"Mahindra & Mahindra Investor Conference Call (via WebEx) on key developments in Auto Sector"

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Sriram Ramachandran: Good afternoon, everyone. Wish you all a very Happy New Year. Thanks a lot for taking time on a new year's day to be here. . Before starting the call, I would like to make a safe harbor statement. Certain statements on this conference call with regards to our future growth prospects are forward looking statements which involve a number of risks and uncertainties that could cause actual results to defer materially from those in such forward looking statements. So with that safe harbor statement, I would like to welcome Dr. Pawan Goenka - our Managing Director & CEO; Dr. Anish Shah – Deputy Managing Director & Group CFO and Mr. Rajesh Jejurikar – Executive Director, Automotive & Farm equipment sectors and other senior colleagues who are there in this call. I welcome all to the call. Now I hand it over to Dr. Pawan Goenka for making his remarks and setting the context for this call.

Dr. Pawan Goenka: Thank you, Sriram and good afternoon everyone and wish you a Happy New Year. Sorry to pull you out on a new year, but this is a very important announcement that we have made at midnight tonight and I am sure that you would like to hear more details about it. What we will also do today is talk about SsangYong, which we have not really made any formal statements on SsangYong for a while. So, I will give you some update on SsangYong and then Anish will add his remarks and then Rajesh will come in to talk little bit about the automotive narrative going forward, though we will perhaps do a more formal session later on the automotive narrative.

So let me start up with SsangYong first. As you are well aware from the various news items that have appeared that we are in discussion with a serious potential investor for taking majority stake in SsangYong. We have been discussing with the investor for some time on the terms and conditions, both commercial and otherwise. However, we have not yet completed the term sheet. In the meantime, SsangYong was not able to pay its debt to some of the foreign banks and later on to Korean Development Bank (KDB) and therefore SsangYong had to apply for rehabilitation process under Korean law. The law also allows process called ARS which is something where the court allows the company to find a solution to its current financial problems and during this time, the company is managed in a normal way by the management of the company and the board of the company remains active. The court has granted us that approval for two months, that means we have till 28th February to find a solution with the potential investor to invest in SsangYong and if that happens, then the business is back to normal. If that does not happen, then the court will take over and go through a process of rehabilitation. Just to put it in context, if the ARS process goes through and the investment happens, then the new investor would have majority stake in the company. Mahindra's stake will be reduced to below 30%. Mahindra will also do a capital reduction as allowed by RBI under the regulations of foreign investment of 25% of its equity. And there will be some implications on overall financial impairment or financial write back depending on what happens and Anish will talk more about that.

On the Ford side, as you are aware that we have made an announcement, October 1st, 2019, of signing a definitive agreement with Ford Motor Company to form a joint venture between Mahindra and Ford in India whereby FIPL business more or less would have been transferred to the JV and then will be managed with Mahindra being 51% partner. As you are well aware that from the time that we signed that agreement to now, the world has almost turned upside down and there is significant change in the fundamentals of global economic and business conditions.

And obviously because global pandemic and other things and therefore both partners decided that when the long stop date which was 31st December midnight came up, we decided that we should not be extending that date and decided not to pursue the joint venture between Mahindra and Ford. Obviously having worked on for Mahindra and Ford for over two years, it was a difficult decision, but both partners agreed, Mahindra and Ford that it was the prudent decision at this time given the overall scenario that we have globally and also in India. So with that, I am going to hand over to Anish to add his comments on both Ford and SsangYong and after that for Rajesh to talk little bit about the automotive narrative going forward. Thank you.

Anish Shah: Thanks, Pawan. So with regard to SsangYong first, let me just outline the financial implications. When we, I would say, our board took the decision in April that we will not invest anymore in SsangYong, we had planned for SsangYong to run for a few months and if you recall, the board had agreed to put in 40 billion Korean won which at that exchange rate was about Rs. 245 crores, in today's exchange rate is about Rs. 270 crores as debt in the company to allow to it to continue. That has helped tremendously because it has helped us get a potential buyer, it has helped reduce some of the debt on the books from SsangYong from that time till today and it has helped keep the company alive and a much stronger shape by launching a new product as well. So all of those actions have helped.

Now where we are today is there are only two potential parts, one is that the buyer comes in and closes the deal and takes it out of bankruptcy and the second is there is a prepackaged bankruptcy which could result in another potential NPT continuing SsangYong or maybe the management control continues. But in both cases, Mahindra would be out of a majority stake and out of operating control. So from a financial standpoint, as you have seen we have been incurring close to 600 crores of losses every quarter on SsangYong, by before this fiscal year ends that will stop in either scenario. The second financial implication is with regard to the equity holding. We currently have 982 crores of equity holding. We have written down a fair amount of the earlier equity holding already which you have seen in our previous financials and of this 982, the amount that we write down will depend on where the share price settles after the company comes out of bankruptcy and it is difficult to give a number as to what that is at this stage. What I can say is that the share price that the company had before bankruptcy was significantly higher than what our holding is today, but it will all depend on how it comes out and what the deal is in terms of the buyer taking it. And then the third aspect is with regard to debt, we have a 680 crores guarantee for foreign banks and the 270 crores that I have mentioned that we had put in, so total about 950 crores, a fair amount of that we feel would be recoverable and whatever is not recoverable in either scenario we would write off. So that is a set of our obligations on SsangYong.

To recap, we will stop taking the losses on SsangYong. Second, we may have to write-down some element of equity from 982 to some number and third is on the debt front, if something is not recoverable for the 950 crores we have there, we have to write that down as well. From a cash flow standpoint, the only cash flow would be with regard to the foreign bank loans or whatever is not recovered from the 680 crores that remaining is not cash flow. So if there are further questions on SsangYong in terms of financial implication, we can go through that.

With regard to Ford as Pawan mentioned, the circumstances have changed. And as we have talked also over the past few months, we are ensuring that anything that we do is right from a capital allocation standpoint. Ford's press release talks about that. We are both on the same wavelength with regard to capital allocation and we felt that it wasn't the right thing to invest in a JV. The capital requirements had gone up. We have talked about investing 1400 crores in Ford year and a half ago. That number would have gone up substantially and the returns from that would have come down substantially as well. So therefore, as Pawan said, we decided not to extend the long stop date as we have breached that point and both parties felt that it was the right step to take. We will look at other forms of collaboration. But we will stay firm with our focus on capital allocation and a focus on profitable growth. With that, over to Rajesh.

Rajesh Jejurikar: Hello, everyone. Happy New Year to you and as we said sorry to pull you all out on 1st January. Sure some of you had late nights and not a great time to get on to the conference call of this type. So what I am going to do is build a little bit around our strategy in the automotive business. You may find some of this just building on the blocks we have been talking about for the last 2 or 3 analyst interactions. The SUV business is a core business, we have spoken about how we need to build a strong SUV brand because that is our heritage and that has been a core part of who we are and that is really where our right to win rests. And I use the word core in a very deliberative way because it really means playing in the space and which we have our strength which is really the core SUV and not any other form of SUV. We believe that over the last 3 years, we have created some very strong robust platforms. The success of Thar is an outcome of that. It is a very strong product, head turner with a very strong technology backbone. The automatic transmission, the gasoline, all have been very well received and in fact when we look at our total bookings of 32,000 odd, 50% of that is out of automatic which indicates that it is a very mainstream upscale target group which is buying the Thar. The bookings of Thar continue to be robust and even in the month of December in spite of such a long waiting period, we have had more than 6000 sold**.** We have two other new platforms which we are working on, the W601 and the Z101. Both of these are going to be very strong products and very strong offerings and we are very certain that they are going to do well. We also have the Bolero and the XUV300 as two other platforms on which we will be able to build and complement our strategy. So from an overall offering point of view, we believe that we are very well placed now. We have the right aggregates, very strong aggregate strategy we built, completely breached the gap on gasoline with very modern and the latest technology engines.

As we go forward, we will work further on renewing our brand, making it more connected to our proposition of exploring the impossible and also creating and building communities. The Mahindra adventure is an initiative we run, we will strengthen that and work on making the brand more aspirational with higher affinity and using communities to create engagement. We believe that we will only have to now make optimal investments because we have invested in the platforms. We will create very differentiated category creating offerings out of the platforms that we have and each of these will require only marginal investments and not the kind of investments that we have needed to create full platforms and aggregates and also preparing ourselves for BS-VI.

On the international front, our focus right now will be to prioritize the India like markets and or markets in which we already have a strong presence. We would not hence expand our international scope beyond the markets in which we already are. The important new part of our automotive strategy will be to build leadership in electric SUVs. As we prepare for the future, what we need is a very strong portfolio of electric SUVs which would mean born-electric as well as ICE derived electric SUVs. So even the electric strategy in the passenger vehicle space will be very focused around delivering the core which is in the segment in which we play which is SUVs. We believe with all of these, we would have been able to manage our strategic priorities while ensuring that we build brand and deliver strong financial returns and hence we feel very comfortable that this strategy would take us strongly and comfortably into the long term. With that, back to you, Pawan.

Pawan Goenka: Please go ahead and start the questions.

Sriram Ramachandran: I think to ensure that we could cover both the subjects properly, first few questions let us focus on Ford. So we would ask the participants to ask questions related to Ford JV and then we will come back to SsangYong. The first question is from Rakesh Kumar of BNP Paribas. Rakesh, you can unmute and go ahead.

Rakesh Kumar: My first question was, so what all investments we have already made in the JV with the Ford? We had been working on this for the last 2 years and how much of that can be recovered?

Rajesh Jejurikar: Rakesh, Happy New Year to you. Since the JV has not been formed, Rakesh, there have really been no investments made in the JVs specifically and in fact even people who were to get deployed to the JV, there were very few from the Mahindra side have not moved into the JV since the company didn't get formed at all. So really the quantum of money spent related to the JV has been very marginal. It would be mainly around transactions related to leading up legal that kind of thing, but no real investment has got made into the JV.

Rakesh Kumar: And, can you help us understand where the partnership has ended essentially from here on, how the two companies are going to proceed? So will we still be working together on developing common platforms or sharing engines or sharing capacity or we have completely parted away and would be entirely working independently?

Rajesh Jejurikar: So Rakesh, what we have concluded the discussion on is at this stage related to the joint venture formation. Through the next quarter we will have discussions on, time to see if there are areas which are mutually beneficial to both and that would hence be going through a fresh review to make sure that everything that we have outlined or of the things we have outlined what makes sense to continue with which will be mutually beneficial to both. So at this stage we have not actually concluded on what we will continue with or not but given that we have had a very amicable separation on the joint venture, we look forward to constructive dialogue on what could be the happy news on which would continue to collaborate**.** But there is no closure on this at this point of time.

Rakesh Kumar: Thanks, Rajesh. If I could squeeze one last question, with no SsangYong and no Ford to share the platform and the capacity, would that not mean that we would now need much higher investments in developing new SUV models?

Rajesh Jejurikar: Rakesh, that is the reason I kind of spelt out the investment we have already made over the last 3 years in M&M. So when we decide that we are going to have a very focused SUV strategy, the investments we have made over the last 3 years in the 4-5 platforms that I spoke about prepare us very well for the future and we have already created the full aggregate portfolio which is strong and hence the investments now that we will be needed will be on creating new top hats or new derivate products on existing platform and that order of magnitude of those investments will be significantly lower compared to the creation of a full platform. So if I was to be more specific, we had spoken about saying that the next cycle of CAPEX would be 9000 crores compared to 12000 which was previous 3 years, we would still hold on to the 9000 number.

Anish Shah: So, to leave no doubt, it is 9000 crores over the next 3 years.

Rakesh Kumar: And that still holds despite all these changes?

Rajesh Jejurikar: Yeah, we would still hold that and not doing the joint venture investment actually will make us free cash flow accretive after we look at Capex plus investments as a collective whole. So we would actually have a positive outcome from a free cash flow standpoint when you combine everything together.

Sriram Ramachandran: Thanks, Rakesh. Can I request Kapil from Nomura to come online?

Kapil Singh: Sir, just to clarify this we had signed 5 MoUs with Ford, right, for B-SUV, C-SUV connected vehicles, power trains in 2018. So have we already been doing development work and what is the status of that?

Pawan Goenka: If I could just come in, there were 5 things that you mentioned that we had signed up for. Out of which, one was already implemented which is the connected car and both Mahindra and Ford cars today in India carry a common solution. Second, which was the eAspire, Aspire based EV and the mobility services MoU that we had signed, those were shelved already because we did not at that point of time a business case for it and the two are in state of development, one is engine supplies to Ford Ecosport and one is the W605 project.

Kapil Singh: So this announcement has no implications for those products?

Pawan Goenka: As Rajesh mentioned that will be a separate question that will happen with Ford on a case by case basis on what continues and what does not make sense and in fact, there could be some new things that will come up depending on how Mahindra and Ford see value and opportunities ahead of us.

Anish Shah: And Kapil, Happy New Year, this is Anish, just to clarify, these MoUs were signed prior to the JV discussions, so they were not dependent on the JV as such.

Kapil Singh: The second question on SsangYong is, Dr. Goenka has talked about the deal possibility in media as well, but just from M&M's point of view, because we keep hearing different news report etc. What is the maximum possible liability that we can expect in case the deal does not happen? Are there any other guarantees etc., and if the deal does go through, we had talked about 680 crores liability, will that be borne by the new investor or SsangYong and hence M&M will not need to pay that?

Pawan Goenka: Yes, Anish has already given those numbers. Can you repeat those Anish, please?

Anish Shah: Yes, so Kapil, what I mentioned was around the equity and debt numbers and to answer your question first, beyond that there is no liability, so there are no other guarantees beyond what we have disclosed, there is no other liability from any other areas as well. So where we stand today is on the equity side, we have 980 crores number on our books and on the debt side, 680 crores guarantee for foreign banks and 270 crores debt that we have given. So that is 950 crores, so the maximum possible write off is 980 plus 950. We don’t expect to have that maximum possible, I mean that is a very low probability, in fact negligible or close to 0 because the company will have some ability to continue even post rehabilitation even if the buyer does not come in and, in that scenario,, there will be some recovery. Even if the company has to go through bankruptcy, there will be some recovery. So the debt we will pay only if there is recovery. So this is the absolute maximum amount. From a cash flow standpoint, the maximum amount is 680 because rest of it we have already paid out and we would expect it to be a lot lower than that, but we don’t know the number right now because it will depend on whether the buyer comes in or if the buyer does not come in, how does it goes through bankruptcy and does it come out of bankruptcy or does it pay off the creditors, all of those things will affect what the exact numbers are.

Pawan Goenka: Anish, just to put the number in perspective and you can confirm this, the current holding of 980 crores translates to about 450 Korean won valuation of the share price.

Anish Shah: I will have to verify that exact number , but it seems is the ballpark, but Kapil does that answer your question or is it anything else?

Kapil Singh: No, that is clear and just if you can lastly just talk about the product, if you have made any assessment of production impact because of shortage of semiconductors, was there any shortage in December and for the next quarter as well?

Pawan Goenka: Rajesh why not take this question anyways, that is on many people's mind.

Rajesh Jejurikar: Kapil, Happy New Year to you. Yes, we are affected by the semiconductor issue impacting primarily ECUs, but some other things like infotainment and different products. Some of our products are not impacted at all with the current ECU shortage are not significantly, for example XUV300 is not, three-wheeler portfolio is not, LCV is not, ICV is not, so on and so forth, so it is not that everything is impacted equally. The situation in December was better than what we had planned for. The situation in January at the moment seems to be better than what we had anticipated, but it is going to be very dynamic Kapil, it is very hard to predict. The good news is that most of all our other supplier issues are behind us and what we would do as we wait for ECUs to commence, at least inward as much material as we can or from other suppliers that when the ECU issue is resolved, we don't run into newer issues with other suppliers, so that is what we are going to try to do to derisk ourselves overall, but it is a wait and watch and December was better than what we expected and you see that also in the numbers that we put out for December where we have shown a 5% growth in UVs.

Sriram Ramachandran: Thanks, Kapil. The next question is from Raghunandhan of Emkay Securities**.** Raghu, can you unmute and speak.

Raghunandhan: Firstly, a clarification, 9000 crores would be the CAPEX for next 3 years, right, so what would be the investment outlay for the next 3 years, any plan there? Or would it be subsumed under this 9000 crores?

Anish Shah: Raghu, on that investment amounts are not included in the CAPEX, the investments will be lower than they have been in the past. What we have shared before is that by the end of this year when we complete our complete exercise on capital allocation and we have a good sense of where we are going to spend that capital going forward, we will come up with specific numbers on what the investments will be over the next 3 years, so at this point in time, not in the position to share them because we have to complete the exercise on capital allocation, but we will do that as soon as we complete it.

Raghunandhan: Secondly, in SsangYong, would the potential buyer be expecting further funding support from M&M and would M&M be open to one such option?

Anish Shah: Pawan, the question was whether there is any funding commitment expected from M&M from the buyer in future and the quick answer to that is no. We have been very clear that our board has made that decision that we will not be funding SsangYong anymore and we are staying firm with that.

Sriram Ramachandran: Thanks, Raghu. The next question is from Shyam Sundar from Sundaram Mutual Fund.

Shyam Sundar Sriram: . Sir, my first question is on the Ford JV, so you have mentioned that it doesn't really impact our near term product plans per se, so just trying to understand, so we were supposed to develop the new SUVs there with the collaboration, are those plans already being done to an extent where we don't need incremental Ford's assistance there? That is my first question? Secondly, also trying to understand, on this further technical collaboration, what would be Ford's motivation to help M&M continue with the product development plans if Ford does not see India as a very strategic geography to be in? These are the two related questions?

Rajesh Jejurikar: Shyam Sundar, Happy New Year to you. So Shyam on the first question, by way of our product portfolio, as I said we already have 4 or 5 very robust and strong platforms. We believe we are very well powered with the new focused SUV strategy that we would have in mind. There was one platform which we were going to leverage from the Ford ecosystem as per the earlier signed agreement, but that had not yet got converted into an approved product plan on the M&M side. That was still at a stage of concept. So there hasn't been an approved M&M project to leverage that back at a concept stage. We could meet the needs of that by adapting either XUV300 platform to make it bigger or to adapt the 601 platform and may be make it smaller, but that is something we will work on, but the way we right now conceptualizing our strategy was the next 4 to 5 years. We have a lot of concepts and category creating ideas which we would want to fully leverage and bring to the market, so that is the reason I think Pawan indicated that we don't see a very significant impact on the product portfolio and the product strategy offering that we have in mind, though I any way want to create a very strong EV focused SUV strategy and that is where we would want to consume or use some of the resources that get saved if I may loosely use the word saved out of the investments we have made in the JV.

Pawan Goenka: And just to be sure, we mentioned two platforms, one of them actually is a Mahindra platform, that is W601.

Shyam Sundar Sriram: So the platform that we have not gone forward is the compact SUV, the Brezza competition or to put it different way?

Rajesh Jejurikar: No, it would be one level higher than that. The Brezza in a way is in the XUV300 space Shyam.

Shyam Sundar Sriram: Sir, on the second part of the question sir, what would be Ford's motivation to help M&M further with the technical collaboration given that they don't see India as a very strategic importance per se?

Rajesh Jejurikar: So Shyam, as we said earlier, let us wait through Jan-March while we have this conversation with Ford. At this point of time, the focus with Ford has been around what we do with JV and we have just had a very amicable conclusion around the way forward. We will engage with Ford and see if there are win-win opportunities which are mutually beneficial to both and if yes, then we do it and if not then we do not.

Shyam Sundar Sriram: My second question is on the joint IP rights, for example, on the products or the solutions that we may have developed with Ford, so is there any threat to our future or the current product pipeline that we have, similarly with SsangYong we are using the Tivoli platform for example, is there any issue in terms of using those platforms going forward, both on these two accounts?

Rajesh Jejurikar: Pawan, I will take the SsangYong one, I am not sure what Shyam was referring to on Ford, I think he may be talking about connected (car), so we can just clarify that. On the XUV300, Shyam which is a derivative of the Tivoli as you said, we have all the IPs and it is a product which has been modified quite a bit for India, localized in India and we have all the IPs, so we have completely protected for that from what may happen to SsangYong in the future.

Pawan Goenka: On the Ford side, W601 obviously is completely Mahindra platform for Mahindra use, so there is IPs completely owned by Mahindra. W605 would have been a Ford JV product, so if that product happens as Rajesh mentioned, then that discussion will happen over the next couple of months. If that product goes through IP of that product will be owned by FIPL and again that will be only for FIPL, so it does not in any way affect Mahindra. Connected car IP is jointly owned, so there is no issue there and the engine obviously if the engine supply continues as we have talked about in the past that engine IP is owned by Mahindra. So there is no IP constraint or concern that we would have because of not going ahead with the JV.

Sriram Ramachandran: Thanks Shyam. The next question is from Sonal Gupta from UBS Securities. Sonal, you can go ahead.

Sonal Gupta: So just on the IP question, wanted to confirm or even on the SsangYong, the joint development of the engines is that where does the IP rest for that and the second thing is on the, I mean this is the question I have asked over previously also right, while you are following a net strategy, but again I mean the issue has been that the volume scale versus the number of platforms you have is very large, I mean the volume scale is lower compared to number of platforms and then you created a huge engine family of engines also both on the diesel and the petrol side, so I am just wondering is, like even with your focused strategy, do you see a decent return on capital for this business going forward even with your focused strategy?

Pawan Goenka: I will answer the first question on the IP for the powertrain. So basically there are 6 powertrains that Mahindra has in its current portfolio, the 1.2, 1.5, and 2 litre gasoline and 1.2, 1.5 and 2.2 litre diesel. In all cases, there is no place where Mahindra depends on SsangYong for IP rights, in most cases, IP is owned by Mahindra, in some cases IP is jointly owned.

Rajesh Jejurikar: Sonal, Happy New Year, I am taking on the question, Sonal about, will we get enough financial returns from a standpoint of volume through platforms, right? That is your question which you asked?

Sonal Gupta: Yes, like that, do we have enough scale to be competitive and have decent return on capital?

Rajesh Jejurikar: Well, our current estimation is clearly we are projecting a decent return on capital. We have learnt a lot out of the pandemic and have also reengineered our cost structure as we have been talking about in previous analyst's conversation for the last 3 quarters, so we do believe that with the re-structured cost and a focused strategy, we would be able to get a reasonably good financial return in this business out of the platforms that we have and the volumes we are projecting for the next 3 years. Anish, you want to add.

Anish Shah: I would agree with you Rajesh and if we just look at, some of the things that are taking the way in our capital allocation actions that will start improving the ROEs of the auto business very significantly.

Sonal Gupta: What I was trying to understand was, is there any platform consolidation strategy that we have in mind?

Rajesh Jejurikar: Yes Sonal, that is part of the whole focused strategy and we will be zeroing in on basically two chassis and two or three monocoque platforms and we believe that is a reasonable number of platforms for us to work on like we said we already invested in those, so that is all into our cost structure platform and aggregate investment is already there.

Sriram Ramachandran: Thanks, Sonal. The next question is from Vimal Gohil of Union AMC..

Vimal Gohil: Sir, I just wanted to get some more clarity on the CAPEX number that you provided for the next 3 years which is 9000 crores, just wanted to get a sense as to how this entire amount will be spent over may be new platforms, Greenfield, CAPEX, etc., if you can just give some more color on that and how much will be spend on R&D?

Rajesh Jejurikar: Vimal, Happy New Year. Vimal, this is not a new number we are giving. In the last few analyst meets, we have been saying that the previous three year cycle was 12,000 crores which we are planning to bring down from 9. The 9 is an auto and farm combined number, it is not only automotive, so just want to clarify that it is the number which includes both the businesses, quite a bit of the 9000 is still the carryover investments that are going to go into the W601 to Z101 which will all get concluded in the financial year FY22. So even out of the 9000 crores, there are the balance investments that are going to happen on these two major platforms which come into FY22. The K2 program of FES is also part of this number, which is as you know we are doing 4 new tractor platforms there in collaboration with Mitsubishi business, so there is very little on capacity expansion. Most of it is around products and projects.

Sriram Ramachandran: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan.

Gunjan Prithyani: Most of my questions have been answered, but just two broad level questions I had, firstly, on this whole UV strategy that you are putting out now that we will play to our strength of big UVs and off-roaders, so how should we think about the market share aspiration here and in the sense that I am getting is that it is not about market share, it is more about playing to your strength. In that case, what kind of profitability and return improvement we should think from the next 3 to 5-year perspective, I mean some broader level thinking on UVs? That is my first question and the second question is on the electric side, you also mentioned about taking a leading role in the electric SUVs, could you just spell out more around what kind of investments this business will need and how is this structured, some part of it is within the auto subsegment which is there in the standalone and there is also an electric subsidiary, so could you just give us more clarity on the thought process on electric and the kind of investment needed here?

Rajesh Jejurikar: Happy New Year to you, so Gunjan the first question is I guess the most hot debated question about what happens to market share, so let me try and answer that question, little indirectly to begin with. It is not that we would not aspire to get a higher market share. We just don't want the aspiration of market share to drive our product side and it is what comes first. So when I say that Thar has got 6000 bookings in December, in spite of wait period of 24 to 40 weeks, it means that you have hit a sweet spot which is also getting you volumes and you are still on strategy, so it doesn't mean that if we have a niche focused strategy market share will not come our way, it is just that what we are saying is, we don't want market share to decide what we should do, we need to do what where we believe we will have a competitor advantage and we win and we believe if you do that well, market share will follow. So it is not like we will not have volume aspirations, but we don't want the volume aspirations to come in the way of deciding the right thing to do. Gunjan, does that make sense so far and then, I can answer the second part which is the financial part?

Gunjan Prithyani: Okay.

Rajesh Jejurikar: So we would have volume expectations, we don't want to be a company which is not aspiring for growth or volumes, we certainly want all of that, but with the right strategy, the right product offering and I think Thar is a really great used case to demonstrate that and so will, we believe the other two new products which are going to come-in in 2021. We believe that with the kind of investments we made, we will get a financial return and the volumes we are aspiring for based on the numbers that we have done internally for the next 3 to 5 years will give us financial returns taking on board the current competitive context which we know is aggressive, but we also have a very strong cost optimization strategy to make sure that we are very competitive from a product offering as well as from a cost management angle to be able to get financial returns. So the two key words in our mind are brand affinity and financial returns. These are the two things we should play for. The market share should be an outcome of that.

Gunjan Prithyani: So the target ROC that you have in mind because there has been a lot of investment which has got in this business, right, so is there any margin or an ROC target from a 3-year perspective that you can share for this subsegment?

Anish Shah: Gunjan, first happy new year. In terms of target ROE at the group level or at the M&M parent level, we would look at an 18% ROE. In terms of subsegments, that is something we have not disclosed as yet, we are working through all of the subsegments in terms of how it adds up**.** Based on the actions we have taken on capital allocation already, we are pretty confident we can get to 18% plus at the M&M level.

Pawan Goenka: I think there is question on electric vehicles also Gunjan had.

Rajesh Jejurikar: So Gunjan, on electric vehicles, there were going to be 2 key approaches, though we are first focusing right now on the high-level passenger vehicle strategy today, but there will be the last mile electric strategy and that is what we would want to play out through the Mahindra electric subsidiary and we already have Treo there and few other things that we are working on and that is going to be our last mile mobility strategy. The areas where we think we need to build on and which we are working on is creating an entire SUV EV portfolio which will make us and keep us ahead of the curve as we talk about a period 2025 onwards and that is really the area we are saying we need new investment and a new approach too. We already have an XUV300 electric which is in play, but we would want to look at a more significant electrification of the SUV offering that we make which could be a combination of ICE derived products and born electric platforms, but more on that when we are fully ready with the game plan for it.

Gunjan Prithyani: Anything on the investments needed in this business and how do we plan to fund it?

Rajesh Jejurikar: So if I was to make a very high level comment which I think I did a little earlier, the free cash flow when you look at CAPEX plus investment together, we think we will be accretive compared to what it may have been if we had gone ahead with the JV, so in a way we are saying that the money that we may have put aside for investing in the JV is what we would want to use some of that to build the e-platform.

Anish Shah: Let me just add to that. Gunjan, as Rajesh mentioned I would just put that in three phases of EV, the first phase is around last mile, that is here and now. If I would look at what are the drivers of adoption of EV, it is going to be range anxiety addressing that, cost parity and infrastructure. All three aspects are met from last mile. With regards to investments in last mile, they are more or less in place, we have got a good set of products there and we are very well positioned. That has been done through Mahindra Electric today. That is last mile on both passenger and cargo and they are effectively three-wheelers and some small four-wheelers there as well. The second phase in EV is electrifying current vehicles and that investment is included in the CAPEX numbers as Rajesh mentioned of the 9000 crores over the next 3 years. That is taking KUV and electrifying into eKUV, there will be some others like that, so that is basically electrification of current vehicles**.** The third is a medium to longer term approach in terms of a born-electric platform. Those will be incremental investments and there we will be making those investments out of the free cash flow that one is saved from the JV and from other sources as well. The Battista that runs for Pininfarina will help from a technology standpoint, but we will be looking at a born electric platform in India.

Sriram Ramachandran: Thanks, Gunjan. The next question is from Nitin Arora of Axis Mutual Fund.

Nitin Arora: Just my first question is on the SsangYong as Anish and all the team explained that the maximum financial liability is to the tune of 680 crores, let us assume the case 2 goes, it could be lower than that, but let us assume a case 2 where the Ford decide in terms of bankruptcy and we don't get the buyer prevention. Anish, just want to understand from you is, there is a lot of push back we get globally from lot of clients saying that look, Korean government is a very nasty government to look at, they don't allow companies to come out from Korea, eventually Mahindra has to pay a big financial package to the existing employees and all, so just want to understand from you we have seen that you yourself bought a company, Mahindra itself bought a company when it was into bankruptcy, are the laws very stringent or it is more of court ruling the way you explained the law like ARS, how we should look at it, it is more of a macro question, but just wanted to clarify them?

Anish Shah: First, Happy New Year and I am glad you asked this because this was something that is on the minds of various folks. Korea has a very strong rule of law and there is a very structured process with regard to the bankruptcy filings even in terms of what we have gone through right now. Let me explain that in a little more detail. When the board or the company believes that they cannot meet the creditor's requirements or cannot pay the creditors on the timelines that have been set out, they have the option to file for bankruptcy. After they file for bankruptcy, there is an option to file for something called an ARS which is an automatic restructuring, in effect a standstill. That standstill allows the company to operate, at the same time work with potential buyers to structure something without being in a formal bankruptcy as such. Even to get into the ARS, the bankruptcy court and the judge spend a lot of time with all of the key constituents to understand their views and after understanding their views, if they feel there is some possibility of the company being able to create a deal and everyone agreeing to it, then they agree to an ARS. The ARS has a specific timeline, so the court has ruled that the ARS will end on February 28th. So the deal has to be completed by February 28th. The court will continue to monitor it. In fact, there are meetings that will be held very regularly through this entire process. If the court at any point feels that the ARS may not work, the court will ask the company to look at what is called the prepackaged bankruptcy and the process therefore is very well laid out. The liabilities of the shareholder do not extend beyond what has been put in from an equity standpoint, so we don't expect any further liabilities and if the ARS does not work, then we would look at a prepackage bankruptcy option and we follow the bankruptcy process as outlined by the court.

Nitin Arora: And when this prepackage comes in and that is where you believe that should be the upper limit of our financial implication?

Anish Shah: That is right. By February 28th we should effectively be out of the majority control and out of the consolidation aspect which will impact our P&L whether a buyer takes it or whether it goes down the bankruptcy route.

Nitin Arora: The second question is, you explained it, the team itself explained it, Rajesh also about that doesn't impact our model cycle, we don't incrementally look that we can make money here, but doesn't impact our model cycle over the longer term, but just one question I had on the auto, because now it seems like more commentary is coming from the management of the capital allocation is to improve profitability in autos. That is with the auto segment and where we make money in SUV. So generally do you believe in your auto profitability, I am talking more in context of EBIT, the auto EBIT you still have low-hanging fruits there, which can turn around faster the auto profitability and the model cycle can flow through. My aspect of low-hanging fruit is let us assume a truck business which could be contributing more than 100-150 bps, you can correct me if I am wrong to be the EBIT or there are some other businesses which could be impacting our auto EBIT and if it goes out, if that really turns around faster than expectation because of this low-hanging fruits and just one more question, given the kind of cash flows, we will generate next year because we will not have SsangYong, Ford incremental investments are not going up, so it looks like a decent amount of cash flows will get generated starting from Q1 itself, does that a buyback or does that really come in the mind in the thought process of the board, given the kind of increment we are showing, sticking to our capital allocation policy, so these are the two questions?

Anish Shah: Let me address all of these, let me first also just back to the SsangYong comments for a minute and just add that where we are today from a potential write-off standpoint is in fact even better than where we expected us to be in April, so when we took the decision in April, we had certain numbers we are looking at. There has been significant amount of loans that have been repaid by

SsangYong in the time period and therefore that puts us in a better position today, so that is a plus. Then, moving onto your next question with regard to auto profitability, as you have seen we are taking hard calls in ensuring that our profit numbers go up or profit percentages go up. SsangYong was a low-hanging fruit actually, SsangYong will make a significant difference in terms of the profitability of the auto business. Other actions had been taken also which we had talked about in the past. You talked specifically about trucks and buses. Trucks and buses is an area where that we are the challenger brand and we actually have a very good set of products that the consumer likes a lot, but as you rightly said, it is a drag on auto profitability. What we are looking at right now is a set of a very interesting strategic actions which I cannot go into detail at this point in time, but we will come back as we have more clarity on that which will help us significantly on the trucks and buses side. So those are all the things and that will keep the trucks and buses business that will help us to be more competitive and it is something that will add to profitability overall. So more on that at a later stage, but basically to answer your question on that front, this series of actions being taken are improving auto profitability and are improving the overall M&M group profitability. The next part of the question is on having more cash which is a great problem to have. There you again seen us have the discipline of not invest unless we feel that it really makes sense and that discipline we will continue, so what that means is the additional cash will go back to shareholders and we will invest in the areas where we feel we will get significant returns and a buyback is not ruled out, so we will look at buybacks as well, but we are right now trying to solve our problems in the capital allocation side, we are more or less there. I have promised that by the end of this year, we will give you a complete breakdown on all the actions taken and what the impact of that is and we are I would say at this point 85 to 90% there, so as soon as that is done, then we start pivoting towards really driving growth and what to do with the excess cash, but as I said we will not use the excess cash unless it really makes sense.

Sriram Ramachandran: Thank you Nitin, probably the last couple of questions. The next question is from Pramod Kumar of Goldman Sachs. Pramod, would you go ahead.

Pramod Kumar: Anish and Pawan, my question is related to this JV or joint venture which are not being happening now, does it open up more opportunities for you in terms of, are you going to still look out for alliance partners or a formal JV with some other players, given the interest in India and given the fact that the evolving landscape in auto is clearly calls for more consolidation and more partnerships to happen, so is partnership still a path which you will pursue or we are done for the medium to long term post the Ford experiment?

Anish Shah: So Pramod, we will continue to look at all forms of collaboration. In the world that is changing rapidly right now, it is not just JVs, it is looking at various different forms of collaboration as well. So it may be JV, it may be a collaboration, the bar that we have set is that it has to make sense for the shareholders and we will continue to keep that strong fiscal discipline in place and with that fiscal discipline, we will look at collaborations that make sense for the shareholders. So in fact we will look for more of them as we go forward, not less.

Pramod Kumar: And Anish, how much of this JV not materializing of potential risks even the MoUs are, what does it mean to 2023 RDE (real driving emission) compliance and potential access to technologies like hybrid which probably may be needed in sometime down the line depending on how the RDE set and how the machine norms evolve, so what is your thought process there, sir?

Anish Shah: I will say that not doing the JV does not impact any of those because those were not formally laid out as part of the JV. Rajesh, do you want to add anything else to that?

Rajesh Jejurikar: Yes, that is right, Anish and Pawan can clarify as well, but these may have been derivative benefits that may have come, but it was not clearly defined as the scope of the joint venture and the joint venture was about running the Ford brand in India and as an export base and the other agreements which were synergy driven were outside through separate agreement between Mahindra and Ford and not necessarily connected directly to the JV. Pawan, do you want to make build on that?

Pawan Goenka: I just want to add that neither with Ford nor with SsangYong was there any plan to use their powertrain for Mahindra products. In some cases, Mahindra powertrain was being used for Ford or SsangYong product, but not the other way around, therefore the full technology of making RDE is home grown technology for Mahindra, working with the consultants of course globally and no dependence of either Ford or SsangYong for meeting RDE.

Pramod Kumar: And just a follow-up, you talked about the supply chain disruption, does it impact our new launch pipeline specially the upcoming XUV500 or it is still pretty much on track in terms of the timeline what you are looking at?

Rajesh Jejurikar: When we are talking right now about supply constraints, we are hoping that will go away in this coming quarter and hence should not affect the proposed timelines, but if the problem does persist, then of course that is the question one has to address at that point of time, but our hope and expectation is that this is a quarter 4 problem and it should improve post that.

Pramod Kumar: And is it fair to assume Rajesh as there is some retail impact as well because your dealer inventories were already running quite low going into the season and I have checked it myself with few dealers, they are like really kind of a stockout situation on the automotive side, so are we kind of getting affected on the retail side as well or do you expect it to be an industry wide problem because we haven't seen other players talk about the supply chain issue as much as what you guys have done?

Rajesh Jejurikar: It does have an effect Pramod on retail as well especially we didn’t have a pipeline and as you know in the last call, we had said that we will build our pipelines through November and December which while we have got the rest of the supply chain in place, now we do have the issue related to semiconductor and the ECU, so it does have some effect on retail, but hopefully we will see the last of this through so the dealer inventories , you are right, are still very low, we haven't been able to build them back.

Pramod Kumar: Rajesh, last one on SsangYong. Previously the media reports indicated that the labour union was against the company being sold to HAAH which was a Chinese American company, so does the legal proceeding which is ongoing right now, does it change any of that or do you need the labour union to be on board because we all know how strong the labour unions in Korea are, so if you can just comment on that, that will be great?

Pawan Goenka: SsangYong management has informed Mahindra that the labour union is supporting the ARS process.

Sriram Ramachandran: Thanks, Pramod. The last question is from Chirag Shah of Edelweiss.

Chirag Shah: Question for Anish, when you said this 18% ROE target, when we look at our core business that is the automotive plus FES business, is that target individually for each of the business in UV, CV and tractors or you look at as a combined entity?

Anish Shah: So Chirag, we have to give you both, returns and growth. So the way I would look at it is, if we have a 14% ROE business growing at 35% a year, we will love the business and we may have the 25% ROE business growing at 8% a year, we would love that business as well. So it is, if we have the standard for 18% for every business, we will not be able to deliver the kind of growth numbers we want to deliver, so we are looking at as a combination, but if we have, let us say, for example an 8% ROE business that is growing at 8%.. then we might look at it more carefully and say does it really make sense or what is the strategic benefit there, so it is a combination. We are looking for every business to have at least path to 18% ROE over a 3 to 5 year timeframe. If they don't have a path there, then it should be is there a strategic benefit for it or is there a high growth rate that can allow us to get to higher ROEs in future.

Chirag Shah: This was helpful and just a clarification, I presume that tractor business doesn't have any ECU or microprocessor challenges right, because Rajesh didn't indicate that part?

Rajesh Jejurikar: That is correct Chirag, so tractors are not affected, three-wheelers are not affected at this point of time. LCV, ICV are not affected. Some of our products are less affected because the people who are supplying those components, their backend has not affected at some others, so the issue is also dependent on the source of supply.

Chirag Shah: And when you are referring to the shortages, were you referring to the incremental volume that you are looking at or even the base volume itself is under some strain because of the issue because December if I take, December is the base volume for you, that base volume is doable, it is the incremental volumes where you will see the challenge, the supply is on that side, is that understanding correct or even the base volume itself is under some question in the near-term?

Rajesh Jejurikar: Chirag, there is always a very thin line on what you define as the base, so.

Chirag Shah: It is based on whatever run rate that we did in the month of December?

Rajesh Jejurikar: You are saying the same period last year, I mean that way, for like-to-like period of previous year for that month?

Chirag Shah: If you did 100 units in December, those 100 units are secured, right, it is the incremental over 100 you wanted to grow by 5-10% that is where you are seeing the challenge or even the supply for those 100 units that you did in December is a challenge as of now?

Rajesh Jejurikar: I don't think I can give you a specific answer to that Chirag and the honest answer apart from the guidance issue on numbers which we normally don't give on volume is that the situation on the availability of the issues is pretty dynamic and we are getting to know availability only week on week and the situation in December for example improved a lot compared to what it was at the beginning of the month, so I really don't want to give an outlook right now and whether it is compared to the base or not. We just have to watch and hope for the best, we are working very closely with our suppliers to get the maximum that is possible, so that we are affected in minimized impact on us, but it is very dynamic, because it is imported, it comes from different places, there are multiple elements of the supply chain and the supplier is also operating on a weekly basis by way of what they are able to churn.

Sriram Ramachandran: Thanks Chirag. So that brings us to the end of the conference. Back to you, Dr. Goenka.

Pawan Goenka: Thank you everyone for participating on New Year day and thank you for all your questions. I hope you got all the answers and with that we close the conference.

Sriram Ramachandran: Thanks Anish, thanks Rajesh and thanks everyone. Thank you.