



“Mahindra & Mahindra Limited’s Second Edition of Environmental,
Social and Governance (ESG) Conference Call”

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MANAGEMENT:

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Moderator: Ladies and Gentlemen, Good Evening and Welcome to Mahindra & Mahindra Limited's Second Edition of ESG, i.e., Environmental, Social and Governance Concall. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand over the call to Mr. K. Chandrasekar – EVP, Corporate Finance and Investor Relations, Mahindra & Mahindra Limited for the opening remarks. Thank you and over to you.

K. Chandrasekar: Welcome, Ladies and Gentlemen to the Second ESG Call of Mahindra & Mahindra Limited.

The Program is like this: Mr. Rajeev Dubey – Group President, HR & Corporate Services and also the Chairman, Corporate Governance Cell, Mahindra & Mahindra Limited and Mr. Parthasarathy – President, Group CFO and Group CIO, will take you through the presentations which we have already sent to all of you, after which we will have the question-and-answer session.

This call focuses on the governance aspects; last year we had the call on the sustainability aspect. Along with the senior management here, Mr. Dubey and Mr. Parthasarathy, we have Mr. S. Durgashankar -- President and also in-charge of Group Secretarial and Narayan Shankar and Mr. Anirban Ghosh and other Senior IR functionaries here. So we request you to keep your questions focused on the governance aspect and at the end of it also we will try to close with the final remarks. Thank you very much. I hand over the mic to Mr. Rajeev Dubey now.

Rajeev Dubey: Good Morning, Good Afternoon or Good Evening dependent on where you are in the globe. Thank you very much for joining us today and welcome to this interaction.

I am happy to highlight how at various levels across the organization both at the company as well as at the Group level we accord the highest priority to governance. We have already circulated some slides to you and I will talk you through the slides which by the way are also available in the investor section on our website.

I refer to Slide #2: At the risk of sounding boastful, I would like to highlight some of the Accolades and Awards that we have received in the last few years for our Governance Standards. M&M won the Golden Peacock Award for Excellence in Corporate Governance, we last got this award in 2006. Not only M&M but also Group companies, Tech Mahindra and Mahindra Finance won these awards in 2014 and 2013 respectively. The Golden Peacock Award instituted by the Institute of Directors India is regarded as the benchmark of corporate governance worldwide and receives over 1,000 entries per year.

We were also winners of the ICSI National Award for Excellence in Corporate Governance in 2008 and again in 2015.

On the basis of significant research, The Great Place to Work Institute recognizes leading work places in 45 countries on 6 continents. Two Mahindra businesses, namely, the Auto and the Farm businesses of M&M and Mahindra Intertrade, got the Third and the Fourth positions in the Manufacturing and Production category. M&M also ranked Fourth in the large company category.

Moving on to the Next Slide: In 2014, the ET-Hay Group Ranking chose the M&M Board as One of India's Best Performing Boards. In 2015, ICICI Lombard and CNBC TV gave M&M the award for the Best Risk Management Framework and Systems under the category of Conglomerates.

Next Slide: It shows M&M has eminent personalities in his Board of Directors – Mr. Keshub Mahindra who relinquished his role as Chairman in 2012, has agreed to continue as the Chairman-Emeritus at the request of the Board. Of the 10 directors on our Board, 7 are independent. We have a nominee director from the Life Insurance Corporation one of our largest shareholders while Mr. Anand Mahindra and Dr. Pawan Goenka are the two whole time directors on our Board.

Next Slide #6: This truly professional Board has just one seat represented by the promoters. All directors have an impeccable track record of performance, are experts in their domain and widely recognized for their character and integrity. The detail profiles are available on our website. As you may have noticed from our annual reports, our policy of compensation to directors is well within the legally permissible limits.

Slide #7: The Board has been balancing continuity and change and has seen several changes in the last four years. I am also happy to inform you that just a few days ago one of our former directors, Mr. Bharat Doshi has been appointed as a Director in the Reserve Bank of India's Central Board.

Next Slide: We have 8 Board committees. Of these, the audit and the governance nomination and remuneration committees comprise entirely of independent directors.

Next Slide: The company has clearly defined policies on the code of conduct for employees and directors on insider trading, CSR and whistleblowing to name a few.

Next: Our relationship with our workers focused on engaging with them to unleash the potential of the system to create not only a competitive but also a fair and inclusive workplace. We have one union per manufacturing plant in all locations except one which does not have any union. We have been renewing the wage agreement with them at periodic intervals. I am happy to share with you that during the last three years we have not suffered any loss of time or production on account of labour issues.

Next: I would like to end my brief presentation by sharing with you our core purpose that unites all businesses of the Group. Rice is not a mere branding initiative but the creation of sustained competitive advantage in the marketplace through a cultural transformation based on three views of the world -- Accepting No Limits, Alternative Thinking and Driving Positive Change. This core purpose guides business decision making as well as the everyday behavior of employees at all levels especially as we go round taking business decisions. As we seek to create tomorrow's company which aligns knowing, doing and being in pursuit of the triple bottom line of profit, people and planet and doing it with an intensity of engagement that unleashes the potential of the organization.

I now hand over the call to my colleague and friend, Partha, to take this evening forward.

V. S. Parthasarathy:

Thank you, Rajeev, for taking us some of the key aspects of Mahindra's governance structure and governance processes. Let me now talk a little bit of what our unique structure and how we are ensuring corporate governance in spite of being in many different businesses. Our DNA as Rajeev talked is based on three pillars which is "Accepting No Limits, Alternate Thinking and Driving Positive Change" and all these with core purpose of making people rise. Currently, we are in 18 different industries.

What started off a steel trading company in 1945, the company is today at present in Automobiles, Farm Equipment, Aftermarket, Real Estate, Time Share, Information Technology, Aerospace, Steel and Defense to name a few. We have structured the 18 industries into 10 business sectors and we follow a federation structure. We call ourselves the federation rather than a conglomerate. The federation structure helps us to retain the entrepreneurial instinct of new businesses while benefiting from group structure. The difference is that federation is managed and led by professionals who seek guidance from their Board and the central team is for coaching, review and talent management.

If you are wondering about the logic of so many businesses, let me explain Mahindra story. Mahindra is a micro SIM of India and its growth has closely followed India's economic growth. As the independent India followed planning and license regime to kick start India's industrial growth, Mahindra chose to focus on Automobile, Tractor Manufacturing, apart from Steel Trading as they form the backbone for the industrial and agriculture growth. As India started liberalizing in 1990s and the license raj got abolished, Mahindra found opportunities in many areas. India started having new segments of customer – middle income group. As the group, we entered into adjacent area of Financial Services and emerging opportunities such as IT, Realty and Holidays business. When you see from 2003, it is a new Mahindra. Exhibiting the new conform confidence of Indian and Indian corporates. Apart from ramping up our existing businesses further we got into emerging opportunities such as Aftermarket, Retail, Solar and Aerospace businesses. We also made many acquisitions of overseas business in our mature business. We consciously stayed away from businesses that required government licensing like extraction of natural resources, power and telecom sectors. As a result, today, we are a well balanced portfolio of mature businesses, emerging businesses and new business are what is our

future bets. From the point of view of managing new business differently than establish businesses, we have created a separate structure called “Mahindra Partners” are the partners division to manage the new businesses that must and might require high attention from management at the early stage. From a governance point of view, we have a robust system in place to approve, monitor and review our investment in these businesses. We have Strategic Investment Committee for investment beyond Rs.100 crores and loans and investment committee for investment up to Rs.100 crores. The Strategic Investment Committee reviews all the businesses on a regular basis and periodically revise whether the macro conditions that form the basis of investment holds true and whether our strategy both “Right To Play” and “Right to Win” are still valid and also checks up whether the leadership is confident and able to deliver the results. According to this review, we take appropriate decisions to further cement our investments.

Now, I will talk about investments: In the next three years, 75% of our investment or Rs.75 billion will be into our capital expenditure and Rs.2.5 billion will be in investments. We generally do not directly fund our listed subsidiaries, they on their own raise money. Our strong governance process and robust financial performance have not only helped us to get AAA-rating from all the domestic rating agencies but also sovereign rating from international credit rating agencies and become probably the first Asian company to raise a 50-year bond. Investment of Rs.7,500 crores or Rs.75 billion in market value is today more than Rs.30 billion or Rs.30,000 crores which is the 4X growth versus our investment.

Thank you, Ladies and Gentlemen. We now open to take questions on these areas.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. Our first question is from the line of Aryn Pirani from Deutsche Bank. Please go ahead.

Aryn Pirani: Sir, my question was on the thing that you mentioned on relationship with workers and unions, it is quite heartening to know that in the last three years there have been no production loss because if I look at the industry the relationship between workers and companies in general have only become more and more difficult. So, can you just highlight what is it that you are doing differently and what is the way forward in that sense because if I look at in the last 10-years, the last 3-4-years we have had more instances of production losses at various companies because of issues between the workers and the management?

Rajeev Dubey: I think the basic thing here is that we look upon labour not as a short term cost to be minimized but actually as an appreciating asset. So we are focused on the question of their productivity and unleashing of the potential to contribute to our system and the cornerstone of this relationship is continuous dialogue and sharing and making sure that we give them all the inputs both in terms of information as well as training and skill creation that focuses on unleashing their potential. So I think this is the guiding principle which makes us treat them as our partners. This is not to say that occasionally there are not differences, there will be differences, but we try to resolve it through a total transparent sharing of information and a lot of dialogue. Dialogue not only when

there are problems, but dialogue in normal times where we listen to each other, there is a give and take that happens all the time and where we focus not only on being competitive which of course we have to but realizing that we cannot be competitive in the long run unless we are also fair and equitable. So competitive, fair and equitable, looking at labour as an appreciating asset, looking at both the cost and the benefit of anything that we do and labour relations is not reduced to wage negotiation. This is our overall approach.

Amyr Pirani:

Sir, would you say that most of the issues which have happened in the industry are also because there is a tendency to employ more and more of non-permanent or casual labour...?

Rajeev Dubey:

Absolutely, you have hit the nail on the head. I was the President of the Employers Federation of India when the Manesar incident took place, I have spent the last three years personally involved in the whole issue of contract labour and you are right that contract labour is a ticking time bomb and we have to make sure that we treat contract labour in a more long term manner. I think contract labour as a form of employment is here to stay. The real issue is how do we pay them and how do we treat them. I think all the issues that we will see in labour will centre around contract labour and in contract labour on the issue of the wages and the other things that impact the human being's life which is what could be called "Hygiene Factors" which could be called "Engagement". We are giving a lot of attention to engage with a contract labour to make sure that there is no contract labour actually in our core jobs, in fact, Mahindra is cited as one of the companies where we have a very enlightened approach to contract labour, of course, looking at the productivity and looking at innovation, but making sure that we treat them in a fair and inclusive manner.

Moderator:

Thank you. The next question is from the line of Kartik Chellappa from Buena Vista Fund Management. Please go ahead.

Kartik Chellappa:

Two questions from my side; firstly, on the contract labour issue, historically, if we look at some of the Passenger Car OEMs, the gap between the contract labour pay and the permanent labour pay could be as high as almost 100% and the proportion of contract labour in some instances is also pretty high, probably more than half of the workforce. Can you give some color on where we stand on both the proportion and the divergence in the base case for both our Auto and Farm Division? My second question is on the capital allocation. If we look at our Passenger Vehicle segment, especially in the last 12-months with increasing taxes on diesel and we ourselves venturing into the petrol engine, the CAPEX intensity of our core business has actually risen. In such a circumstance, how do we balance between funding our existing core businesses as technology changes and incubating some of the new businesses like say Two Wheelers where the success has not been to the extent that we would have liked?

Rajeev Dubey:

May I take the question on the contract labour first and then I will hand over to Partha to answer your question on the capital allocation. Let me just give you the numbers first; out of the total of 60,000 employees in AFS, permanent and non-permanent put together, the third party contract labour is about 12,000. So as a percentage it is about 20%. However, let me quickly add that we

have no contract labour in the core area except in Zahirabad, where the Andhra Pradesh contract labour laws allow us to have contract labour in the core functions. Nowhere else is contract labour employed in what we define as the core areas of production. Therefore, the question of comparing the salary of a permanent worker who is standing next to a contract labour doing the same job and getting half or less than half of what the permanent labour gets does not arise in the case of Mahindra. For us, the third party contract labour are largely in the supply chain and on the periphery. Even there, we pay much higher than the minimum wages prescribed by the Government of India.

V. S. Parthasarathy: Kartik from Hong Kong, so from a capital allocation point of view, I told you that let us take the next three years investment and I am going to talk in crores, Rs.10,000 crores in the next three years, out of which Rs.7,500 crores is going to go into M&M as CAPEX... I will come in a minute and Rs.2,500 crores over the next three years as investment. So when you talk about as investment, let me first kind of say that three or five years back when we talked about electric vehicle and our need to have an option as well as invest in that thing, so it was not seen as very commercially viable immediate option, but today you can see that it is catching traction that it is not only a need felt from the customer but more also from the various stakeholder. So, some of the investments which we do will continue to go into electric vehicle which can form a base of a changed way of commuting an ownership latter part of the decade and many other units including Aerospace, Defense, Aftermarket, amongst other things including Two Wheelers, so Two Wheelers is part of that Rs.2,500 crores but it is not the only thing. The second portion is when we talk about our bigger chunk which is Rs.7,500 crores or 75 billion, one of the key things that we use that is more than 50% of that will go towards new product development. So any Auto or Tractor, our heart is new products and product development and innovation including hybrid technology development will be a key aspect of our production development and will take the lion share of the Rs.7,500 crores that I am talking about. Having said that, we are also very hopeful of the country called India growing leaps and bounds. Within that our Automobile and Tractor business will also grow leaps and bounds. So we are making provision so that our capability and wellness capacity both increases have to be taken care of and this amount will take care of both. So some part will be capacity increase, but that investment we will make as we see our volumes grow leaps and bounds. This will be as I said, in technologies which is current as well as future technologies.

Kartik Chellappa: Just one clarification from the data that Mr. Dubey provided; the 60,000 employees of which only 20% is contract, that includes both Farm Equipment and Auto put together, right?

Rajeev Dubey: Yes, that is correct. When I say contract, this is a third-party contract because we do have fixed term employees, there are several categories in the non-permanent, I want to clarify that, the figure I gave you of 12,000 is what we call 'third party contract', we do have 1,600 fixed term employees, we do have apprentices covered under the standing order, we do have trainees, so they are also non-permanent, but they are not contract labour and it is right, it is for both Auto and Farm, put together, for what we call AFS.

- Kartik Chellappa:** If we just look at the incidents in the last let us say 12-24-months in terms of any disruptions to production, by and large it has been confined to the Manesar belt. As far as I know, although there have been sporadic incidents, production hubs either in the south like say Chennai or Karnataka or even Maharashtra have not been impacted. So would you by and large attribute this to a problem specific to that belt or do you actually think this is a big problem that the Auto industry itself needs to address?
- Rajeev Dubey:** Yes, yes, certainly it is not limited to any geographical belt, I think this is an issue not only for Auto but for all industries in India and it is something that every industry is grappling with in every part of the country which is the issue of contract labour.
- Moderator:** Thank you. The next question is from the line of Jamshed Dadabhoy from Citi Group. Please go ahead.
- Jamshed Dadabhoy:** Two questions from my side; firstly, what are the KRAs that are used to determine the compensation of top management please, I know you will have a very robust remuneration committee in place, but if I just look at how the compensation was structured for say FY15, there have been pretty substantial hikes for top management despite profit before tax actually falling, so what are the three-four main things which considered when you think about compensation for top management please?
- Rajeev Dubey:** The KRAs follow the balance score card format and for top management a large part will be focused on the business and there are also individual KRAs and for the Group Presidents there are something called group KRAs but the increments that we give are all mark-to-market and they are moderated by the performance of the company, typically, we try to keep the increments at the top level in percentage terms the lowest. So if anyone has to take a hit we make sure that it is the guys at the top would take that hit, but we have to moderate it with how any particular individual stands vis-à-vis his market. I do not know how you define top management. But I take it that the first three levels could be called top management. On an average it has been a very-very muted increase last year. But as I said we normally mark-to-market and we try to make sure that the percentage increases if anything are muted at the top and much higher at the lower levels.
- Jamshed Dadabhoy:** No, I am just looking at Annexure-3 and it says profit before tax fell 4.59, remuneration is up between anywhere 8% to 33%. So if you could share with us what the KRAs are, that would be useful because...?
- Rajeev Dubey:** The KRAs do not determine the increments, the KRAs determine the performance pay. The increments as I said are mostly mark-to-market. We have a basket of companies and we look level-by-level of what kind of increases are being given, then we see how far off we are from either the median or the 75th percentile depending upon how we are rating a person in terms of high pod and then we see what kind of percentage increase to give. So, the KRAs have nothing to do with the increment that we give to people.

Jamshed Dadabhoy: Second question you talk of capital allocation and Right to Win. Could you articulate what your Right to Win in the Two Wheelers business, how much longer should we see the losses before you take a call on whether you want to shutter this business?

V. S. Parthasarathy: Let me first repeat what I said so that becomes clear. You are asking me what is the strategic investment committee would ask and rightly so but the way they looked at is, if you said you wanted to enter a business and this is the macro trend based on which you want to enter, whether that remains intact. That is the first strategic fit. The second one was the Right to Play and Right to Win. Do they remain intact at a point in time? The third one is leadership, whether there is anything that needs to be done to that. This is what the strategic investment committee looks while reviewing each investment. So now coming to the specific question of what is our Right to Play and Right to Win in Two Wheelers. When Pawan is there next time, he will articulate it much better than I would, but let me give it; first and foremost is why are we strategically in this business and is there a strategically very large play to do? We explained this and we had choices to go like in passenger cars. Passenger cars in order to get would require a huge amount of investment. So one of the things that we said is can we look at the life cycle of people and transportation and follow that. When a young person in a village starts to think about mobility he will think about a scooter or a motorcycle or she will think about a scooter or a motorcycle. Then from there you can build on and in transportation similarly, the milk man uses a motor cycle as a vehicle of transportation from there on. So there is a huge market which we can address and the life cycle of our rural customers we can follow both on personal as well as transportation. Now, having said that the next one is, what have we done so far and what has that yielded results. So if you look at our Scooter which is Gusto which was launched, a very innovative product which brings in very unique and new features. This has been well accepted. Therefore, in a Scooter segment, for the first time we have hold direct to hold. Similarly, in motor cycle, we have one model which is Centuro. Now having established itself and that is what we have two products, both of which there is a Right to Play and Right to Win. Having said that, the next question is what is the kind of volume where you can see big things happening. Now, our volumes are fairly muted. While we have come here, we need to exit about 35,000-40,000 to start saying that we are looking towards breakeven in the short term to medium term. So that is work in progress. I think we will talk about this sometime later how we are progressing from that. But it looks like that we have both the products in place, both of which now are trouble-free and have started creating an impact in the market and the Board of the Two Wheelers felt very strongly that we are doing all the right things and now tenacity is an important feature as we look towards winning. So that is broadly the statement I wanted to make.

Jamshed Dadabhoy: Has the breakeven point come down because you mentioned 35-40,000, I am assuming that is units a month, that is like about 4,00,000-5,00,000?

V. S. Parthasarathy: Yes, that is about 5,00,000. So let us say we had earlier talked about 8,00,000-odd for a breakeven with a little bit of reduction in cost, because we were thinking that it could be a medium term goal, with the balance of it at 500, you can clearly see that we have light at the end

of the tunnel. That is what I meant when I said 35,000-40,000 as the first milestone in this journey.

Jamshed Dadabhoy: So it is still 8,00,000?

V. S. Parthasarathy: No, it may come down from that a little, we are working on the past juncture also. So it will be a downward thing of the breakeven point from that 8,00,000 I talked about earlier and an upward motion in volume which will make that possible. I do not want this call to become a discussion on the performance, because I will give you that option and I will give you enough time. Today, with Rajeev there, I want to focus on the governance issue. While I thought I must answer this squarely, I would like to lead it back conversation to the governance.

Moderator: Thank you. The next question is from the line of Srinivas Rao from Deutsche Bank. Please go ahead.

Srinivas Rao: My question is regarding the investment committee which you have outlined on the Board. Mahindra has entered various businesses and adjacencies over time. Just want to understand the framework to evaluate businesses over 3-5-years, what could be the conditions for say an exit or at least recalibration of that businesses?

V. S. Parthasarathy: So the Board has two committees as I mentioned in my remarks; one which is called the Strategic Committee of Investments, so that committee looks at two things – all investments before they are done over Rs.100 crores goes to that committee for review and recommendation to the Board; the second role it plays is that it reviews periodically all businesses. So this is one. Anything below Rs.100 crores in terms of project cost go through what is called as an (L&I) Loans and Investments Committee. But the major chunk of this is with strategic investment committee. One of the key inputs that they seek at the time of sanctioning any role is to understand the largeness of the market and the uniqueness of the market that you are wanting to play in and also like I said you have Right to Play and Right to Win. Based on that, they have approved various businesses. Now, we are into 18-industries as I said under 10 business sectors. So this has gone through this process. In order to give a larger and a very specific focus to managing businesses, the new businesses have been put under the supervision of Mahindra Partners and they supervise these businesses. Second is on a periodic review whenever they come, the questions that is being reviewed on any things, if you are doing very well, then it is more in terms of how fast and how large it grows, so for example, when Mahindra Holidays comes, it is to say how do you become the world's largest holiday company. You must know this that we invested Rs.25 crores in Mahindra Holidays and that is worth 100x today. So those having happened, that is the kind of question that happens in those kinds of cases. Because Mr. Dubey is in front of me, I am talking about Aftermarket; in 2008 it was created, at that point of time it had already some time but we felt our Right to Play and Right to Win is very intact and the large portion that I talked about 'tenacity' came into play in terms of implementing and converting to success and therefore about a year back we had gone and sought funding from two people – one, a private equity and the second, a strategic partner. I am happy to say that the valuation for PE was 4x kind of a multiple

would come in 2009 or so, his multiple was 3 or 4x and of course our investments of course a very handsome return. Now, we are looking at the next big phase of growing. So to the businesses which have not reached this shall we call the 'growth phase' the three questions that are asked every time to look at is, is the macro stand still valid, how valid it is and has it increased dramatically, decreased dramatically, do we still think that where what we thought about the market is still intact. The second one is our 'Right to Play' and our 'Right to Win' irrespective of the market bring late, if you are not able to make a dent that is something that we need to consider. The third one is in terms of the 'Leadership'. So at some point of time, you could also argue that whether a person who harvests and good at harvesting is different from the person who is a hunter, so that also is looked at as a third gate asset dimension. In each of these cases, these are all looked at and provided. Now, you are talking about 'exit.' Let us say that as long as these three conditions exist where we think that we have Right to Play and our Right to Win, we will back the business and therefore we will come out. Like I told you that when Mr. Dubey took over First Choice Services which is called the 'Aftermarket' we had already done some years and we were looking at what we should do. Today, we are looking at being the larger player... in India, of course we are, but maybe next is to look at Asia Pacific and next to look at something more, so we are looking at bigger dreams. So that is what we are. Whether we will have infinite patience? No. But whether our history shows that we have been very successful? Yes. That is what is my answer to your question.

Moderator: Thank you. The next question is from the line of Pramod Amthe from CIMB. Please go ahead.

Pramod Amthe: A couple of questions; one, if I have to look at your parent level balance sheet, the subsidiary investments which peaked in at 2011, this is leaving apart the loans and advances where almost like 67% of your balance sheet size, which has come down to almost like 50%, is it by design it has been done as you invested more into the Auto business and directionally where you expect with these initiatives which you are talking about, you expect the investments into new entities getting reduced on the parent balance sheet?

V. S. Parthasarathy: M&M is holding and operating company. Like I told you that over a period of time in product development we invest a lot of money, but that is the line that you see in a place called amortization. So once the product gets launches in three years to five years' time it gets written off, so you see that line and that is a big investment but you see it is building up and then getting written off over till three to five years. The other one important thing is CAPEX in M&M which is in terms of fixed asset and which over a period of time you will see as depreciation. So these two figures while being large has got faster way of reflecting in the P&L. When it comes to investment, there is only a one place where it resides, which is the balance sheet as investment. Out of the Rs.10,000-odd crores that I have as investment, except for treasury stock and other things, Rs.7,500 crores is roughly what I have invested outside. I am calling this off memory, I am asking somebody to give me the figure, so I apologize if my figures are not absolutely correct, but roughly last balance sheet which you are seeing would have this kind of figures. So Rs.7,500 crores of the investment. The market value of only the listed company taken. The market value of that investment would be Rs.30,000 crores. So I was just saying that it is a 4x kind of a growth.

If I were to be able to state it in market price, you will see handsome P&L benefit that it could be. But because of accounting practice we will see it at book value.

Pramod Amthe: Any thoughts in terms of Mahindra Partners, what is the per annum investments or next three years what will be your directional flow as you have talked about the CAPEX and the investments?

V. S. Parthasarathy: Rs.2,500 crores that I talked about in the next three years will be the total investment, out of which a part of it will be virtually managed by Mahindra Partners; Mahindra Partners does not invest on its own, it is like a virtual PE which manages the investment that are made, so it is part of that Rs.2,500 crores in the next three years.

Pramod Amthe: The next one is with regard to your international acquisitions. Looking at the track record in domestic acquisitions versus international, you seem to have a good hit rate in India versus rest of the world. Especially this raises questions when you make it more complicated in a case of like the one which you did with yourself and Tech Mahindra for the Italian design company, how are the processes much stronger for international acquisitions and how do you expect them to reduce the complexity in terms of intergroup holding further getting complicated through such acquisitions?

V. S. Parthasarathy: I am overwhelmed here, because I think these questions, governance etc., is in a way related, but this is also not at the core part of it. So let me take a very quick stab at it and I promise you that in later calls we can always talk more around this area. First and foremost, you are right, we have made a set of acquisitions in India and abroad and we have had very good successes in both. You probably alluded that we had more bigger successes in India than abroad, but I think we have had successes both in India and abroad. So let me give you one example of what we had success abroad; we bought a four or five auto components companies in Germany, Italy, UK, etc., When we finally folded up into one listed company, I think we had investment return of about 8x. So we have had that much success abroad I would think as we had in a number of companies. Having said, there is no doubt that these international investments are more challenging than Indian investments. There is a harder aspect which is in terms of the currency that we invest in, but that is the lesser of the problem, the bigger thing is the softer aspect in terms of how do you ensure cultural integration. In fact as an M&A head, I have often been asked this question and I said, "We should have an Indian way of acquisitions which will be different from what others in the world do because we come with different kind of paradigms and different issues and therefore there should be a separate way." I think that is the kind of a thing that we have followed. We have followed both on the hard things like how to do financial, accounting and integration, on the other side we focus much more on the softer aspects, but more of it later. So coming to Pininfarina a very quick thought that we have not had many cases where we had jointly between two companies acquired another third company. This is the first time we saw an acquisition which is relating to both Auto because of designs and because of the same as engineering services to Tech Mahindra. Therefore, it was a jointly acquired company so that both have skin in the game and both are able to focus on making it a great success. So

this is a small clicker side but we hope it has a huge value in the future. So this is something we will be able to talk in future I am sure.

Moderator: Thank you. The next question is from the line of Karthik Subramaniam from Edelweiss. Please go ahead.

Karthik Subramaniam: I just have one question on Mahindra Partners. You mentioned that is incubating a new business and businesses could also be spun off and harvested for a profit. Just wanted to quickly check if there is refined KRA for an exit for a particular business if it is not successful?

V. S. Parthasarathy: We said three gates that we look at which is in terms of the Macro Trends, the Right to Play and Right to Win and the Leadership Gate. So these are the three major gates that we look at and it is viewed by the Board sub-committee, of course, this is reviewed by the management through what we call as war rooms but also from a governance point of view, through the Board. As long as the three are intact, we will back the rank and we have a history where I give you some examples before including the Aftermarket.

Moderator: Thank you. The next question is from the line of Karl Karkaria from Quantum Advisors. Please go ahead.

Karl Karkaria: I have a couple of questions; I am just trying to understand how exactly do you go about setting the overall sustainability strategy of the organization, mean, as a company you have many diversified businesses, I am just trying to understand the level of decentralization versus centralization when it comes to developing this sustainability strategy of yours? Secondly, you may have specific targets in terms of let us say carbon footprint or water consumption. So how exactly are these targets arrived at – is it based on some sort of regulations which you expect to come in the future or are they based on certain international best practices?

Rajeev Dubey: I will request my colleague, Anirban Ghosh who is the Group Chief Sustainability Officer to take your question. Anirban?

Anirban Ghosh: The field of sustainability as you know is in evolving field and all the organizations are moving forward doing things which are both good for the environment as well as good for the business. We have been setting a roadmap for ourselves and you will find that roadmap on the website in our sustainability reports. We cover the areas that you mentioned. Overtime when we benchmark the goals that we have set with leaders in the world we find that both the goals and the progress are very much in line with the best in the world, which is why we probably keep getting recognized with various awards from different organizations. Now, having said that, if we were to look forward and consider what goals we are taking on for them for the coming periods, the conversation is actually very clear that organizations need to move forward in a way in which they become carbon neutral over time because that is what nations are expected to become as per the “Paris Agreement”. So, within our companies, we are in the process of setting up our path to carbon neutrality. Mr. Mahindra mentioned this on television during the Make in India

Week. With carbon neutrality as the North Star, various other sub-strategies are being built for the very many businesses. So, just to summarize, there are three broad programs – one is Carbon Neutrality, one is Water Security for every one of our locations and the third one is Zero Waste Program. So these are the three broad programs. Each business taking on goals commensurate with its own business and its own scale of operations and targets on the roadmap according to that.

Moderator: Thank you. Sir, we have no further questions in queue.

Rajeev Dubey: Thank you.

V. S. Parthasarathy: Thank you very much.

Moderator: Ladies and Gentlemen, on behalf of Mahindra & Mahindra Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.