had something not moving exactly as it needed to. But this is one time when we're starting to see everything move in the right direction. So very glad to start with that.
- Auto and farm, with a very strong operating performance. Auto revenue market share is at 21.9%, up almost 2 percentage points versus last year. PBIT margin up significantly as well at 140 basis points versus the prior year same quarter. Farm market share up almost 1 percentage point, fairly significant given that we are in the low 40s in terms of market share, and there again margins up 150 basis points versus the same quarter last year. Services, an area that we have talked about a lot, has seen an 80% growth in Profit After Tax, that's driven by TechM, Mahindra Finance and our other growth gems. TechM has seen traction in BFSI. EBIT is up almost 5 percentage points, yes, from a low base and there is more to do on that front. So, we continue to drive margin expansion in Tech Mahindra.
- Mahindra Finance while there's been a lot of commentary on it, this is a business that continues on the right track from a turnaround standpoint. Asset quality has been the most important thing. In fact, in '22 we talked about getting to GS3 of less than 6%. We are less than 4% and continue to be. It's at 3.8 right now. We will see some variation between 3.6, 3.8, 4 in that sense, but that's part of the business itself. And the key is, that is a very significant change in business model in terms of leaving

out certain segments that contributed to higher volatility and getting to a much more stable ways.

- In addition to that Asset Under Management are up 20%. PAT is up 36% actually, and GS-3 is within range at 3.8%, with end losses down to about a percent or so. So overall on a fairly strong trajectory, I'll talk about that a little more, resulting in a consolidated PAT of 35% higher than where we were last year same quarter, 3,171 crores. And ROE, we maintain 18% and we are at 18.9 in terms of this quarter.
- As you look at the numbers, Revenue close to 38,000 crores up 10%. Profit After Tax up 35%, as I mentioned. That does include gain in terms of sale of land, which is not an operating income. And if you exclude that it's up 22% from the same quarter last year. Key drivers on the consolidated PAT Auto and Farm, up 23%. I talked about margins, market share. In addition, Rajesh will talk about the new launches and the success that we've seen there.
- Tech Mahindra, what you see here is a significant growth versus last year same quarter. As I mentioned last year same quarter was muted, it had come down, and therefore, we're sort of getting back closer to where our normal would be, and then go beyond that to increase the margin and close the gap further with our competitors.
- Mahindra Finance up 36% . Growth gems, what you see here is a gain last year that included revaluation of Teqo, as Ontario Teachers came in and took a stake in that. And excluding that revaluation gain last year, we are up 72% in terms of other growth gems. The growth gems, I will say, that we are not as focused on the profit number every quarter. We are building these businesses for the long term. We want a 5x worth in these businesses long term. So, we will see some volatility possibly in profit quarter-to-quarter. It's a good time for me to say it when we are up 72%, so I'm not saying it when we are down something. But that is something we keep in mind, we are building these for the long term, not for quarter-to-quarter profits at this point.
- The one thing I do want to mention on this page before I move forward is, our renewables business Susten, we had talked about 5 gigawatts in 5 years, so 1 gigawatt a year. In this last quarter, in one quarter alone, we got almost 1 gigawatt, and that's coming off 2 gigawatts last year. So, this business is starting to move at a much faster pace than what we had planned for.
- Capitalizing on market leadership with Auto and Farm: I spoke earlier about a market share volumes up 18%, margins up. Capacity is at 54,000 now. We had talked about getting to 49 at the end of last year, we did. We had talked about getting to 54 now, we have. And we have spoken about adding capacity for Electric, which is well underway and in terms of plan and what we've said in line with it at this point in time.
- Farm we're seeing an uptick in rural sentiment, and Rajesh again will talk about that. We are seeing some challenges in international businesses and we'll talk more about that in the coming quarters. But a lot of it is driven by market outlook or what the market's been doing in the US significantly down versus where it has been, and

hyperinflation in Turkey that we've seen, which does impact the accounting numbers. So, we are, as we always do, and I'll pre-empt a question here, doing a detailed analysis of companies especially under stress, does not mean we exit companies when they're under stress, because many of these have a good strong long-term potential, and we've just got to work through that stress. We've got to make sure that we are certain that we can win, we are certain that we can get that long-term potential, and if at some point we feel we cannot in any company, then we will take action on it at that point in time, but we're not there as yet.

- Mahindra Finance: I will highlight the fact that disbursements were down 1%, and that is something that we're really not concerned about because our focus has been on building the new model and growing the right way. Growth is there in this business in a significant manner. If this business... We tell the business don't grow at all costs, grow responsibly. And if that means slightly slower growth in a particular quarter, that's fine. But make sure that the asset quality stays strong, make sure that we're doing everything from a technology and data standpoint that we said we will do, and more importantly, start the diversification process. That is one area we've been slower than what we have promised so far, because we wanted to make sure controls were right and the business was set up well, not to have surprises, and that's a process we are starting now with expansion into mortgage, and you will see more of that in the coming quarters.
- Tech Mahindra: From an industry standpoint is seeing a mixed demand outlook. Some positivity in certain areas. BFSI has been a good space for this business, and something that has helped Tech Mahindra diversify into new areas as well. And I talked about the focus on margins that we have here.
- In terms of three of our growth gems, logistics is starting to see some uptick in volume. It has been an industry that's seen somewhat muted volume for a few quarters, and we're starting to see some of that come back. A lot of cost efficiency initiatives are underway, and there is stronger execution that we are seeing. We still have some more work to do on that front with regard to the express business and the integration of Rivigo, which has caused some of the profit impact in this business. But on balance, the business is in an industry with tremendous potential and has a very good set of customers, has a very good operating model, and it's one that we feel very, very confident about.
- Hospitality is moving well. All parameters are looking good, and we are exploring what are avenues for further expansion of this business, and we'll come back once we outline some of those avenues.
- Real estate business is obviously operating in a very strong industry tailwind at this point in time, and is doing very well, not just in terms of that tailwind, not just in terms of land acquisition which you see on this page, but also in terms of profitability, in terms of executing very well on projects, delivering the profitability that we expect in those projects, and that's a significant change in terms of having this business move forward well, and one that gives us more confidence around the strength that we have in the business and the ability for it to grow further.

- So with that, the standard slide that I end with, which is a consistent delivery on commitments. We stay above 18 % for ROE. And on EPS growth, as we look at F22 onwards, which is where we had made the commitment, we are at a 40% CAGR as we stand today.
- With that let me invite Rajesh to take you through some of the details on the Auto and Farm businesses.
- **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**
- Hi. Greetings everyone depending on where you are. I'll quickly walk you through these slides. You've seen the numbers I'm not going to belabour them, so that gives us enough time for questions. So, we've had a 4% growth in the quarter on the tractor side. Exports were up 27%. The key news here is the market share has continued to be very strong. And in fact, October was keeping up with that momentum of even going above the average that we've had year-to-date, taking our YTD October market share to 43.7%.
- A few awards that we won. The Farm Machinery business has shown good growth, but we would expect it to do better. It's not done you know fully to the expectations that we would like. And there are a set of things we're doing. There's a new upgraded Swaraj harvester which has just gone in this season. We've seen some good momentum on that, and we do want to see the Farm Machinery business grow at rates higher than what you're seeing here.
- The Farm consolidated numbers, we've got a 6% growth. Anish did talk about the effect of some of our international subsidiaries impacting this, and one of the key ones has been North America where the market has shrunk significantly. So, we've seen 11 quarters of industry degrowth there, which means like when you look at it on a point-to-point three-year basis and industry size of tractors less than 100 Horse Power, which was about 300,000 is now about 180,000. That's the kind of degrowth we've seen over the last 2 ½ to 3 years. We do expect this to come back as interest rates come down. Some of this was triggered by political uncertainty, a little bit of wait and watch. So we do think that this is going to revive and come back, but that is impacting our numbers. The Turkish inflation accounting, hyperinflation, as it's called, is not a cash impact, it's an accounting impact which we've been reckoning over the last few quarters. Turkey continues to have a huge amount of inflation.
- The Farm margins, Just focus on the tractor margin to begin with, has come in at a good number of 18.7%. As you'll know, Quarter 2 is a low volume quarter. So, in a low volume quarter, an 18.7% margin, we believe, is a good margin for us.
- This is a slide we often show you to show how we are able to deliver a consistent margin percentage irrespective of the industry growth percentages that are happening.
- We've seen some very good improvement in rural momentum over the last few weeks, maybe 6-7 weeks if I would say, so starting mid to end September as we got into the season. We are revising our outlook for the year to between 6-7%, which

means the second half growth is expected to be between 13 to 15% for tractors. There are several factors here, I know all of you studied this very closely, but we have seen, I'm sure you'll have more questions on this, but a very good retail momentum on tractors through the, what we call, the Navratra to Diwali period.

- Very strong volume growth in SUVs which has led to a revenue market share increase. And on the LCV side, we've been talking about a difficult industry growth scenario over the last few quarters. We are, finally in October, seeing a positive turnaround on the industry growth. One of the parameters that we watch closely for pickups is, the *mandi* arrivals because we see demand getting linked to that. And that, in the second half of October has gone up by 20%. So this is the first time we are seeing a change momentum, and that's why the last 10-15 days of the festival season, for multiple factors including some of the ones that I spoke about, has seen a very good momentum on the tractor side. Three launches on the Auto side in the last six months. Two of course have been there now for a while. Veero has just got into the market, but initial feedback has been very good.
- Just a quick look at the numbers for you by the way volumes and shares have grown on the SUV segment. The Thar did very well. We got 1.3 billion video views, and all of it organic. Just multiple sets of people who put out videos, huge number of visits to our websites. And of course, you all know the booking number, but there is a huge amount of excitement and enthusiasm and passion around Thar Roxx as a brand.
- The LCV, of course, we've been strong on market share and that's been growing. I just talked about the industry which has been more subdued, but hopefully, we should start seeing a turnaround there. This is on the Veero launch which happened in September. We believe we have a very good product. Not only is it very capable from a commercial vehicle segment point of view, but it's the first real car-like product, and we have actually seen in a category like this for the first time, a skew to the top version, which comes with the infotainment system and all of that, which is unlike what we've seen where we've tried to do things like this in the commercial vehicle in the past.
- Some awards on the Auto side. This is out of the FADA survey that was done. It was a large sample size survey of 5,000 customers in which we ranked Number 2 in customer after sales experience and Number 2 in dealer satisfaction.
- The Last Mile Mobility is a segment which is electrifying really fast. Last quarter saw 20% electrification in the segment. We continue to remain Number 1 by way of market share, but we're seeing a very, very rapid pace of adoption of electric in the three-wheeler segment. We also launched an electric four-wheeler which we call Zeo, which has just happened towards the end of September, actually early October.
- The Auto consolidated numbers are very strong, 36% PBIT growth and 15% revenue growth. The margin has been very strong at 9.5%. There was some conversation around whether the 700 price drop will affect our financials and our margins and so on and so forth, and we were very sure of the impact that this was going to have and the reasons why we did it. We can talk more if any of you have questions, but you can clearly see that we have been able to get an absolute profit growth and a percentage margin in spite of the actions that we took. We believe that's actually

been a good enabler because 700 volumes are very strong now and we have the mix back to the top end.

- I'll end with this slide which is, we're finally ready to reveal the two, we're calling it now 'electric origin SUVs'. We're naming them BE 6e and XEV 9e. So, these two products will be revealed in November and will be in market in early part of 2025. More of that after 26th November; the event we have in Chennai.
- I'll just leave you with a teaser before Amar comes and takes over. Thank you.
- *(Teaser plays)*
- **Mr. Amarjyoti Barua – Group CFO, Mahindra Group:**
- I hope you are as excited as I am about these launches. I know many of you will be joining us, so, look forward to seeing you all there. I'll just wrap up with some key messages. You've already heard the numbers so I'm not going to go too much into the numbers, but here are the key messages.
- When you look at our consolidated performance, as Anish mentioned, this is the one time where the entire group has come together really well and this is what is a reflection of the strategy that we have been executing. So in the consolidated revenues, you see a huge contribution of Auto of course, at 15% but matched as much by the services segment at around 12%. Farm is the one where we did see some stress, primarily driven not by domestic, but by international subs. And as we mentioned, that's something that we are going to evaluate. Again, from a long-term lens, these are not short-term decisions anybody is going to take, these are from a long term what makes sense.
- When you think about the same on the profit side, very strong performance from auto again, you saw the results, 36% up in PBIT. Farm is actually up despite the challenge on the revenue side from international subs, was up around 6%. But what has also helped is tremendous growth and profitability on the services side.
- Mahindra Finance and TechM of course, you've heard enough of from Anish. I'd also like to call out that the growth gems, Accelo in particular did well. Logistics had good revenue growth even though profitability is something that we are continuing to work on. And so, overall, the group really came together this quarter. I'll call out the gain on land sale, Anish did as well. Without that it would still be a very, very impressive 22% growth for the group.
- Key message here is, you can see, the Services box is as big as the Auto box. And that's the key thing that we want our strategy to be executing towards is, every part of this group should be contributing to the profit growth. And we see this. And hopefully, with the outlook that Rajesh laid out for the second half for the Farm business, we'll continue to see some of this come from the Farm segment as well.
- Standalone, here's what it looks like. Again, calling out the gain on land sale. But I'll remind you that last year we did have the Last Mile Mobility gain as well. So, like-to-like basis, this has not really impacted much of the growth. So, when you look at the standalone results, they were actually very strong. And this question comes up a lot,

was there any unusual outside of this? I can only tell you, look at the other income and all that they're pretty much flat year-over-year. So, there wasn't anything unusual. It's really the strong segment performance that you saw in Auto and Farm that has helped these results.

- Now when you look at all of this, you'll ask the very next question, which is, how should we think about the rest of the year? So, we don't give guidance for rates and all that, but I can at least tell you directionally how to think about things. As Rajesh mentioned on Auto, we are very committed to what we said, which is mid to high teens growth in volumes. So that will be the tailwind. What we have to work through is, we do have a lot of launch expenses, especially in Q3. So, there'll be some temporary pressure on margins that you will see, but that's not a long-term thing, it's a temporary thing. On the Farm side, with the tailwind of the domestic market, we should see growth in the second half of this year. And what we need to just make sure is, that the international subs we are really looking at closely to make sure nothing is dragging us down too much.
- And when you look at the Services franchise, that should see significant growth as well, simply because Mahindra finance credit costs should come down, as Anish mentioned. The best way to think about a financial services business and the sustainability of the results beyond the top line growth is, are you going to see credit costs stable or coming down? And when you look at the end losses, which is where we are actually saying that somebody had taken a certain amount and we lost a certain amount of what we gave out, the end losses have continued to come down in Mahindra finance. And so, that's going to result in overall credit costs coming down in the second half, and TechM should continue on the improvement trajectory it is on. And growth gems generally do better in the second half anyway, so we should see that as well.
- So that's the way to think about the consolidated results in the second half. Strong Auto, should be strong Farm, and we should see good strength in Services, with some blips as we have to deal with launch costs and marketing expenses and all that, which could be one quarter to another.
- With that I'll wrap up and we'll open up for questions. Thank you.

Question & Answer Session:

- **Moderator:**
- We'll just wait for a few minutes. We can start with the Q&A. Go ahead, Kapil.
- **Mr. Kapil Singh – Participant:**
- Thank you. Congratulations, team. I think a very strong performance considering it was a tough quarter generally for the industry as a whole. I'll start from that only. What are you observing as far as demand conditions are concerned? Is it still that SUV demand is fairly good, and it's the car segment which is slow, or even SUV demand is slowing down? And within that context, for M&M as a whole, should we expect that now since you're going to launch electrics, but we see underlying momentum for ICE products also very strong. So, how should we think or how are

you thinking about your capacity on the ICE side? Because most of the incremental capacity seems to be coming on BEV side, right? So, is there some rethink happening on ICE capacity and ICE growth as well?

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– Yeah, so Kapil, I think all OEMs had a very good festival season. Not everything translated for all OEMs by way of billing growth because many were working on down stocking more than some others. But I think the festival season was good for everybody. We had a very good festival season too. We do see our momentum sustain through the remaining part of the year on the back of some of the launches which have gone very well. I do think there is fundamental stress in urban India at the moment, and I think that is going to be there for some time. So, we are not changing our projections, as Amar said, because we believe that the products that we've launched are going to keep that momentum going, and we should hence hit for the full year 15-18% growth for the SUV portfolio.

– To your point on capacities, so we had 49,000 and we said we'll add 5,000 of Thar which has happened, so we are at 54,000. The first step for Thar Roxx is to increase the fungibility. So, within the 9,500 we said there was some fungibility. Within two months we'll build full fungibility in, so that we can go into any mix. Right now, we can't. There is a mix of fungibility, but we'll make that fully fungible in the next two months. So, by say Jan we should be fully fungible. In the next six months we'll then also move 9.5 to 11.5. So, theoretically, 54 will become 56 odd. At this point of time, we don't have an additional capacity increase plan for ICE vehicles. We do feel a need to go back to the drawing board on that, given that some of the products have done better than what we thought, 3XO being one. It has done more than what we thought. So, some of our plants like Nashik now is like completely... because 3XO comes out of there, Thar is coming out of there, Thar Roxx is coming out of there, Scorpio Classic continues to do well. So, we are capacity constrained right now on some of the ICE models. We are not sure exactly what we are going to do, but we will be working on what we need to do by way of strengthening the ICE manufacturing footprint as well. The EV capacities of course will start kicking in as soon as we start production, and that in Phase I we will be adding 10K.

– Obviously, there will be some cannibalisation, so we do want to wait and watch for what is the extent of cannibalisation, though some of the products we are sure is not going to be... for example 3XO is not going to have any cannibalisation with the electric origins that we do, I don't think Thar will either. So, I think we are in that stage of calibrating that we do need to do something on ICE capacity. How much of it can be tweaked within the existing infrastructure and plants that we have, is what is really the exercise on hand at the moment.

– **Dr. Anish Shah - MD & CEO, Mahindra Group:**

– Just to add to that, as you are aware, on ICE we have literally gone 3x in capacity in the last four years, from 19 to 56, that Rajesh was talking about. And at 56, we hadn't expected to be capacity constrained, and that is a good problem to have. So

that is something that we will work out in terms of what is required. And Electric, as Rajesh said, 100,000 is an annual number, but that is something we will add.

- I just want to in a sense clarify that any new category will take some time. So, I just wouldn't... New category, in the sense, of Electric. I wouldn't expect the same sort of enthusiasm that is there for ICE products to happen in Electric starting day one, and I say day one because it's electric origin products that we are bringing in, and from a product standpoint they are outstanding. You've seen them a few months ago. But as we've seen the performance over the last few months we feel very confident in terms of the product itself. They will speak for themselves when you see them again later this month. But the products are outstanding. If it were ICE it would have taken off at a very very different level. A new category will take a little longer. So, I just want to make sure that we have that expectation setting in a sense in terms of Electric.

- **Mr. Kapil – Participant:**

- And the second question, I have to ask you about the price cut you took on 700. It seems to have played out well but very well actually, but I would like you to talk a little bit more about it. How did it play out in terms of mix? And we've literally not seen any impact on margins. So is it that there were some commodity benefits or the mix itself took care of the price cut?

- **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

- So, Kapil the answer is a combination of both. So, when we took the decision we had said that you know we've seen benefits on commodities, but more importantly on the market driven pricing of chips that we were buying earlier which had pushed costs up quite significantly in the shortage era. So, we were in a situation when we took this call, and that's where we started flagging this off from February onwards, that we did feel that we have to make the brand more accessible. Making the brand more accessible we did in two steps.

- The first one was to launch an AX5 select which kind of got into the 17 odd lakh kind of price point. But we knew that that's not going to be enough and it would need a second stage of actually making the attractive part of our portfolio very accessible, which was the two top-end versions, which is the AX7 and AX7L. AX7 and AX7L were always about 75% of the mix, which had come down to about 50% of the mix. So, when we took this decision, it was a combination of costs have come down. We expect that if you make the top two versions very accessible on price, the mix will go up and the total volume will go up, and all of this happened. So basically, the total volume went up from an average of about 6,000 to 8,500, and of course, in the festival season it boomed way beyond that number or our imagination. And the mix has gone up back to the top two versions about 70-75%. So, the mix has gone up, the total volume has gone up, and actually, the top two versions are back on waiting list.

- **Mr. Kapil – Participant:**

- All right, congratulations on that decision. I think it was wonderful. Thank you.

- **Participant:**
- Hi team, congratulations for a good set of numbers. So, I'll focus a little bit about on the automotive margin and the tractor margin outlook. So, when we look at the automotive side, we clearly have the rural segment surprising on positively, urban seeing a little bit of a slowdown. In that sort of an environment do you anticipate more sales promotion expenditure in coming quarters? Similarly, if you could also comment a little bit about raw material pricing pressure? Like one of your competitors talked about 50 basis point pressure in last quarter. So, anything that you anticipate in your thing? And lastly as you look at Auto margins in the future, you also have electric vehicles coming up. Could you share a little bit of thoughts about how to think about that as a percentage of mix and its impact on the Auto margins? Thanks.
- **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**
- Yeah, so actually the stress, as I mentioned earlier, is going to be more urban than rural at this point of time. We're seeing rural ease on the tractor side, which will flow over into the SUVs. LCV was one we were very tentative on till now, because you know, we're not able to understand why it wasn't picking up. We think, have a deeper understanding of that, and we believe that LCV is at a point where we will start seeing market growth. One of the key drivers of that, because you know we were seeing tractor beginning to pick momentum but LCV wasn't. And the reasons for that was a lot of LCV is driven by what happens to fruits and vegetables, and there was a lot of food fruit and vegetable crop that had got destroyed even as the rains... the rains were very good. It was actually because there was flooding and very heavy rains and late rains. So, we had two or three crops of fruits and vegetables being destroyed which was affecting *mandi* arrivals, which has an immediate impact on LCV demand. That has changed from October onward. So, that's a big change event, and that's possibly why we've seen a better LCV momentum than we've seen on many quarters. So, we're not, at this point of time, attributing any of the future outlook to a negative rural scenario. Roughly, right now, in the CV side, about 65% of our mix is rural, 35 is urban. On the SUV side it's roughly equal; a little bit more urban. Something like 52-48 kind of thing, between urban and rural. So, we have actually a good mix between urban and rural.
- On the question on commodities, by and large, benign. The rubber has seen a spike, which has some impact on tractors, and something on base metals. But by and large, at this point of time, the outlook is reasonably benign. So, we are not too worried about commodity, except on the tractor side because of the rubber. Of course, some of that will impact tires on the Auto side, but that's a small percentage of total cost.
- On the Born Electric, the EV portfolio that we launch, that's a separate company. As you all know, it's a separate subsidiary. The percentage margins are going to be significantly lower because of the denominator effect. We will call that out separately, so you can see the two margins separately. Initially, as Amar called out, there will be marketing costs. For example, we will have marketing costs in Quarter 3 with no sale because we are starting the build-up. We will have some depreciation that will start to kick in in the quarter, against which there's going to be no revenue.

So, there was some call out that we are doing on Quarter 3 on Electric as we are going into the build-up. But that will show as part of the consolidated and subsidiary. That's not going to be a part of the standalone since that's a separate company. Over a period of time, we do expect the unit margin, which is the value-based Rupees per unit margin, to be similar to ICE as we get past the launch phase but as a percentage, that's going to be definitely much lower than ICE because of the denominator effect. So we just need to keep... and we'll call that out separately so you can see the effect of that of ICE versus EV.

– **Dr. Anish Shah - MD & CEO, Mahindra Group:**

– Because of the GST difference.

– **Participant:**

– And you will also be eligible for PLI? Like you go through that process?

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– Yeah, well we hope to be eligible for PLI. So, the process now, we will, hopefully by end November, early December, file the application for a few of the variants. That is a 90-day process of to get the approval, which is based on them validating the DVA and so on and so forth. So, we will not be ready to submit all the variants at one time because it's a huge amount of documentation that needs to be done. So, we will do that and we would have some production in this year which would not be PLI, because you have a 90-day window to get the certification, and now anything that is produced before the certificate you can't claim for PLI. So, there's going to be some transition issue. But fundamentally, we expect to get the PLI once we get the approvals done after the 90-day of submission, which will be for a few variants to begin with, and then we'll add some as we go.

– **Participant:**

– Thanks.

– **Moderator:**

– We'll just take a couple of questions online. Anish this is for you. From SBI Pension Fund, Anish has asked the question: Are we looking at buying a stake in Volkswagen India? What are the synergies if any?

– **Dr. Anish Shah - MD & CEO, Mahindra Group:**

– As I've said last time, we continue to have discussions across our group companies with various opportunities, and if we feel at any point in time that an opportunity makes sense, it's profitable for us, meets the conditions we've laid out, then we will have a further conversation and have that discussion with you as well.

– **Moderator:**

- There's another question from Bank of America – Gunjan: Among the unlisted subsidiaries such as Accelo and Last Mile, which ones are the ones which are most advanced in terms of scale and profitability? And also, which are the ones which could go public first?
- **Dr. Anish Shah - MD & CEO, Mahindra Group:**
- Interesting question Gunjan. I would say that all of our Growth Gems are actually firing on all cylinders right now. I talked about our renewables business, Susten. There the InvIT is already a listed entity. We've got a very good team in the InvIT. The InvIT is doing well. The core business is growing at a very, very rapid pace right now. Our aerospace business is seeing a lot of very strong tailwinds and strong partnerships with global OEMs, and that's one business which is a very solid business, because once you have those partnerships and once the products are in place, it's really something that continues for a very long time because it takes sometimes even two years to get a new product or get a product approved by the OEMs and start to deliver it to them. So that's one business from an aerospace standpoint that can be very strong.
- Last Mile Mobility, we've seen significant growth that we've talked about where the business continues to grow at a very rapid pace as well. And that's one, that even after going from a 50 million valuation to an 800 million valuation, we are optimistic of that business growing from that base still 4 or 5x over the next few years. And therefore, that that would be in a very strong trajectory.
- Our real estate business, as I mentioned earlier, has seen the benefit of tailwinds. But beyond the tailwinds, it's being run very well and it's been driving profitability which is important from our standpoint. So, we are seeing a lot of progress across many of the growth gems and they are on the path that we had laid out for them.
- In terms of whether we go public or not, really not concerned about that a whole lot. We don't need the capital. So, from that perspective, it doesn't really matter as much. We will find ways to unlock the gains in these, as we have been doing, and sometimes getting private equity firms in as well. There we've been doing that not as much for capital, but more around expertise, they can bring in , doors that they can open for us, and helping us in some cases validate the fact that it makes sense for us to do a lot more in that space. So, we will find ways to unlock profitability in those businesses. And if that means we go public, we will at some point. But our focus right now is on building strong businesses for the long term, and as we do that, we will see the benefits of that.
- **Mr. Aditya – Investec:**
- Hi, this is Aditya from Investec. The question on margins. This is from a slightly longer-term perspective. So, if you take a 2 to 3 perspective, how should we think about auto business margin? So clearly, we are gaining market share, the mix is also changing favourably. And if you can throw some light on the profitability of LCVs versus Autos and incremental product launches, especially in the Autos to address the white spaces, maybe at a lower price point than XUV700. How should we overall think about profitability from a 2 to 3 year perspective for the Auto business?

- **Mr. Amarjyoti Barua - CFO, Mahindra Group:**
- So, what we have laid out before is, we did have F19 as a good benchmark, where the auto business was roughly at around 10% margin, PBIT. And that remains, let us call it a medium-term goal for the business to first hit. And then, of course, we would like to go higher than that. But in terms of how to think about it with all those dynamics, we think about it like that because it is not just that, there are a lot more levers in that business, right? Scale brings you a lot of efficiency. The mix is a very big factor as you have seen in the last couple of quarters. So, it is less driven by this mix has to be like this or LCV and this has to be. It is just a goal that we have set for ourselves so that we keep doing better quarter-over-quarter. That is the only guidance that we would like to offer at this time is, that our endeavour is to try and first hit the F19 levels and then try to go higher.
- **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**
- I just want to add to that. The one thing we are very mindful of is keeping the balance between growth and margin right. And that is a trade-off that we always, at every stage, have to be careful of. Kapil just asked a lot of questions on 700, and obviously, all of you were very apprehensive. But we believe that we had to take a call to get the price right so that we kept growth going. If we were over obsessed with the impact that that could have on margin as a percentage... it played out well. But if we wouldn't have taken that call which would have ultimately led to slower growth, and ultimately led to lower margin. So, I think our view will be or our input will be that, trust us to make the right calls in a way that we are able to manage the trade-off between growth and margin. Because if growth slows, margin is definitely going to go down with time. So, on a medium-term basis, we have to make sure that we keep the growth momentum going. Which means we have to take decisions which allow us to protect our volumes when they need to be protected. I mean, you would have all read in the press that we did correct the Thar three-door price as soon as we launched Roxx, we did not do a price drop but we did do a scheme, and that certainly got that brand into a totally different momentum where we are now suddenly very attractive to people who are buying subcompact SUVs. So, at the price point at which the three-door was going, the 1½ - 2 months, it just opened up a totally different market, and we got into a huge demand momentum on three-door in spite of the Roxx.
- So, there are times when we have to take these calls in the best interest of protecting long-term growth. And we are sure that as long as long-term growth is coming, margins will come and improve as Amar is saying. Margins are not going to come if we make the wrong choices or the wrong calls. They will come only when we are ensuring growth.
- **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**
- I am just going to go back to Gunjan's question and talk about two more subsidiaries which I should have mentioned in the previous response. One is around classic legends. The business is starting to get on a very good track now, and we are starting

to see some momentum that has built up and that will likely continue. And the second is hospitality. This is one space which is going to grow dramatically in India. And so is logistics, and I will mention that as well. But hospitality is one space where we have got a business that delivers very strong customer feedback whenever they go to resorts. So, we have the ability to deliver a very strong product to customers. And this is one space where we feel that we want to invest more and we are waiting to see from the team a strong plan that delivers returns on that investment before we invest more. But that is again a space that we were very bullish about.

– **Participant :**

– Just a clarification, the margin aspiration is for ICE or you are including EVs here?

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– Earlier we said without EVs.

– **Dr. Anish Shah - MD & CEO, Mahindra Group:**

– The question was very specific to ICE.

– **Participant:**

– I just want to clarify. And Rajesh, question to you on the demand colour. The stress was, you were talking about is just the deceleration, the growth rate, or you started seeing urban pockets, seeing volume stagnation or decline? Because we need to be mindful that we have had a spectacular 3-4 year run as a category, passenger cars and SUVs. So, is it just a breather what the segment is saying or what the customer you are seeing, or are you genuinely seeing deceleration in enquiry rates? There is one thing that enquiries are good, conversion is slowed down, because for whatever macroeconomic factors. Or one, there is a general slowdown even in the enquiry and the walk-ins and everything. So just some more colour on that. And when you talk about the rural bit doing better, is just that rural growth rates are better than urban or rural is accelerating in a meaningful way for you? Because that has huge implications on the lower end of the SUV portfolio for you, and even some potential to operate on the replacement cycle from the traditional Boleros to the Scorpio Ns and henceforth. So, if you can just provide more colour on that, that would be very helpful.

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– Yeah, so firstly just the long-term view on the passenger vehicle market in India, I think is going to be, we are very buoyant and positive about that, because the pace at which the nation is getting connected with highways, is going to be a big growth enabler to the category. And, we believe we will be one of the key peoples to gain out of that because our passenger vehicles are the kind of vehicles that people want to take and get away from and travel from City A to City B kind of thing, because it is a part of fun, adventure, exploration so on. So, we believe overall, the automotive passenger vehicle segment will have a very healthy CAGR. We are very under

penetrated as a nation for passenger vehicles compared to many other parts of the world and the long-term story is robust.

- It is hard for us to say how the industry is on enquiry-to-conversion funnel, because we have not seen stress either in the funnel or in the conversion, by and large, over the last few months. So, I really can't comment on whether other OEMs are seeing a problem on the funnel. The sense that we have is, out of the festival season, most OEMs have had a very, very good offtake. Obviously, November and December is going to be slow for the industry, that always is, as you are changing the model code year and so on. We now have to see what happens Jan onwards.
- I think there were two key barriers to the slowdown that happened in the early part of this year, one of which was the elections which led to a reduction in overall government spending. And we have seen in businesses or products where we have government orders, there has been like a complete... literally it is now slowly inching back. So, wherever there was government buying of vehicles, all of that for the last 4-5 months has been very, very, very slow. So, anyone who had a business dependent on that segment, has been slow. The heat waves across the country, and then, the flooding in many parts of the country, I think all of these were kind of climatic barriers in a manner of speaking. So hopefully, I think some of these things are behind because that led to an inventory build-up because nobody saw that coming to the extent at which it happened, which led to an inventory build-up more than what was expected. I think most of the industries kind of cleared it off, and hopefully, it will be a fresh start for most people post January.
- The rural uptrading. So, it's been many quarters of a slower rural growth which is affecting us more on the LCV side because we haven't seen a slowdown on some of our rural products like Scorpio Classic, or even Scorpio N is strong in rural. So, we hadn't seen that. We had seen that in Bolero. So, I would think the lower end, which is the minus 10 lakhs rural was probably under a lot of stress because we were seeing that in Bolero. We were not seeing that in 3XO because maybe it was a new product and whatever. So for us on the passenger vehicle side, the slowdown that we had seen was really in Bolero, where it wasn't like we were de-growing, but we were not getting growth. That has been good in the festival season as well. Whether that will sustain or not, is something that one needs to see. But I think you've heard some OEMs talk about the increase in number of marriages this year and so on, which are all trigger points to buying. So that's probably going to have an effect on rural demand as we go into the next few months as well.
- **Participant:**
- Second question to Anish on the collaboration side. What are the top 3-5 things which you're seeking when you're looking at a partner, or things which you should get those synergies? Otherwise, there's no point. So, what are the top 4-5 things which you're looking at when you're thinking about synergies? And within that, does optionality of hybrid also feature in that list?
- **Dr. Anish Shah - MD & CEO, Mahindra Group:**

- So, I'm glad you asked that because I don't think I fully answered the question from SBI Pension Fund, so this will help add to that question as well. So, first is, there has to be a strategic long-term benefit that can be clearly articulated for us. That includes access to technology. That includes the potential for the partnership to do more potentially outside India longer term, even though it may not do something in the short term. The second aspect is, that there has to be a true partnership where both partners are looking for each other to win in that partnership as well, not just for themselves to win. Because that's really what a true partnership would be. Third is, obviously, financial returns. So, if you're going to put capital into anything we do, what do we get back from it? It's okay if you don't get back something in the next year or 2 or 3. We are not looking at short term, we are not looking at quarter-to-quarter, and we will come and explain where certain quarters may be lower for whatever reason. But what we are looking at is building businesses for the long term that really makes sense. So, if we do have to take a hit in the first year or 2 or 3, why are we taking that hit? Is there a significant benefit in year 4, 5 and 6 that we see as a result of it? So, these are the main sets of things that we would look at in terms of anything that we would do, and that's part of various discussions we have.
- **Participant:**
- Anish, what will you not do? Because some global OEMs would definitely love to have you as a partner who will take over the India operation or reduce their capital exposure to the business. So, is there a thing that we will not take exposure in a legacy business? Or, it has to be a clean start, new venture, new businesses, or it's kind of can be including the existing businesses which are probably not doing well or bleeding?
- **Dr. Anish Shah - MD & CEO, Mahindra Group:**
- See it has to make sense over time, right? It's not something that we're going to do... If there's any opportunity, I'm not talking about this in Auto only. If it's a short-term opportunity of 2-3 years, we're going to look at is it really worth our time? Is it meaningful? So, for us, as I said, we want to build businesses for the long term.
- Now I don't look at ICE as a legacy thing in itself, because ICE will have a runway for a long time at this point in time. And, to Kapil's question earlier as well, we will continue to invest in ICE, because the lot of capacities are fungible as well between ICE and electric. So that part doesn't worry us a whole lot. The key is, is it set up as a true partnership where both partners win? Is there a real financial benefit from there? Are there potential other things you could do in the future that are not contemplated in the short run? If all of those things make sense, then yes, that's something that would make sense for us to do.
- **Participant:**
- Thanks a lot.
- **Raghu, Nuvama:**
- Thank you, sir, for the opportunity and festive greetings. Sir, firstly, on the festive side, on the UVs and tractors, if you can share some numbers, how was the growth,

say first 32 or 35 days? And post-festive, how is the inventory? And as of now, if you can also talk about what could be the pending order book for some of the key models? That's the first question.

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– The first question had three questions. So, we will avoid getting into the specific retail growth, but it's been stronger than the billing growth by way, way, way more margin than the rate of growth that we had on the billings. The dealer stock is way below 30 days, and we are at a very, very comfortable level of dealer stock as we ended October and have gone into November. So, we feel... I am talking about the Auto side, I will come to tractors in a minute. So, we feel very good about the way the off-takes have been in the season for across the portfolio. So, I don't think we will get into more detail on the specific numbers, but that's on the Auto side.

– On the tractor side, the retail off-take, like I said, during the season was a strong double digit. That means the retail momentum in the festival time, which is what gives us confidence that... And I am talking like to like. So, which is the start of Navratra to Diwali. So, the comparable festival time was a strong double digit, which is what gives us confidence that the second half will be very good. We do need to do some corrections still on tractor inventory, and we will do that over the next 3, 4, 5 months, but it's not a very significant amount and it's not something that we are very worried about, but we do need some further correction to be done on the tractor inventory.

– **Raghu, Nuvama:**

– Thanks, sir. Second, on the tractor side, wanted your thoughts on two aspects. One is, on the...

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– So, you also asked about the waiting, booking, numbers, which we've said we're not going to share. So, I'll just stay away from that.

– **Participant:**

– So, on the tractor side, couple of aspects where I wanted your thoughts. One is, on the TREM V, has the date been confirmed? Is it for all vehicles below 50, or is there a range 25 to 50 HP? And say, the La Niña was confirmed by IMD in September. Generally, historically, whenever La Niña is confirmed, it stays for 1 to 3 years. So, ideally it means that the next year monsoon is also sorted. So, given these two factors, how do you see FY26 panning out on the growth?

– **Mr. Rajesh Jerurikar - Executive Director & CEO (Auto and Farm Sector), Mahindra Group:**

– The date for TREM V as of now is April '26. It's still at a draft level, and we would be very surprised if it happens in April 2026. It's for all the product, between 25 to 50

HP, which is really 90% of the industry, literally. Roughly 90% of the industry. We would be very surprised if that happens in April 2026.

- I would be less worried about the rainfall next year. We are hoping it will be good, and like you are saying, it is expected to be good. The reason for that is the reservoir levels are very good, which is a very good indicator. These are among the best reservoir levels we have seen in many, many years. So, it's way above the LPAs, which is a very good starting point for the agri sentiment next year. This year what had happened is, the reservoir levels itself had gone down to very low levels. So, you didn't have that effect going into the monsoon, and hence there was a negative effect of a poor monsoon or an average monsoon of last year, followed by a dropping reservoir level. But this time we have the benefit of good monsoon, good reservoir levels, that will spill over into a positive sentiment into next year. So, we would be, as things stand now, optimistic of a good FY26.

– **Moderator:**

- We have run out of time. Closing remarks on behalf of Mahindra & Mahindra, I thank all of you...

– **Dr. Anish Shah - MD & CEO, Mahindra Group:**

- Just one comment I want to make before we close, is something that Amar mentioned in one of his charts, which I think is an important one to point out. Our Services business has contributed more to M&M's profits than our tractor business has in this quarter. And, while that has been the case sometimes in the past as well, we're starting to see that uptick again. So, as we think about M&M, we think about it as a business set that operates across multiple sectors in India, and really can drive India's growth forward. And this is an important inflection point from a services standpoint as well. So with that, go ahead with the closing.

– **Moderator:**

- Thanks, Anish. Thanks all of you for joining us today. Have a great evening, and please join us for snacks. Thank you.

– ***END OF TRANSCRIPT***