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Sriram Ramachandran: Hello everyone and welcome to the Mahindra & Mahindra Ltd Q1FY21 Earnings call. I just wanted to make a safe harbor statement: "Certain statements on this conference call 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 differ materially from those in such forward-looking statements."

Rajesh Jejurikar: Thank you.. Good evening, everyone. So, while we are waiting for the slide to come up, I am just going to use the slides to give you a quick perspective so that we have enough time to take questions from you. So, will just make a very short presentation.

So, this is just a recap of where we had left the last time, and we walked through the walk around and fly as a philosophy and a way in which we were looking at the business. What I would do now is give you a quick update on areas which there has been progress on.

So, basically in the area of WALK, , we have had a significant improvement in management of our core working capital and CapEx optimization, we have improved our net variable margin. And through a stringent cost management, we have brought down our costs quite significantly in the quarter compared to the same period last year. So, we believe we have managed the cash and cost part of the WALK pretty well.

By way of starting operations, tractors was at more than 90% capacity utilization through June, automotive crossed 50% of their manned capacity. About 85% of the dealers had been open and 100% of the suppliers are open, though there are lockdowns from time to time based on local and regional issues.

In all of this, we are delighted share that we have got ranked 20th in the Great Places to Work Survey. And this is the 8th year in succession where we as auto and farm sectors are in the top 50 ranked places to work.

Just want to take a few minutes because there is so much conversation around the rural growth story. This is an internal index that we have which measures the total spending by the Government in rural India. It includes agriculture and rural development. And you can see the huge uptake that has happened in the index starting December onwards. That, apart from the factors like good monsoon has helped pipe up the rural demand...

This data just shows you April-June for the last four years. You can see that F '21 April-June, both agriculture and rural development have seen a huge increase in the spending by the government, and this is one of the significant drivers for rural growth story. The two other factors driving the rural growth story, of course, are the very positive rainfall that we have had up until now, and also the kharif acreage so far this year, been the highest in the last five years and is higher than the previous year by 19%.

This graph shows you our sales trajectory in the two businesses. On the FES side, even though July('20) is lower than June('20), that's a season shift phenomena, you can see July('19) to July('20) the growth has been 28%. And even in June there was 13% growth. On the automotive side, you can see a step-by-step movement towards recovery. And the negative growth, so to say, reduced from (-79%) to (-53%) and then to (-35%).

This chart is an index chart, which brings out our total system stock. And the total system stock is defined as the stock with us, plants, plus dockyards, plus transit, plus dealers. And you can see that stock for, and this is a combined number for auto and farm together, is at a very, very low number, and lower than anything that we have seen in the recent past.

A slide on how we have done in FES. You can see we have delivered very healthy margins. We have talked about the strength of FES in its ability to deliver and maintain a certain band of margin, even with industry volatility. So, while the industry in quarter one has dropped 13.7%, we still delivered a margin of 20.4%.

We have lost market share, and I am sure some of you have a question on why we may have lost market share. I would like to just strongly reinforce that it is led completely by supply side issues. Demand is very robust, and there may be times when we may show an increase in market share, and we would urge you not to read too much into it in the current context, either up or down. Because right now, what is governing every players' ability to sell is a function of how much stock they have, either finished goods or raw material, and the ability to ramp-up. And everybody will have a different set of challenges from time to time. And we, as we showed you, were able to cross 90% capacity utilization. And our stocks are at very, very low levels, in fact, we may have had almost nothing left to build at the end of June. And the market share is a result on the supply issues.

On the auto side as well, though we are showing you a slide on less than 3.5 tonne market share going up. Again, I would say I don't read too much into quarter one numbers, because it is a favorable supply situation that we have had. And the numbers, as you can see, segment-wise, also reflect a supply side situation. I am sure you all will have questions on that, and we can talk more in the Q&A.

Just to take an element of the RUN right now, and one part of the RUN is the focus on our core domestic. We have had a very successful launch of the new Plus series in the Mahindra Tractor brand. The new Plus series is an upgrade of the old Bhoomiputra, and the Sarpanch range of tractors. Both the products have been upgraded, and the response to the upgrades have been very, very positive. And we would be looking at phasing out the new portfolio as we move on.

The XUV300 has got an NCAP 5-star rating. It has also been rated best car on safety over the last six years.

Just want to take a couple of minutes and talk about a campaign that we ran through July, which was all digital, and we called it The Mahindra Classics. This is seven decades of us having created classics. We created a lot of online buzz, of course, it was also precursor to the Thar, but it also was 70 years since we rolled out our vehicle in 1949. We have got very, very good digital engagement, over 3 million views of the video that we had put out on this occasion, and 2 million engagements; and several very good online conversations with some of the top auto experts.

We are ready to reveal the all new Thar. It is a reveal, and it will be revealed on the 15th of August, on India's Freedom Day. And we believe it has generated some very, very good level of excitement. We have put out a teaser day and a half back, and in a day and half we have got over 1.5 million views of the teaser video. And it just goes on to indicate the level of anticipation and excitement about the all new Thar which is going to come out soon.

With that, I would like to hand over to Anish.

Anish Shah: Thank you, Rajesh. And good evening, good morning, good afternoon to everyone. One of the benefits of this format is that we have a large number of attendees, we have 290 in total. And while we would love to have everyone in person, the benefit here is that a lot more can join. So, thank you, everyone, for joining.

Let's talk about where we are this quarter as well as I will also talk about our journey from last quarter and then maybe go forward. So key messages are, one, a strong performance for domestic farm. Revenue declined for the industry in auto, close to 80%, that does fuel high losses this quarter for us. Very strong cash generation. And we are on a consistent path to reignite value creation that we spoke about last time we met.

Moving forward to the next page. I just want to reset everyone on the definitions we will use. Domestic farm and domestic auto are self-explanatory. International subsidiaries refer to auto and farm subsidiaries only. And investments are all our listed and unlisted entities outside the auto and farm sectors, these include Tech Mahindra, Mahindra Finance, Holidays, Lifespaces and a number of other unlisted entities.

Starting with the financials. Revenue is down 56%, again, driven largely by auto. And we are in the positive on PAT but barely so, it is down to only Rs. 39 crores. And the one highlight here is that OPM has stayed at 10.3%, it is lower compared to 14%. But given the quarter and given the volume loss in the auto industry, we feel this is a very strong one.

Looking at what changed versus last year. You can see that the farm business was more or less equal to last year, just a Rs. 27 crores deficit versus last year, despite having more sales in almost all of April. And as we have spoken, auto really has contributed to the loss this year. But international subsidiaries as well as investments are both more or less flat versus last year, resulting in a Rs. 32 crore profit that we had.

At the PAT after EI level, we had a much bigger number last year of Rs. 2,260 crores. That was driven largely by the big block that you see there, which was a share sale in the M&M Trust of Rs. 972 crores, and that obviously didn’t happen again this year. So, it's a negative from a year-to-year standpoint. Domestic auto contributes, as we have talked about.

International subsidiaries, these are some impairments taken at the MANA level. And I will talk later about the reason for this. In one line, it's basically because we decided not to bid for the U.S. Postal Service contract, and we will talk about that in a little bit. And a small amount from investments in terms of exceptional items. But the net result at the PAT after EI level is a Rs. 68 crore profit.

At a consolidated level, revenue is down 37%. And PAT after NCI and EI is in the negative at negative Rs. 98 crores.

If we look at the drivers of that, here, again, we see farm model as the same, auto as a key driver. We see a positive year from international subsidiaries, which is something we haven't seen for some time, honestly. And that is driven by a onetime gain at SsangYong for sale of some assets, and that has driven positive in terms of the year-over-year number that we see. And, again, a small impact from investments.

If we look at performance of our investments, TechM has performed quite well in this quarter. Revenue of 5% have helped profit at the level of last year. Mahindra Finance even better, 8% revenue growth and profit has increased 4x, despite putting provisions and making sure that it stays safe through any issues that may come up. Holidays and our real-estate business has been hit pretty hard, and you see numbers that are significantly unfavorable there.

Moving to the next page. So, in terms of our action plan, it stays the same, as we talked about last quarter. Tightened capital allocation norms, enforce the path to 18% ROE, define a clear narrative for auto, maintain leadership in farm and harness value from unlisted gems. While Rajesh has talked about auto and farm, I will just spend two more minutes talking about the other 2 points.

On the path to 18% ROE, we had promised that we would come back through this year as we are evaluating all our businesses. As a reminder, we had said that we have put them in three categories. Category A is a clear path to 18% ROE. Category B is a quantifiable strategic benefit, and category C is a path to exit. We have talked about SYMC and GenZe last time. As a clarification, GenZe operated from a company called Mahindra Tractor Assembly, so you will see that in some of the annual reports but that really is GenZe.

MANA, which is our North American automotive business, have been working on preparing for a bid for the U.S. Postal Service contract for the last couple of years. There had been some costs that have gone into preparing for that bid. If we want to bid, it would be a fairly significant investment, much close to $0.5 billion. As we looked at that project closely in the light of the current environment, and in the light of our tightened capital allocation norms, we felt that was not the right path to take, and therefore, we did not proceed with the bid. And as a result, some of the preparatory costs that we had done for the bid had to be written-off, and that's what you saw in the numbers that I presented earlier.

We are evaluating other companies. And as we go through the next couple of quarters, we will come back and share which categories those companies fall into. As a reminder, I would also say that category A will be there for some companies. We are seeing good turnaround in some places. And if we do see that turnaround and are confident of the path to 18% ROE, then we would put them in category A and monitor them closely.

Let me share a little more about our growth drivers. The gems that we talked about last time. We just shared the names last time, but let me talk a little more about what they do. And then as we go in coming quarters, we will share some of the numbers behind that and where we see them going as well.

Susten is a solar business, really a technology-led, utility-scale solar company with very strong EPC business, both domestic and international.

Rural Housing Finance operates in a very different way than most mortgage companies, it's really focused on rural markets and has built a lot of capabilities in working with rural customers. And, therefore, has a large field force, very customer-oriented.

Powerol is a genset business that has been growing very well, strong distribution, the leader in telecom, and we see a lot of potential there.

Accelo is one of the leading steel solution providers in India. The growth potential there is really in auto recycling, and it's the largest player in organized auto recycling today in a joint venture with the government.

Agri is a trusted provider of agri inputs, seeds, crop care, irrigation and high-quality fruits, which we export as well.

Aftermarket has good strong capabilities in used cars. This is brand agnostic, so beyond Mahindra. And looks to be one of the leaders in the used car space.

Classic Legends and JAWA, you have seen and heard about before. We are seeing a very strong demand there and see good potential for them.

Electric, we have been making EV since 2010. With Mahindra Electric, we have the EV technology that we have built. And we are looking at 3-wheelers as well as 4-wheel kits for technology there.

Mobility is focused on high-quality service for corporate employees with a focus on EVs.

And there is a tenth one that we added this quarter, which is Bristlecone. What we are seeing in the current environment is a lot of demand for supply chain. And Bristlecone is a specialist technology provider of supply chain. It works with a number of Fortune 500 customers, very profitable company today. And the cash flow they generate should be sufficient to be able to drive its growth.

So, these are the 10 companies that we have. Most of them are profitable today, and we will share more about them as we go through the coming quarters.

With that, we want to be the gateway in the largest and fastest-growing themes in India. We are very well positioned in India with the businesses that we have. And the rural market is shaping up pretty well, in addition to rural, the focus on technology, focus and consumers lays to our strengths. And with that, I would say we are on track to reignite the value creation journey that we spoke about.

And back to you, Pawan.

Pawan Goenka: Thank you, Anish. Thank you, Rajesh. I will just take a few minutes to reinforce few points that have already been made by Rajesh and Anish.

So, I would first say that the quarter performance, I think not just for Mahindra but for the industry, both auto and tractor, has probably been better than what most people would have expected in the month of April. The tractor demand clearly has been a surprise. Rajesh talked about the reasons, so I won't repeat that. And what is surprising is that even with ramping up production to 90%, 92% of full capacity, we are still unable to meet demand.

Auto demand is, I would say, not yet tested because supply is only at about 50%, 60%. Hard to say whether the auto demand will go up to the full 100%, if supply was at 100%. We will have to watch and see for next two, three, four months. But we do expect that from here to festive season, we will continue to see a monthly increase in demand and, hopefully, supply. I will come to that.

Collection has been a big surprise for all of us. There was all this fear that we all had about consumer financing and about liquidity for the dealers, the wholesale. And none of that fear has come through and appears to us that the dealers are able to manage the working capital, that's a very important supply surprise. And similarly, the working capital for the MSMEs, which was a big concern and was covered in the various packages that were announced by the Honorable Finance Minister, that seems to have worked quite well.

The rural demand clearly is stronger than urban demand. In fact, for Mahindra, in automotive our rural share was about 62% this quarter, which last year was about 50%. So significant increase in rural share this quarter.

And COVID impact, while we all talk about the negativities of COVID, and obviously there are many, but there are some sort of lessons learnt that would help us in the future. Because many myths have been broken which will lead to fixed cost reduction, which will bring in agility, efficiency and cost reduction, not just for the period that we have COVID effect, but even after that. And that I think will change the way we do our business. Hard to quantify right now what the impact will be, but the fixed cost reduction that you have seen in this quarter, not all of it is a COVID effect, it will be a permanent effect as we move forward.

So as we move forward in the next few months, the two concerns that we will be watching carefully will be any supply chain disruption. That is perhaps our biggest concern, both in auto and tractor because of local decisions on lockdowns or local spread of COVID-19 where our supplies are critical. And also a fear that if COVID-19 spreads in rural area, then that could affect demand for tractor and the rural side of automotive.

Rajesh talked about Thar, which is around the corner, and we are looking forward to it. And then after that, we have the W601 and Z101. We have not slowed down at all in our EV plans. Everything that we have talked about is being worked upon. The Ford JV is progressing well, but delayed because of state approval that is required, and due to COVID-19 both Tamil Nadu and Gujarat are not able to complete the approval process. Right now, we have a target, October 1st as a date for starting the JV, but it will depend on the state of approval.

Clearly, our current action on creating liquidity, which we did in the month of March and April has paid off. And we are in a very comfortable situation, as Anish has talked about. And the capital allocation, again, Anish covered that, he is very serious about it. That is why SYMC, Genze, USPS already announced. Other things are under consideration.

That, in a nutshell is sort of between what Rajesh and Anish said and my sort of closing remarks, it covers what we want to communicate to you formally. Now we open to questions.

Sriram Ramachandran: Thank you, Doctor, Anish and Rajesh. We open question and answers now. I have got some questions already from analysts, so I will start asking the question. And by the time they would be taken online.

The first question is from Sonal Gupta of UBS. What is your outlook for SCV, small commercial vehicle, and pickup segments? Your volumes in Q1 have been much stronger than the number two player. With BS-VI, what sort of shift can we see from small commercial vehicle to pickups?

Rajesh Jejurikar: So, there are two key drivers for the pickup segment and the SCV segment. One is the overall increase in the rural demand, and that leads to movement of goods, agriculture and otherwise. So, we are seeing a very positive demand for pickups, that's coming out of that.

SCV is a very different segment. So SCV demand, we believe, is picking up because of the need for last mile mobility, both personal which is not so at this point of time, right now it is more goods. So as more and more business is moving to e-commerce, including even FMCG as we have seen through these months, there is a need for small commercial vehicles, which can operate intra-city, and SCV load carriers are a very good opportunity.

Of course, there is demand, not a very fortunate thing, but a lot of demand for SCV ambulances. And that is something we are struggling to ramp up to the requirements as well. So, in a way, I wouldn't try to get into answering the question of what is the likely cannibalization between SCV and pickups. I am just seeing these as two very different parts and different target audiences. And the demand for both is going up for the reasons that I explained. Pawan, do you want to add anything on to this?

Pawan Goenka: No. I think you have covered it well. So nothing to add.

Sriram Ramachandran: Okay. So, the next question is from Jinesh Gandhi of Motilal Oswal. And a few others also have asked this question, which is more in terms of outlook for FY '21 for auto and tractor. Is there any outlook we can provide? And also on the supply side status, both in July and August, how is it likely to impact that? And will it impact the festive season?

Rajesh Jejurikar: Will it impact festival season, I think is a difficult question to answer, because that question is difficult to answer it's also difficult to answer what the growth outlook will be. So I am just kind of rewinding now and connecting question one and question two. If you were to look at tractors, we feel that just looking at it from a demand standpoint, the industry would definitely have a growth year. However, given the uncertainty on supply, we wouldn't like to give out an outlook, because that's something we have got to wait and watch. But as you can see, we were able to pull out for us a 28% growth in July. And of course, that's reduced the stock for us even more.

On the auto side, as Pawan said, I am just reinforcing again, the demand is not fully tested, but we are seeing a lot of positive demand for all products, which are rural based, Scorpio, Bolero pickups in particular. On the urban side, even products like XUV300 and so on are doing well. We, unfortunately, have had a great supply side challenge w.r.t. some of our competitors, because we had very little stock coming through the BS-VI transition. Given that our portfolio was diesel and we were transitioning through February and March, first, due to the COVID situation around the world which happened for India, and then the India lockdown; plus a fire at one of our suppliers, led to us having very little opening stock as we got out of the lockdown. So right now, our focus in both tractors and auto is to produce as much as we can. We are operating from a context right now that the business challenge is about ramping up supplies and demand will be reasonably okay.

We do see a focus and need for personal mobility, pretty strongly. Of course, it will be at the entry level, but we also expect that there will be a demand for larger vehicles as we get into people wanting to follow this social distancing, even within their vehicles. We, ourselves, are very pleasantly surprised with the high level of positivity and anticipation on the launch of Thar, as Pawan said. And that is in a way an indication of customer sentiment. Because if customer sentiment was not positive, you won't expect this kind of a positivity on announcing a date of teaser. So we certainly have not seen customers weary of wanting to make purchases, that was a concern we may have had in April. But as things have opened up, that concern, we believe, is behind us.

Pawan Goenka: Just want to add one thing to what Rajesh said, that on the supply side it's not like we are having problems all over the place. If we have, let's say, 100 suppliers supplying for tractor, we have no problems with 90; seven, eight remaining can be managed a little bit of work on our side, not a little bit of work, a lot of work from our side. It's only two or three that are critical. And therefore, as long as you manage those two, three, we are home free. Same thing on the auto side also. And these two, three suppliers are working extremely hard, they have the constraints because of absenteeism because of COVID-19 in their plants or because of local shutdown. But we are hoping that we will come out of this problem as long as the spread of coronavirus does not get worse from where we are. Okay. Next question.

Sriram Ramachandran: Thank you. Next question is on the capital allocation. A few people have asked this question. By when can we hear more updates? What will we do if some loss-making businesses have capital requirements before we can make decisions? And as a part of that third question is, how is the SsangYong deal progressing?

Anish Shah: So, there are three parts to that. First, by end of this year, the fiscal year, 31st March, we will have a clear answer on all our companies. And that is something we promised before. As I have said before as well, we want to make sure we do a very detailed evaluation. This is not a cursory look at the company. We have things working in many of these companies, looking at what are the levers to be pulled and will they be successful or not? We also have to see early successes before we can say that it's on a path to profitability, which is why we are not rushing to answers. We are taking our time to look at a fair amount of detail, and we will come back by the end of the year on all of our businesses.

The second part to that question is, do some of them need capital? We have looked at it. There may be some that do need a little bit of capital. There is no major investment that is being done without that detailed look, which is where also for MANA we decided not to bid for USPS. And there could be a couple of other investments we will look at and say we may defer them until we have a clearer view of the part of that company.

And third, with regard to SsangYong, our position has not changed. Our Board has made it very clear that we will not be investing anymore. SsangYong could sell some assets and, therefore, generate some cash. There is a search for investors that's going on right now, and we are hoping that it is successful. And just to add to that. In any case, for SsangYong, we have drawn a very firm line. So, whether there is an investor or not, we will not be putting in more capital, as committed by our Board.

Sriram Ramachandran: Thanks, Anish. The next question is on tractor margins. So we have done 20% margins, with only 65,000 volume. Do margins have more upside? We don't generally talk about margins, but the question is coming, whether there is an upside to the margins from here.

Rajesh Jejurikar: It's a difficult question to answer for the following reasons. Firstly, Sriram, you said that we don't give a guideline on margins and we definitely don’t want to get drawn into that. I think when we look at quarter one, we have to keep in mind that with many, many things being shut, we were able to have a very tight control on our costs. As Pawan said right in his opening comments, we would try to bring in a mechanism by which we are able to lock-in a lot of the savings. And what we really have to see as we go forward, what of these savings are we able to lock in and what will come back to business.

So, let's take the example right now. If demand is so much higher than supply, then we are obviously not going to spend on marketing or promotion. And in this period of time, we have really cut back all marketing spends and promotion. But when you come back to a situation where supply is equal to or greater than demand, which is the normal state of operation, then there is going to be an effort from all OEMs to bring in sales promotions and marketing support, which clearly is not in the current context. But there may be a lot of savings in fixed costs that we are able to hold on for non-marketing. Example, the savings in travels, conferencing. So, all of that are savings, which we will be try to lock in most of that. But what we really have to see is what happens to sales, promotion and marketing as we go forward. So that's a broad kind of guideline on how we look forward

Pawan Goenka: I just want to add that one of my fears was that when we open up, will there be irrational clamor for volume and market share by OEMs, which is not the case, because the demand is good and therefore no irrational clamor. And that's the point that Rajesh also made. Now again, as Rajesh said, we cannot say what is the upside, but we are happy that we have improved our margin even with lower volumes.

Sriram Ramachandran: Next question is on standalone EBIT margin of automotive. The question is, is there any one-off/ write-off in automotive EBIT margin in standalone?

Pawan Goenka: Nothing major, right, Anish?

Anish Shah: No. On the standalone, there is nothing major on the auto side.

Rajesh Jejurikar: I just want to add that the EBIT should be seen in the context of the revenue, which is more than 75% down. And without naming any peers, we believe our EBIT performance actually on the Auto side is pretty good given the extent of revenue drop that happened. A lot of the revenue drop that happened was really because of almost two months getting washed out

Pawan Goenka: Inspite of one-fourth revenue we have more or less maintained, not more or less, we have maintained our variable margin and significant reduction in cost to have a reasonably low loss at EBITDA level.

Sriram Ramachandran: Thank you. There are some people have asked a question on status on Ford joint venture. What is the status on completion of Ford JV?

Pawan Goenka:

On Ford, I have already answered in the beginning that we have slowed down because of state government approval not happening. But that is only the formation of JV that is slowing down, our work is not slowing down. So, everything that we are supposed to do in the JV, complete planning is happening, the business plan is being developed, the people movement is being planned, the projects are progressing. So, all the work is happening. Just the physical or the legal handing over from FICL to the JV, it's stuck for this want of state government approval. Right now, our best guess is 1st October. But again, that depends on when we get state government approvals.

Sriram Ramachandran: Okay. The next question is on how big a challenge is CAFE and RDE for Mahindra? Is it going to have much lower cost than BS-IV to BS-VI transition? Will Ford JV also give us access to Ford technology and future products if required?

Pawan Goenka: Okay. Let me take a crack at it. Cost of RDE, so RDE is not a technical challenge, it's just time it will take to develop it and the cost we will incur. It's very difficult to give a number on cost because it depends on many different factors that will come in. For example, what are the RDE factors that the government finally decides on 2.1 or 1.4. But my best guess right now will be of the order of Rs. 10,000 will be the impact of RDE on the cost of vehicle for SCR emission. I don't want to get in too much technical detail, so let's assume Rs. 10,000, which will be about April 2023 is when we expect RDE to become up again.

On the CAFE side, right now, again, there is a discussion going on, on when the new CAFE regulations will come in place because of everything sort of coming to a standstill because of COVID-19. But all the same, we are working on meeting the CAFE requirements, and electric vehicles that we are working on and we hope that by the time CAFE regulations comes, we will have a substantial size of electric vehicles. So it is a substantial **so it** will also obviously help. But otherwise, we are looking at many different things. And clearly, we will be in place to meet CAFE requirements by the time it comes.

But it's not a single solution, it is multiple things that we are doing. For example, 48-volt hybrid might come on some vehicles, electric vehicle sensors will help improving efficiency of diesel and gasoline, both. And the direct injection gasoline engine, GDI, all of these things will help in meeting the fuel efficiency norms. And the technology, of course, with the partnership that we have with Ford, we will have more access to Ford technology. But obviously, these are two different companies. And therefore, whatever we do will be at arm's length basis. But we certainly have reach to Ford technology.

Sriram Ramachandran: Thank you. Next question is from Yogesh from HSBC. Yogesh, are you online? Can you ask your question? So in the meanwhile, there is a question from Binay Singh of Morgan Stanley. What is the diesel share of UVs in Q1? And overall, want to understand the impact of fuel mix change and BS-VI on auto margins.

Pawan Goenka: Rajesh, you want to say something?

Rajesh Jejurikar: Yes, Binay, two, three parts to your question. One is, let me take the diesel mix first. On the rural side, we are actually in our category of products not seeing any desire or move to want gasoline vehicles in the segments in which we participate. On the urban side, especially in the compact SUV, where we have XUV300 we ourselves about 35%, 40% gasoline mix in that segment of product. So there is some shift on the urban side. But like I said, on the rural side and products like Scorpio and Bolero, the customer continues to have a distinct preference for diesel and the products that we are offering in diesel at this point of time.

On the specific question of BS-VI, I think we have said that last time as well. We are confident of maintaining our weighted margin in absolute per unit basis. However, there could be an impact on the percentage margin because of denominator effect. So basically, we have been able to pass on the cost of BS-VI in absolute per vehicle basis, because of the denominator we are likely to see a percentage drop. That has not happened in quarter one. And one of the reasons why it has not happened in quarter one was more favorable model mix. So like Pawan said, and I had said in my presentation, we improved our NVM in the quarter.

Pawan Goenka: Let me also give you some numbers on diesel and petrol. In the UVs, overall in Q1, the diesel share was about 44% compared to 50% in the previous quarter. But a lot of it is coming from the sub-4 meter vehicles, and sub-4 meter vehicles diesel is only 31% compared to 42% in the previous quarter. And as Rajesh said, that in our vehicles like Bolero and Scorpio, especially in rural area, diesel should remain predominantly vehicle of choice.

Sriram Ramachandran: Yogesh, can you go ahead now?

Yogesh Aggarwal: Thanks, Sriram. Just two questions, sir. Firstly on JAWA. Would you be able to provide some color on what is ramp-up in production? Are we stabilized? And when can we expect some high-frequency monthly data on JAWA? And secondly, on the SUV business, since there were some supply issues, as Rajesh mentioned, is there some kind of a order backlog you can share, which can help us quantify the pent-up from the missed sales because of lesser supply.

Rajesh Jejurikar: Yogesh, let me take the UV question first. Let me first put it this way, there are some models we have not even got to market yet. So Marazzo and, like I mentioned earlier, we did have a fire at one of our suppliers, and we had to start prioritizing. And that was a supplier of headlamps and tail lamps. And we had to start prioritizing after the lockdown which models we wanted to get out first. And given the strong rural pull, we had started prioritizing the Scorpios and Boleros. So some of our models haven't even yet got out, so that's all pent-up. Marazzo and XUV500 andXUV500 we have done very small numbers. But some of the other models we haven't even got out.

I am not going to be able to give you a number, but stock levels, like I said, are so low that can't even test the demand for it. And our desire will be to get to 100% of our capacity over the next three or four months is what I would kind of say. But we do see, Pawan mentioned earlier, some real supply challenges, and they are all localized. So it could be one supplier having a shutdown for a week or 10 days in a particular area, and somebody else having a shutdown later. Hopefully, things will improve and stabilize as we move through August and September. But really, don't want to try and put numbers out. But sufficient to say that we are seeing a positive in demand. Pawan, do you want to comment on this before we take the JAWA question?

Pawan Goenka: No, nothing much to add. I would just sort of contrast tractor and automotive in the supply side. See, on the tractor we tend to have multiple suppliers for the same thing, except for two or three very critical things like tools, equipment. Where in auto, we tend to have single source because very high cost of tooling. And that's the reason you see that auto is more affected than the tractor, which will again be true for everyone. But if we are able to resolve two or three suppliers, or if those two or three suppliers are able to resolve their constraints that they are facing, and they are working extremely hard to resolve those, then I think we can see a fairly smooth supply chain. Not that everything is happening automatically like in normal times, but with the effort that our teams are putting in and the extra miles that the suppliers are walking, other than two or three suppliers, I think, everything else we are able to manage.

Sriram Ramachandran: Okay. The next question is from Gunjan Prithyani of JP Morgan. Can we get an update on U.S. farm business performance? How are we progressing on breakeven there?

Rajesh Jejurikar: Gunjan, we have seen a very positive retail momentum in our U.S. tractor business. Quarter one, we had a growth in retail of about 15%, and July was again very, very good month for retail. And cumulative growth this year is about 22% at retail. We are continuing to take this opportunity to correct our stocks. We have put in also, as we have said last time, several measures to improve our cost structure. And we are reasonably sure that this year we will cut the MUSA losses by at least half Anything you want to add, Pawan and Anish?

Anish Shah: I would just add that there is a lot of work happening on product profitability, on channel profitability, on working with financing partners. And all of that, as Rajesh said, is resulting in losses being cut by half this year. But in addition to that, we are also looking at what is the path to 18% ROE that we promised.

Pawan Goenka: Rajesh, the question on JAWA, anything you want to say?

Rajesh Jejurikar: Yes. Sorry, we missed that in the two questions. So basically on JAWA, the demand we believe is very strong, you can see the momentum everywhere. We did take a little longer to make the BS-VI transition happen, and that's taken time, that's not under control. And we also were affected by some of the suppliers in the Pune region. We had some suppliers who were Pune based, one or two have taken some time to ramp-up with the labor migration issue. But things have stabilized now, and we hope to see good numbers coming in.

Anish Shah: Sriram, we have a few questions from Pramod Kumar on the Q&A.

Sriram Ramachandran: Pramod, go ahead. Okay. So, his question here is, can you please talk more about the SsangYong proposal, which was cleared by the Board?

Pawan Goenka: Are you talking on today's proposal?

Sriram Ramachandran: Yes.

Pawan Goenka: Yes. So basically as we look at investors or SsangYong looks at investors and as investors come in, there is a possibility that Mahindra will have to become less than 50%, and we look at many different options of bringing funding into SsangYong. And that may require for Mahindra to become less than 50%. And as for the Company Law, we have to get approval from shareholders to become less than 50%. So this enabling resolution that the Board has approved us to go to shareholders to get that approval from the shareholders together

Sriram Ramachandran: Pramod, you have a few other questions. Are you on the line?

Pawan Goenka: Does it answer most of the question on SsangYong or is there anything more?

Pramod Kumar: Yes, it does answer. I have two other questions, Anish. Thanks a lot. The second question is basically, are you open to…

Pawan Goenka: Pramod, there is too much disturbance. If you can share the questions, Sriram can ask them.

Sriram Ramachandran: Okay. Can you please share the key time line for launches in the PV and tractor divisions?

Rajesh Jejurikar: Yes. So, let me talk about the SUV key time lines. We had said last meeting that we will launch Thar in the early part of second half, which implies October, November, we should be on plan to do that. As we just announced, we will reveal the product on 15th August. The specific launch date will depend on the pace at which we are able to ramp up for start of sales. So, Thar is ready in all respects, and we will reveal soon on 15th August.

The next launch in the PV portfolio is the W601, and that should happen in quarter one of F '22. And the third launch is Z101, which is in the second half or quarter three of F '22. All these three products, we believe, are very core to the brand and have all come out the well, they are very refined and deliver on all the values which a Mahindra stands for. So, we are very positive and very optimistic about these three products.

Tractor side, we did talk about the K2 complete four new platforms last time. And the first of the platforms is two years away. Otherwise, there will be minor refreshes and so on going along, but no new platform launches in this time.

Pawan Goenka: I just want to add that you can perhaps imagine the difficulty in doing product development during lockdown, because there is so much collaboration that happens across people, not just within MRV but across the globe. And there are suppliers, development people, consultants, tooling that's happening all over the world for any product. And each of these products are perhaps delayed three to four months because of lockdowns. But now we are reasonably sure on the timeline for the 601 and for the 501. And the 101 still is about a year away. So hopefully, it will all happen on time.

Sriram Ramachandran: There's one more question from Pramod, which is how much of the cost reduction under the project Kuber has been already realized? And what is the incremental target post COVID?

Rajesh Jejurikar: . Well, as I always say on costs, there is no end to how much we will find and we are working on several new ideas. We have learned so many new things in the last three or four months. And things, which look like can't happen, are all being made to happen. Just to give you an example, on both our auto and tractor side, decided to close about 30% of our area offices in the field. And for those that we keep, we are going to keep the seating to only 30%. That means everybody else will permanently work remote. So there are many, many such changes in where we are going to work. And we believe that this is win-win, both for cost and impact. So I am not going to share a number with you, but there is so much we have learned in the last four months on how we can do business differently.

Pawan Goenka: I am just reading the questions, there is a question from Yogesh Aggarwal which I think is an important question to answer.. The question was, till the time SsangYong is divested, would you have to fund the losses? Like the Rs. 900 crores losses in this quarter are cash losses by M&M.

No, we do not provide any more cash funding of any losses to SsangYong. As Anish said in the beginning that Board has approved KRW40 million, which is $32 million. And after that, we have not put in any funding of SsangYong. And SsangYong is taking care of the losses on their own. But please bear in mind that bulk of the losses are non-cash because of the very high level of depreciation and amortization. And the cash losses are less than half of the loss that comes in. But again, that's funded by internal generation or in the previous quarter there was an asset sale, and they have generated over KRW100 million, which has helped in funding the losses. So there is no contribution from Mahindra in funding the loss (through) cash contribution. But of course, it gets consolidated in the Mahindra consolidation, but no cash flow.

Anish Shah: Yes. And just to add to that, to expand on it in fact, as Pawan said, our consolidated losses will show losses from SsangYong till it continues to be a subsidiary. In the first quarter, that was close to breakeven because SsangYong had a onetime gain in terms of sale of assets. And where it continues to be a subsidiary, there will be consol losses. But there are accounting provisions that within this year, if it ceases to be a subsidiary, some of those will be written back as well. So you will see that on the consolidated line, but again, they are not cash losses. There is no further cash going out for SsangYong.

Sriram Ramachandran: Yes. Thank you. There are a couple of questions from Binay Singh again. One is in terms of MANA, is there a complete exit? What have we written-off in MANA? And second is, can you share breakup of exceptional item in consol?

Anish Shah: Yes. We do not have quarterly information that we share, we need to share information consistently across. Going forward, if that's an important part, we will look at how we share it quarterly. But at this point in time, we will not give information on impairment by subsidiary on a quarterly basis.

Sriram Ramachandran: The question also on the MANA, is it a complete exit? What have we written-off?

Anish Shah: On MANA, it is not a complete exit. We have, at this point, decided we are not going to bid for the U.S. Postal Service contract, which was a standalone contract in its sense. And the the Roxor **has faced** some clouds with regard to the FCA litigation. So, we have to see a clear up and then see the path ahead. So that business will have the same evaluation as all our other loss-making international subsidiaries. But there is no decision to exit MANA at this point in time.

Sriram Ramachandran: And one last question. This is from Venugopal of Bernstein. I noticed a flash on Bloomberg that you are looking for investors for electric unit. What is the nature of divestment we are looking at?

Pawan Goenka: Yes. So that is correct. This we had mentioned earlier also that we would be actively looking for investment in electric vehicle. As we look at the next three, four years of our product development on development plan, there is approximately about $100 million worth of investment that will happen in this, and we are hoping that all of that has been generated from outside sources. We are in talks with several multiple people right now, and some of them have already gone through due diligence phase before they can submit a term-sheet.

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. I am just quickly going through the questions. Anish, you want to answer this question that in the quarter, interest cost is generally at Rs. 30, Rs. 35 crores, this quarter it has been on the higher side. Any one-offs?

Anish Shah: So the interest cost has been on the higher side because at the start of the quarter, given the situation outside, we decided to go and raise some debt just to make sure we had a very strong cash balance. Our debt balance also continues to be on a very, very strong side. And what we are seeing now is given the fact that this quarter, in fact, generated more cash than it used, we will start using our cash to repay some of the loans that we have to make some prepayments, etc., and bring our debt levels back to what they were, which is very miniscule.

Pawan Goenka: Rajesh, EBIT losses for subsidiaries in farm segment has reduced. Which subsidiary in global farm segment have seen improvement? I don't know if you want to get into that details.

Rajesh Jejurikar: I don't think we share specific numbers quarter-wise. But I just want to say that around the world, on the farm side, we have seen positive momentum. I did talk about MAgNA (MUSA). Our companies in Turkey saw, especially the tractor business industry grew over 60% in the January-June period. The Ag-machinery business also, industry saw a growth of over 50%. So, Turkey, as an industry, saw positive momentum. And as we have said earlier, have a strong focus right now on cutting down of losses in FES international subsidiaries. And it's a very strong plan with a very clear direction of profit over growth at this point of time for most.

Sriram Ramachandran: And last thing again from Kapil Singh. Can you please share long-term growth outlook for farm implements business?

Rajesh Jejurikar: Yes. So, we actually continue to be very buoyant on the farm machinery India business. We have seen very, very healthy growth in quarter one. And definitely, with everything looks different migrant labor going back and overall shortage of labor in many, many states, the move towards mechanization has got further accelerated. And we are preparing ourselves for a very good growth story for farm machinery.

Anish Shah: And let's close with one last question, which is for capital allocation, rationalization, where do you see low-hanging fruits?

The major focus really is on the international subsidiaries, because, as we have shared before, that has been a significant part of losses for us. And that is something that we will see a very strong turnaround on as we go forward. So that is the low-hanging fruit. And then beyond that, as we did in 2002, we have this very firm line drawn on financial discipline, and we are seeing all our businesses really start looking at that line and saying are all our capital allocation decisions meeting the ROE targets. So, if I were to look at the three things that the management team is going to be accountable for, it's EPS growth, ROE and free cash flow. So all our decisions are going to be based on that lens. It's not just the ROE, but we have to have to track EPS growth and free cash flow on this one as well.

Sriram Ramachandran: So, thank you. I think, with that we come to the end of this conference. Thanks a lot for everyone for participating in this. And I thank Pawan, Anish, Rajesh and the entire senior management for being here. Thanks a lot, and have a good evening.