"Mahindra & Mahindra Limited Annual Analyst Meet"

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Sriram Ramachandran: Good morning. Good afternoon. Welcome to FY22 M&M Annual Investor Meet. Very happy to see you all today here. In last two years we didn't have any physical meetings and it's good to be back here. Pandemic has taught us to learn doing things in a different way. But it also taught us to the importance of face-to-face meetings. So, I'm happy that all of you are here today. Thanks for taking time and being here. For those who are not able to be here, we have also provided online link. I welcome all those who joined through the online link also.

Today we have the entire senior management team with us here, we have Anish, Rajesh here, Manoj would join in some time. Before, I hand it over to Anish, there is the Safe Harbor statement, I won't read it. I'll just leave it for a few seconds. Okay, after the presentation, you will have the opportunity to ask questions, those who are attending through the online, you have a chat box on the screen, you can key in your questions at any point of time, we will take it during Q&A.

With that I hand over the conference to Anish.

Anish Shah: Thank you, Sriram. And it's great to be here with everyone in person. I understand this is the first in person analyst meet for the auto industry at least after the pandemic. So, it's good to see everyone here in large numbers. And we look forward to a very engaging conversation.

So, let's start with what we said last time. And what we said last time was we had accomplished some things, we had a focus on a few areas, and we were committing to certain things for the future. Let's see what we were focusing on, a roadmap for ESG, maintaining financial discipline, accelerating core growth, and enhancing customer experience.

Let's start first with the financials. And while you've seen all of these reported, I just want to set the stage with this, which is at the standalone level, we've shown a 26% increase for F22 versus F21. And at the PAT after EI level, it's a 5x increase which is really a function of the capital allocation actions that we've taken to ensure that the impairments that we've had in the past do not really show up again. At the consol level, similarly very strong numbers, PAT before EI is up 35% and PAT after EI is up 97% or almost double.

What are the drivers of this consolidated PAT, let's take a look at this across the four key groupings that we would have at M&M.

- First is a Core which is Auto and Farm.
- Second is a Core of Tech Mahindra and Mahindra Finance.
- Then our Growth Gems and then Investments.

If you look at Auto and Farm, despite a very challenging year, and I'm sure there will be lots of questions as we start on supply chain and how we've seen it and what we've seen in the last year. Despite all of that it's a 15% growth in profit after tax for Auto and Farm businesses. This does reflect the slowdown in the tractor industry as well, which as you will see has been offset by a market share gain for us.

Tech Mahindra has had obviously very good tailwinds from the IT industry. And Mahindra Finance has shown a very remarkable turnaround in this past year and we'll talk about that in a little more detail. Our growth gems are contributing at a much greater level, the contribution to our profits has gone up from 45 crores to 280 crores. And all other Investments were loss making in the past at negative 189 and that's up to 105 crores this year. So, we've got all our cylinders firing very well and really contributing to the growth numbers that we've seen.

In summary therefore, the standalone level revenue is up 29%, PAT before EI up 26%, after EI up 5x, at the consol level PAT after EI up 97%, ROE at 14.8% which is greater than a 600 basis point increase 662 to be exact. And we'll talk more about ROE as well and EPS again mirroring PAT after EI up 97%.

But beyond the numbers :

Let's look at what's really driving this. Leadership in Auto and Farm was one of the key commitments we made last year. And what we have seen through the year, is four blockbuster launches with 178000 or 1.78 lakh open bookings. We're now a market leader in SUV in revenue market share, In fourth quarter as well as in the second half of the year. And a market leader in electric three wheelers with a 73% market share. Also continue to be a market leader in LCV less than 3.5 tonnes at 43% market share. On the farm side, our share is over 40% with 180 basis point gain, we launched a number of new products. And I know there were lots of questions in the last two years on international subsidiaries and happy to show a very strong performance of 195 crores of PAT from international subsidiaries of Farm alone. And these are companies that we had categorized as A and B. And what we're seeing is they are on their path to an 18% ROE for Category A companies and Category B companies are delivering good financial results and good strategic benefits as well.

Let's take a quick look at Mahindra Finance:

At the end of the first quarter GNPAs has risen to 16% and we had taken a 2500 crore provision. At that point, we had also committed that 70% to 80% of that provision would be reversed in three quarters. And that we would see a business transformation that was initiated and growth that would again get back to pre-COVID levels. The business has actually delivered far more than that. A 106% of provisions were reversed. The transformation is well underway, because just the reversal of provisions is not enough we have to significantly reduce the volatility and GNPAs. In the next crisis we cannot go back to 16%, we have to be at 9% to 10% at max. And there are a number of actions being driven to reduce that volatility, to recharge growth and to really use technology, data and digital in a much bigger way into this business. We've completed three quarters of that transition; we have another nine quarters or maybe eight quarters to go. So, two more years that we would look at for a complete business transition or transformation of Mahindra Finance. What we have seen in the short run is a 54% growth in disbursement in Q4 as compared to Q4 last year.

We've talked a lot about our path to 18% ROE that was our headline and only focus two years ago. And last year we started pivoting towards growth. So, let's talk about the last three years first, in terms of PAT should actually be LAT, which is loss after tax. So, we've had 3400 crore loss two years ago, 2358 crores last year. And this year we are at a loss of 191 crores we had committed to a loss of 300 crores so we are slightly better than that. And we should get back on the profit track as we go forward. As we look at return on equity, we're up from 0.3% to 14.8% for the year. But more importantly, in the last three quarters at the consol at the group level, we've achieved (+18%) ROE. This is much earlier than we had expected. We had talked about a path to 18% in three years. And in one year, we've got three quarters at (+18%) ROE. A lot will depend on commodity prices in the coming year. If they get back to reasonable levels. That's something that we will show, but the basic message is our businesses are poised for this now they've delivered this and therefore our past to ROE is something that I would put in our accomplishment column at this stage while we will continue to maintain the fiscal discipline that is required as we go forward.

So, what's next, the pivot to growth is now firmly established and we are accelerating growth in a very significant way. This will be driven by core growth in our four core businesses Auto, Farm, Tech Mahindra with margin play and Mahindra Finance with the transformation play. And with value creation, through our Growth Gems, who have signed up for a clear plan to get to a billion dollars of market cap in the next two to four years, we talked about three to five last year, we're moving it into two to four now. Our digital platforms, we're looking at monetizing our investments and partnerships, which will create value as well. That will allow us to target a 15% to 20% EPS growth that we have talked about earlier. And beyond growth, we've also committed to lead ESG and especially coming after a week at Davos. M&M is very well poised to be not only a leader in India on ESG, but a global leader, and in various conversations we are there. M&M has been profiled as a company that is clearly in this leadership space, we are the founder members of the first most coalition that has been led by the World Economic Forum and John Kerry. We are also the co-chair of the alliance of Climate Change CEOs for India and participating and leading a number of discussions at the global stage.

Let's talk a little about our sustainability actions, because this is not about commitments:

We are moving from net zero in 2040 to planet positive, which is a broader picture. It includes being water positive, it includes zero waste to - landfill. And as we saw at Davos in the last week as well, the focus really is on actions, not on commitments. So, our actions are first around greening ourselves. There's a lot that has been done already. We had set a target of EP100 or energy productivity 100% by 2025; we are at 74% already. We had also set a target of RE100 which is renewable energy 100 by 2026, we are at 45% there and well on track to meet or beat that target. Our scope one and two emissions are down 20% in the last two years, these are of audited numbers, F22 numbers are not audited as yet as they are we will share them as well.

There have been about 2000 projects that have been done on greening ourselves that have resulted in these numbers. But beyond that, we have started to play a more active role now in decarbonizing our industries. And let's take a couple of examples here. In the auto industry, it's driven by auto recycling, and also a path to net zero scope three emissions, which is a toughest one to crack. In the real estate space, we've just launched a residential net zero carbon community in Bangalore, it was sold out in three days. So, consumers are starting to feel that as well and want to associate with actions that are planted positive.

And third on rejuvenating nature:

We're driving an initiative around afforestation. We have planted 20 million trees already. They have an 83% success rate, we've been doing this over the last 15 years. And over the next two or three years, we want to ramp that up from roughly 1 million trees a year to 5 million trees. Actions around watershed management and regenerative agriculture. These are also helping significantly as we think about rejuvenating nature. So, this is a set of actions and there is a lot more to be done in this space. But individual actions alone will not meet our goals of reducing or pulling back to 1.5 degrees that we've got. It will have to be collective actions and this is where we're playing a role on the India and the global stage to work closely with other companies, with governments to really make a meaningful difference in sustainability.

In summary:

With the results we've shown this year, it is fair to say that we have reignited value creation. We have delivered a strong financial performance in a very tough environment. The focus now is sharply on accelerating growth and we're not going to lose the financial discipline we put in. And we are taking a global leadership in sustainable development. With that, let me hand it over to Rajesh.

Rajesh Jejurikar: Hi, good afternoon all of you, good to see so many of you here in person. I mean beyond a point, the zoom thing and WebEx is never anywhere near the same as getting to see all of you in front of us. Breaking the presentation into Brakes and Accelerators, I will just want to touch quickly on three things that we saw as Brakes through F22, many of which we believe are turning around.

The first was rural stress, we saw rural stress coming out of two things : cut back in government spending in agriculture and rural and unfavorable terms of trade for the farmer, where input cost had gone up faster than the increase in the inflation for the farm produce. We have seen this change quite a bit in the last two and a half, three months and as we've seen often in rural you can't always anticipate when it slows down, and you can't always anticipate when it picks up, post Holi in March, and going through the Navaratra season, we've seen a tremendous increase in momentum and sentiment. And a lot of that sentiment was to be honest driven by the wheat exports which started, it pushed the price table up for farmers and got into momentum. And also the fact that there wasn't off seasonal rain in March this year, which has happened in the last many years and destroyed crops. Even though people talk about the heat effect, the positivity of no rains in March was actually greater than the heat effect where typically we've seen harvest getting destroyed. All of that led to a very good momentum through April we've seen that continue, bit of slowdown after the wheat export ban came in, but still at a much, much healthier level than what we had anticipated. We expect to see tractor industry in a single digit growth.

That's our view at this point of time. It would change depending on how we see the next two months pan out, which is a more optimistic view than we had two months back.

The second and one which all of you are very seized with is the huge commodity inflation we've seen. It has been huge over 18 months and then again went into one more increase in Feb, March with the Russia Ukraine thing kicking in. We see some positive news coming out of the actions the government has taken, putting a tax on exports will cool the market and we are beginning to see signs of that. We haven't been able to pass on price increases as fast as material costs are going up, that has put pressure on margins. On the auto side, that's what recovered through operating leverage. On the farm side where we had a very, very strong volume growth last year the operating leverage worked reverse. But hopefully as we see tractor demand comeback that will kind of come back to some level. F21 we would have to treat as in a year, which is an outlier year where everything was usually positive because of material cost increases hadn't started kicking in at that stage.

The third factor is the supply chain disruptions. We went through a very difficult time in August, September, October, November, as Malaysia was into COVID shut down and our whole supply chain was disrupted. Things are significantly better, there is some impact out of the China situation at the moment. But hopefully that will ease out as Shanghai is opening up now in June. And that was really a key bottleneck because logistics was affected as well. So, those were three things that we felt affected us negatively through F22. Many of them were seen as turning around. Changing the focus of the presentation to Accelerators that we saw through F22 and play out a video of a couple of minutes for you to see some of the highlights of the year that went by.

So, that was a whole bunch of things that happened through the year, we're not covering all of them just focusing on some key ones here. This was the highest revenue year for us quarter four and F22. You all have these numbers, I am going to just quickly run through them. So, you've seen them. you've seen we've have a strong standalone and a consolidated revenue growth. You also have the profit numbers. We did have a reduction in quarter 4 in our farm profit. It was on a very high base and even with this reduction, it's still the third highest quarter four PBIT for farm. So, when we compare the farm profit we have to think of last year being an abnormal and an exceptional quarter4 with a +1000 crore of profit.

Very strong exports, FES had its highest ever exports of 66% and auto had a 77% growth in exports. You have the numbers up there. South Asia grew strongly and we had the highest ever sales in South Africa, Brazil and Australia. We launched the XUV300 in South Africa as well. We gain 1.8% market share on FES for the year. And we're back to that +40% level, which you would like to be at. Anish spoke about the FES international subs. This kind of gives you a quick look at what's happened around the world. Mitsubishi in Japan created a positive profit for the first time, both the Turkey companies were positive. Brazil is profitable and growing very well gaining market share in a market which has all the key global players present and the U.S continues to be strong. This is how the numbers look when you see the profit turnaround on the FES side. It's been seven consecutive quarters of a positive EBIT.

The Last Mile Mobility in electric has seen very good momentum moving in top gear and these numbers play that out in the last quarter we've seen average sales over 2000 a month we have 73% market share. We think the segment is very well set and at an inflection point for very rapid penetration of the ICE market. At the moment, even these numbers are coming out of constraints on capacity, mainly linked to procurements from China impacting cell availability. So, you see the highest number there in March was 2300.

Talking about the SUV legacy, I'm going to focus on this concept which you're hearing today, which is the revenue market share. I'll talk a little around that and the XUV 700 and the two new things which are under huge amount of anticipation. These are the volume market shares coming out of SIAM data, you can see that we are in quarter four in the top three, which is a very close top three with a very small gap with the other two players. And number three, even in the second half. But we thought it's an interesting perspective to think about since our portfolio has a much higher average selling price than the rest of the market to think about revenue market share as well. And you can see both in quarter four and the second half we were number one in revenue market share. The way this is computed is number which comes from JATO Dynamic, all of you are familiar, JATO is a well-known data body for the auto community. It is based on the SIAM SUV classification of what is an SUV with the average selling prices that JATO collects based on their model wise data. And based on that we have revenue market share which is number one as you can see in quarter four and the second half. We think this will get stronger as we launch the new Scorpio N and hopefully will put us on the top of the table. The 700 as all of you know has done extremely well. It continues to do very well even with a waiting period of 18 to 24 months. We are getting more than 10,000 bookings every month now, quoting that as a waiting period. And we still have 78,000 open bookings out of what we've done so far. We will be revealing our born electric vision in Oxfordshire UK on the 15th of August this year. We will start a build up with more information as we go towards the 15th August event starting in July. So, watch out the space for more it will be a very, very exciting reveal of how we see our born electric vision portfolio play out for SUVs.

Many of you may have seen these films but I'm just going to show you what we internally call the making of Z101, this film has all Mahindra employees as actors. So, let's take a quick look at that. So, that was the first teaser that we put out and as you may have guessed, we have Amitabh Bachchan as the voice brand ambassador. And we have Godfather as the music and that's the brand reveal film which is playing currently. There's a huge amount of buzz and excitement around the launch of the Scorpio N, we're already seeing that build up in social media with views on these videos and a whole series of shorter version videos will play out as we lead into June. We are pretty sure we presell this before the 27th of June. And let's see where that goes. But right now we see that this is another big blockbuster that will come from our portfolio.

Some key levers on the FES side, build a fortress in the domestic business, we will work to improve our market share further. Aggressive growth in farm machines we have spoken about this earlier. Global expansion, now that we've got our global subs under control we would like to see growth from India and there, building the Ag Tech platform through Kirsh-e and to reinvent costs further.

On the auto side, build a strong brand value, develop platform and EV strategy, transform customer experience, de-risk our supply chain a lot of actions taken, but more to be done in F23 and of course again optimize cost for margins. We had put this out as our 2025 commitments and I'm just going to give you a very quick update on how we're doing. 29% growth in F22 so we should be on track for 15% to (+20%) CAGR, leadership in SUV segment in revenue we are at that place, LCV less than 3.5 tonne we are number one with 40.3%. Growing market share in tractors, and quantum growth in farm machinery, we should see a lot of that play out in F23. We are number one in brand power in quarter four in F22 this is a study we do with Kantar a reputed research firm. And that's in the SUV segment and reduce cost as a percentage of revenue, something we've put out during the course of the year we are on track to that and deliver ROCE of (+18%) plus we're on track for that. With that I'll hand over to Manoj.

Manoj Bhat: Thank you Rajesh. So, first of all thank you all for joining. It's wonderful to see you all here and in person. And I'm sure we can interact more after the event. Some of the elements around the performance Rajesh has already covered. So, some of those things I'll probably cover quickly. But after the presentation, feel free to ask more questions. This we covered 28% revenue growth led by auto, 53% growth in auto and a decline in farm. But of course, April is a much improved month for farm. We've covered the reasons for PAT before EI 17% growth, while the absolute farm numbers were down auto compensated for it so, in a way the volume leverage on the auto side is playing out it despite the commodity cost pressures which we're seeing. And PAT after EI, I'm not going to talk about Q4 F21 because we had a lot of capital allocation actions, but in the current quarter there was a positive 125 crore of EI in the quarter.

If you look at the consolidated numbers, again mirroring that led by auto and farm, but clearly many of our group companies are showing improved performance. So, if you look at businesses like Accelo, businesses like used car, tech business, all of them have shown growth in addition to Holidays, in addition to real estate. So, we're looking at a strong quarter of growth across the group. And that's also translating into profits. We are seeing good profits coming from MMFSL, Tech M, so on and so forth. So, multiple group companies contributing to PAT before EI. And overall at the consolidated level, there's a positive EI during the quarter. This is just a representation of that, in terms of how it builds up. So, as I mentioned domestic farm was down at a PAT before EI level, domestic auto was up, international auto and farm subs are doing well they have contributed positive 59 and then the group companies this is largely led by MMFSL and Tech M those are the two big contributors. While the other businesses have contributed as a percentage or as a contribution level, it's much lower.

Looking at the full year, again, 43% growth in auto and farm grew while the volumes of flat farms grew about 8% or so. So, that's the story on the standalone side and the profits again farm declined, auto increased. And on the EI side of course F21 was a year where we took a lot of capital allocation actions. I'm happy to report that many of those actions are in the past now. And if you look at the net EI impact, it's about 200 crores negative for the year. And that's something which we will try and see how we can keep it to that level as we go forward.

On the consolidated level, again the same pattern across the group companies we have seen strong growth. If I look at the profitability, Tech M was a strong contributor MMFSL, then we had multiple other businesses contributing to that 35% growth in consolidated PAT before EI and PAT after EI is a small positive number at the consolidated level, and a growth of about 97% in PAT after EI. This is a representation of that, again farm and auto have covered, international subsidiaries ware about almost 500 crores positive during the year. And this used to be one of the areas where we had taken up as a item to do work on and make sure that the performance improves and that's been delivered. And finally, if I look at the group companies, again, the same contributors, the major contribution is coming from Tech M and MMFSL and then we add some of the other businesses help in terms of this growth of about 1178 crores.

I'll spend some time on this slide. What we have done here is, there are two columns. One is what I would call our core business auto and farm and the group companies this is a standalone cash flow. So, we started the year with a opening balance of about 10,950 crores. If I look at the inflow column, I'll first talk about auto and farm. Our inflows from various parts of the operation was about 7483 and if you remember last year it's more than 10,000 and we have highlighted working capital was one of the elements which we will not expect it to repeat in this year. So, that has happened during the course of the year. But even otherwise, if I look at that number, it's a very healthy strong number 7483 crores and then the next row is the CAPEX, which we have invested in our core auto farm business in the M&M standalone kind of depiction. And that's about 3186 crores and then we add the auto farm subsidiaries and MEML is a subsidiary in this depiction. So, 772 crores is the capital deployed there. So, if I look at auto and farm at a net cash flow level, it's 3525 for the full year F22. Now the other column is the group company so one of our initiatives, and we've spoken about it .. is looking at our various investments and thinking about shareholder returns as a parent company, and that's one of the things we have focused on is increasing dividends and monetizing some of the opportunities. So, that number is about 1998 crores almost 2000 crores, which is significantly up now. obviously there is an element of the Tech M share sale which we did, but even if we exclude that it's a very healthy increase from where we were last year. And then the capital deployed in the group companies was 661 crores and so the net from a group company perspective as we look at as a parent company view it's a positive of about 1337 crores which we have got during the year. So, net total F22 cash flow from that perspective is about 4861 crores.

The next line item is subsidiary debt which we have repaid that's about 828 crores. Now, within that is, what we did we had given guarantees for SsangYong, and that's included here so about 460 odd crores is what we paid the banks. So, if you take out that number, this is a much lower number it's about 360 odd crores is the debt repayment number in the course of the year. And then since the cash generation was strong, we repaid debt at the M&M level, which is 1796 crores and the dividend payout last year was about 1089. So, our closing cash balance is about 12099. And our current debt position is about 6300 crores so we are in a very comfortable position from a liquidity perspective and we are in a position where we can continue to invest and which is going to be a next slide on CAPEX because I'm sure many of you are very, very interested in that element of that. So, that's the kind of view of the standalone cash flows and how we think about those cash flows.

If I look at deployment, again the first column is what we had said last year, which is 9000 crores overall in auto including EV, farm was 3000 crores auto and farm investments, which is the group companies of auto and farm 1500. And then the other group companies was 3500 totaling up to 17,000. So, what we have done in the first segment is, Rajesh alluded to it, the demand cycle is so strong that we have budgeted extra capacity creation which is about 1900 crores over the next two years. So, this is the same period of three years, which we are using as a comparison, it's an update on the number we gave you. So, that's 1900 crores additional. If I look at farm again, we are setting up a new factory. So, capacity addition and some of the newer products, so both of them put together is adding up to a 400 crore increase. On the auto farm investments, there's no change, many of these companies are turning around, and they should be able to take care of their capital needs very, very strongly as we go into the future. And then finally group companies investments we had budgeted 3500 crores. I know there was a lot of questions around this. And I'm happy to report that we are actually reducing that number by 800 crores because many of the group companies are self-funding growth. And that's something which we hope will continue to be a trend. So, that's the number which is reducing. And the last column is what we call monetization and partnerships. Now, this could be a combination of multiple things, we have many, many unlisted investments, we have listed investments, we have of course, listed companies which could go public all of that put together, we are budgeting for 2500 crores, which is a demonstration of the value creation, which we are creating as a group and where they are hidden kind of in our balance sheet today. And that's something we want to bring out very, very clearly. So, we put it as a goal, out of this about 500 crores is already done. So, the next two years, we are looking at an additional 2000 crores coming through.

So, if I look at a M&M level for the CAPEX needs, we'll maintain it as 17,000 crores of cash, the source might be a slightly different because its monetization is coming through. But that's the way we're looking at it that, given what's happened the course of the year, given what we're seeing in the market, we are investing for CAPEX, investing for growth and that's the big change from probably some of the commentaries about last time, where we were going into a year with relatively less visibility. And today we are in a strong position and that's where we are increasing the overall CAPEX guidance over the next two years.

And finally, Anish mentioned it, one of the things was about value creation we started the year saying we will reignite, if we look at most of the measures, whether it's the financial measures, whether it is around making sure that we execute on monetization, whether it's making sure that we are getting our group companies ready for self-funded or a IPO path, all of those are happening. So, from our perspective, this part has been executed and this will continue to remain a focus. But, the reignition has happened and we hope that we can continue going forward. Thank you so much.

Sriram Ramachandran: Thank you. Anish, Rajesh and Manoj we will now open the floor for Q&A. And before that I request to those who are attending online to post your questions and we will take it after a few questions from the audience participants here. Okay, first question is from here.

Kapil Singh: I am Kapil from Nomura. Congratulation ..My first question is for Rajesh. It looks like you have a big problem on hand. There's a lot of, a huge order book. And looking at the new Scorpio, it looks like the problem is going to get bigger. So, how are you preparing, in terms of production capacity. Also, a slightly larger question is, you're having a very sharp focus now on SUVs, and it's a very committed crown because everybody wants to make SUVs today, even the small car companies. So, in your vision, how are you going to retain that position, how are you preparing the organization for more premium customers who are walking into your dealerships with product design, customer service and just the overall vision of how you will retain this position?

Rajesh Jejurikar: Thanks Kapil. So, the first question is, I wish I had a good answer. There's no easy answer in the short term, because at the moment, the constraint is not so much our own manufacturing capacities, it is through a combination of things including suppliers and semiconductors. So, they all play out together, we've been got 700 to about 5000 odd, which is still lesser than the 6000 odd capacity that we have. So, we haven't even yet been able to get to where we are, we are as Anish said investing in capacities to prepare us for this huge upswing that we are seeing. And you're right, that we will see a strong upswing again with the new Scorpio N. So, in the short run, the critical thing is managing our customer experience. And, being able to communicate well, communicate commitments which we are realistic label to meet, that was very difficult for us in the first five, six months, because we had huge disruption on semiconductors much beyond what we expected. So, we did struggle with meeting deadlines, we are at a more stable level now. And hence, it's easier to communicate to customers. Our sense is that customers who are booking now have a better expectation of when they will get the vehicle compared to those who booked in October, or October, November. So, when people booked in the first phase, nobody thought they will get a waiting period of 18 monthsAnd that was very hugely disappointing for anybody who waited up to book on the first day of the bookings open. But today, when customers are walking in and they're getting like I said more than. 10,000 bookings every month, people know that, what the waiting period is when they're booking. Cancellations are in the region of 10% to 15%. So, they are very, very reasonable. And this is now our fairly large data that we have over 100,000 bookings. So, I guess people are willing to wait for a good thing, because the value proposition of 700 is so strong that people are trading off Rs.40 lakh, Rs.50 lakh cars or products or SUVs for something which is less than half the price of that. So, you are getting people coming in from the premium segments as well, as well as people who are wanting to upgrade from one step lower. So, we have both and both see a huge value here. So, we're going to live with this shortage situation for some time, from the standpoint of all of you who are analyzing how we are going, you will see an upward curve because we are going to be doing better than what we did. And we think the trajectory is positive, we don't think the waiting period is going to come down very dramatically. It will come down but it will not going to come down very dramatically, because if 70,000 just to take 700 as an example, you're more than 70,000 open bookings, and you're getting twice your production rate every month as a new booking. So, unless we cover the open bookings, and we are able to produce at twice our current rate, the waiting period is not going to come down dramatically, just simple math at the moment. And that's going to take some time.

On your second question. I really think if we hit the sweet spot like we've done with these two, three products, where we are differentiated, people want to buy us for who we are, our true DNA, which is why what the essence of the whole SUV strategy is, there is no reason why we will not continue our leadership. We are now the only body on frame player by the way. So, there is nobody else offering body on frame vehicles, which is what the Scorpio N is about and the Thar and the Bolero. So, that space is completely ours, but we also have a very strong monocoque offering with 300 and 700. So, it's a very well balanced portfolio. And with born electric coming in, there are models which are going to be cutting edge on design with the new design center in UK don't want to say more. But we are super excited about what we're going to reveal in August, where you will see the whole portfolio and platform strategy.

Anish Shah: Kapil, I'll just add one more thing to that. On your last question, what we feel good about is the fact that we've started moving back to number one in SUVs and we have done that already in the second half of this year. But even more important than that is the fact that the XUV700 was developed indigenously in-house and that's just a function of the capabilities that have been developed now for us to have a car like this which is clearly a world class car and far ahead of any of the others in the space, and to do that in-house gives us a lot more confidence about the kinds of cars we can produce, not just on the AI side, but also on the electric side.

Kapil Singh: Anish, if I may ask you one question, now you have set very bold targets, since you've taken over and it's something that requires, to achieve those requires to push the whole organization very hard. Maybe on things like target setting, decision making, accountability. So, what kind of changes and maybe Rajesh, and Manoj if you want, you can come in as well, what kind of changes are you bringing on people management and how the organization does some of these things we'd like to get more insights on that?

Anish Shah: So, thanks for highlighting that Kapil. we had set a bold target of 18% ROE and I know when we did that, there were a lot of skeptics looking at us and saying really, why would you said 18% ROE when you've gone through all of these issues, and we've actually hit that far earlier than what we expected. Similarly, as we set targets for profits is well, 15% to 20% EPS growth is what we put out a few quarters ago. This time, we've achieved a 97% EPS growth, so if I were to look at it for the three year horizon, we have sort of achieved that 15% to 20% CAGR already, but we're still staying with roughly 15% to 20% going forward. So, for us, it's important to make those commitments and really have a plan to get there. So, it starts with that. So, for each of the commitments we have, there's a very clear plan as to what each business needs to do, what each function needs to do, and how do we get there.

The second thing we've done is really got back to the fiscal discipline that we had in the past, we've talked about that earlier. And that is a very important part of driving these commitments. It's not just fiscal discipline in terms of businesses on a path to ROE, it's also in terms of cost. While we put that on the slide, I don't think we emphasize this too much, there was a very significant reduction and fixed cost that has taken place as well. And a strong management of cost at all levels, which is also helping in the results, because you wouldn't see these kinds of results with a commodity prices and margins being where they are right now. It has to be driven by other things.

The third thing that we've done is really built in a culture that goes back to again, where we were in the past have a lot more collaboration. And one way we will be in the future of a lot more agility. Large companies are generally not agile and in an environment today, where in many cases, there are much smaller companies that come in and challenge incumbents, it's important for us to be agile. So, the behaviors that we put out there are collaborative, agile and bold, you're seeing the bold already, collaborative in agile is what's helping enable that on a foundation of our values.

Gunjan Prithyani: Gunjan here from BofA. Thanks for this presentation. It's really commendable job last year, it's good to see all the targets being achieved. I had a question on the EV business now you do lay out pretty aggressive plan on electric leadership and last mile mobility. Again, this business will need a lot of investment as we look forward in addition to the capacity ramp that we're talking about in the EV business. So, how are we thinking about long term funding of this business, these strategic partnerships around the electric mobility?

Anish Shah: So, I'll just start with that and then hand it over to Rajesh and Manoj. So, first is as we saw our F22 to 24 numbers, our EV funding is already in there, we've taken it up slightly from what we had said last year, it's at 3000 EV, 6000 ICE and as we've increased it by 2900 overall, which is the 9000 going to 11,900, 1900 comes from capacity, some element comes from EV and then some from other things. As we think about the future, we are going to have more of our CAPEX go in EV because our product line today is in a sense the best positioned in the industry. With five new launches right now, we really don't need a significant amount of CAPEX going into new product development on the AI side. So, a lot of that will go into EV. So, at this stage, we're pretty comfortable in terms of being able to maintain our CAPEX requirements. Also, as we think about the cash generated if we looked at the last two years in auto and farm, the inflows were 18,000 crores. And as we look at our trajectory going forward in some ways we expect that to go up as we have more capacity come in serving greater demand, etc, this is 18,000 crores into two very difficult years. So, given all of that, at this stage, I'd say we're fairly comfortable in terms of what we need from an EV standpoint in terms of funding. Rajesh, Manoj anything to add?

Rajesh Jejurikar: Just build on what Anish said by saying that, we've also setting up the ICE, you saw in my presentation as well on platform concept. So, we basically focusing our portfolio on working out of two body on frame and two monocoque platforms, and everything else that we'll do going forward will really build on that. So, the cost of any new ice introduction will be significantly lower, and that will allow us to move money's to the EV and even on EV, since we are not doing ground up one time, rather than evolving with time, we are going to set up the whole thing around platform and high level of commonality and configurability. We'll talk more about that, which will relatively bring down investment using partnerships like the Volkswagen one we're talking to and so on. So, there's a very good balance of areas in which we will want to bring in expertise and excel, and where we will leverage partners, so we're not going to try and do things which others are doing better than us and try and reinvent the wheel.

Gunjan Prithyani: The second question from my side is on the margin for autos. Now, when I look at the delivery this quarter, we're almost touching 6% with commodity where it is right now. And we do expect that some of this commodity aspect to ease going forward and there is a lot of operating leverage and cost efficiencies which are yet to play out. You all had laid out this 7% target some time back for the auto segment easing, is given the launches that we've had in the pricing power do you think that there is a case to surpass these margin guidance that we've laid out, or how should we think about from a medium term perspective the margins in this business?

Rajesh Jejurikar: Manoj, you want me to start and then you can chip in. So, multiple factors at play here. First, I just want to refer to the point you made on pricing power. It's very easy at this point of time to leverage that pricing power, but we're very mindful that we shouldn't because you don't want to kill the golden goose so early. So, we have a great momentum going, we need to build that, we need to get customer confidence back, get many more vehicles on the road. So, we have been very mindful of not getting into that mindset where we lose humility and say okay, we have a 24 months wait period. So, let's see we can charge another three lakh on 700 we have taken an aggressive price increase that's for commodity, and some margin improvement but really not trying to take advantage of the situation and we don't think we're going to do that in a hurry. We will build our business back with four, five very strong brands before and we know in time when the brands get strong the margins go up, we've seen that in the past with all our successes Bolero and the Scorpio, 500 all had extremely good margin structures, and so will this portfolio products. That then comes down to what are the other levers to improve margin. Operating leverage will kick in, and you're already seeing the effect of that in quarter one that a lot of that is operating leverage. The commodity front is a little uncertain at this point of time, because when we say it's going down, it's going down relative to what because you've seen go up, go up, go up and we thought that's the end of the story in Feb and March. And then we saw another huge increase of 5%, 6% that happened just with the Ukrainian crisis. So, how much is the cooling off and relative to what base is something that we need to wait and watch for. We had also put out a target which is more salient in my mind, which is that we will improve our cost as a percentage of revenue by 3%. And we had said we are on track for that and we are on track for that. There are lots of actions we've taken on optimizing our material cost which has nothing to do with commodity so when we take material cost targets internal in the organization, they're always without commodity impact it is basically through the negotiation or value engineering. And a lot of work has happened on our key models on that which has significantly improved our margin the full effect of that we will start seeing in the F23 because in F22 it happened through the years so you don't see any full impact of that. So, I would, without giving a specific target unless Manoj chooses to, I would remain optimistic on the margin uptick on auto.

Manoj Bhat: So, I don't have a specific target. I've never given one ever so I'm not going to start but, just one point to add there is a model mix because there are a lot of new launches in the mix which are driving the growth and countering that is the value engineering piece on that. So, as our volumes build up, as we optimize the cost per vehicle, that's the counter. Now, timeframe wise we can't predict whether it'll happen in H2 next year, et cetera. But, directionally the statement we made in the medium term, we will target certain increase in margins that will stay in, I don't think we'll change that guidance higher. But from our perspective, the initiatives, the key kind of levers are already there are teams working on it. And there's a comprehensive plan and maybe as we go into the future, if we see a different outlook, we will do that. But currently, the thing we said in the last quarter around improving margins, the timeframe might have changed a bit here or there depending on commodity prices, but that's something we'll kind of stick to.

Anish Shah: I just want to take a second to add on a point which Manoj spoke which is module mix, that's been very favorable we've seen with 700 and that's one of the reasons why we were struggling so much to ramp up because we just got 5% of the total bookings on MX which by itself is a very strong model, 95% on AIX, which is another one with the big screen and 65% of the total booking is on AX7L. So, which is where we have more than 200 semiconductors in that model, everything needs a semiconductor the lights, the wireless charger, the power seats, everything needs a chip. So, which is one of the biggest challenges in being able to ramp up the to the model mix. But obviously, the margins there are also more favorable.

Raghunandhan NL: Raghu here from Emkay. I have two, three queries. Firstly, Anish sir, on the growth gems where are you seeing traction and how do you see that ROE roadmap towards that 18% in those entities eventually leading towards monetization, which Manoj sir talked about. Secondly, Rajesh sir on the tractor side, the year started off on a good note. And despite whatever government restrictions on export even May seems to be reasonable. So, how do you see the full year outlook given that the monsoon expectations are on the positive side and one last question to Manoj sir, if you can talk a bit about the impairments that have been taken and if you can indicate where it has been taken. Thank you, sir.

Anish Shah: So, first, on the growth gems, the way we've defined it is, to set a target of a billion dollars of market cap that needs to be achieved in a specified timeframe. That specified timeframe last year was three to five years, it's two to four years now. And we have seven businesses, we're on track to do that. Three of them are listed entities, holidays, life spaces and logistics. And there are four others. Off the four others, there'll be at least three is my sense it will go to an IPO and again in the same timeframe. So, that's really what's going to drive the value generation from there. And which is where we feel good about an 18% ROE target as those are monetized as you go to an IPO, we will likely see them contribute very well from a returns perspective.

Rajesh Jejurikar: Yes, to tractor demand Raghu like you said, April has been very good, much higher than what we thought, May is much higher than what we thought, it has slowed down a little bit after the ban, but not significantly for us to be worried. At this point of time our view is single digit industry growth. But we'll update that once we see more through June. Typically we like to do a calibration end of June or so as we get a bit of feedback on the monsoon and cash flows and rural areas and so on. But at this point of time, we'll talk about single digit which is higher than what we had thought about a few months back.

Manoj Bhat: So, Raghu on the impairment bit, just a little bit of background here. So, if you look at impairment, it's based on the current view of the business and the current view of the business, we keep looking at it again and again, we are put in a process where it is multiple level checked in terms of it goes through the company, then the sector and then we take a call at an overall level, saying does this kind of how does it link back to what's happening in the market, and so on and so forth. So, what you see here is a net result of it. So, splitting it is actually, if I go to split the 125, it's going to be a long journey. So, instead of that what you should look at and take comfort from is the process for example, I can tell you in one of the subsidiaries we took a write back this this quarter, because when we did it the last time, the market situation was very, very different and we said we would rather be more conservative and take a markets based view on that. And then as the situation improved, we looked at the projections again and we took a write back. So, there are multiple puts and takes in that number. But the broader message from our perspective, which I was trying to convey is F21 was the year of big impairments. And the big EI elements, that kind of a year is in the past. So, from a tracking perspective, it should not be a major factor as you go forward that's one. The second is, as I talked about monetization some of that could lead to EI gains also. So, that will also come into the picture. So, there are multiple puts in takes. So, that's why if you get into the detail of EI, it's probably more distracting for everybody. That's why we are probably not disclosing that

Anish Shah: I will just add to what Manoj said Raghu which is, if the business is performing there should be no impairments. And what we saw, in a period where we sort of had a number of businesses that were non-performing, the impairment section was very long. And those were the numbers that we had in terms of losses is well, this year it's sort of more or less at par. And that's what we would expect going forward as long as the business has continued to perform. EI really shouldn't be a factor in the business, profit after tax before EI, and profit after tax after EI should be more or less the same.

PramodAmthe: This is Pramod from Incred Capital. So, first question is to Rajesh. So, considering the recent tie up with the Volkswagen, wanted to know considering last two decades of your experience of hits and misses with the tie up of global OEMs. What made you to go now with EVs especially in the context that you have a very low design cost and is it more to do with the supply challenges using the EV component or is it more to do with the capital allocation, restrictions you have and hence you need to look for these set of tie ups, one. Second to Anish, this with regard to the capital allocation, especially with the, because some other subsidiaries, which were the company which were struggling to meet your threshold, and you're trying to give them a time and come up to there. So, where are those standards, are they some of them falling apart, you need to push them out or you feel all of them will go through to meet the deadline?

Anish Shah: So, first, before Rajesh goes, there are no capital allocation restrictions on EV, we feel that's the space that we have very well positioned, we're going to be very successful. So, EV will get all the capital it needs.

Rajesh Jejurikar: You want to take the second question?

Anish Shah: Now the second one we had classified companies as A, B and C. C was companies that will not meet the threshold of 18% or do not have a clear quantifiable strategic benefit. All of those have been actioned. On companies in category A and B. The vast majority were international firm subsidiaries. And as you saw from the presentation, they are on a very good track of performance. We had Sampo in Category B, we had Hisarlar in Category B as well. Hisarlar actually we went ahead and kept only the strategic part which is implements and sold the rest. So, Hisarlar was one company that sort of straddled B and C with that actions completed also, and the ones that are in A which was Magna which is a U.S farm business of resilient farm business. They're actually doing very well on a very good path faster than we expected, which is what's contributing to our ability to get to an 18% ROE even faster. So, as far as we're concerned, the A, B, C chapter is now closed.

Rajesh Jejurikar: So, Pramod your first question on our history with tie ups and Volkswagen where does that fit in. Firstly, we strongly believe that in every tie up, we've learnt a lot and we've gained a lot, we may have lost some, but we've gained a lot we've learned out of it. Volkswagen is not an equity tie up, it's basically as a supply agreement to buy components, which will enable us to be successful. Everybody's buying from somebody, if you look at all the announcements in India, in the EV space around, people are buying some core part of batteries, cells, motors, you either buy from an OEM type supplier, or you will buy from a normal supplier. So, these are all things that the whole industry is buying. The EV space is about collaboration and partnerships, and there are several around the world. So, it's a very neat clean supplier components agreement which will give us greater assurance of quality and relatively faster go to market. And we hence don't see any risk and I don't think you can one would bucket it with any of the past tie ups because this is a pure supply agreement.

Shirish Guthe: This is Shirish from HDFC Life. So, few question taking over from Pramod's line of questions, actually. So, two years back we had an agreement MOU with the REE Automotive of Israel, they also had a Skateboard platform, if I understand correctly. So, where does this VW thing fit in and in addition to that, we could have bought the whole AV platform, which is trading in Europe. But we chose to use our components and not the platform. So, is there something that we have in mind what we want to do in-house. Similarly, on the battery side, that being the biggest cause, do we have anything in mind in terms of how we are going to go about it, VW would be having tie ups with right from the lithium miners level so are we going to take batteries from there or are we going to make it in-house, thank you.

Rajesh Jejurikar: So, the REE thing was firstly not for the SUV space, it was for commercial vehicles. It was an agreement by which they could access us for any engineering manufacturing support they would want out of Mahindra in India for what they would do for their global customers, we would have the option of using it for Indian customers, if we wanted broadly that was the contour of that, RE right now is a different set of priorities and we haven't really progressed much on that. If at any time they want to leverage us and use either our product development capability or manufacturing capability that's possible. But that has nothing to do with this because that was for commercial vehicles. And a lot of what they are doing is for the very large trucks around the world and so on. So, they're not really India market product offering. We would want to and we have wanted to develop our own born electric platform, because that's the future. And we would like to control what we do with the platform and not really be buying out an entire platform someone else. Buying out components gives you flexibility, when you buy out a full platform then you're kind of much more locked in. We have a platform which we've developed, which is very relevant for our kind of vehicles in Indian usage conditions. So, we've gone that path of developing our own platform, not going to say more about it, because we will share all the details about this as we lead up into 15th August, we will be fully sharing the details of what this platform is and what's going to come from where on it. Tying up with people like VW does help us secure the battery chain, you're absolutely right. VW has a very strong presence in this area they're among the largest investors in the world with more than $40 billion and they have gone all the way up to tying up mines. Supply chain in EVs going to become a very big issue, this big issue is going to be remained a big issue for some point of time. So, having a secure supply base will be an important part of the strategy. So, all of that has gone into the decision on what kind of tie ups we should look at.

Shirish Guthe: Can you share the cost and CAPEX implication of that tie up. Like will it be coming at a very competitive cost or anything on that?

Rajesh Jejurikar: Well, you know the game we play, it's about creating value. So, we will not tie up with anybody which is not competitive.

Shirish Guthe: Is there any exclusivity in that tie up or not?

Rajesh Jejurikar: Can't talk about the terms more than what I have said. Thank you.

Sriram Ramachandran: Okay. Now I'll take a couple of questions from the online participants. This is from Devanshu Sampath, Yes Securities. Question is for you, Rajesh. The question is on Code**,** what is the game plan here, it's doubted to be a killer tillers but with the tiller being subsidized, how will it allow the same. How is the price versus tillers and what is the value proposition for farmers?

Rajesh Jejurikar: Actually I love the term killer tiller we haven't come up with that term before, so if you've invented it, we love it. The initial response to Code, so Code is probably one of our most innovative products and Sriram can you help Harish with a mic because I want to get him to take a part of the question. Has been one of the most innovative concepts that we've created. It's a horticulture come paddy farm mechanization solution offering developed by Swaraj, it's hence Code by Swaraj. It has some very interesting features like the seat turns direction, you can change the ground clearance and so on. I thought since Harish is here, he's the CEO, of the Swaraj business maybe he wants to talk a little about it. We've got a very, very good responses just launched it in three, four states. But a very, very good initial response, Harish.

Harish Chavan: Thanks Rajesh. The big plan is, there is a big focus and you will see that there is a crop diversification is a big thing which is being talked about. And many farmers are shifting the cropping patterns to grain crops to horticulture crops. The key thing is there's no mechanization solution for such transition.. the narrow road, no weights, very less weight. So, these are, very niche application is needed in mechanizing that. And Code has actually achieved that sweet spot, there's no machine, which is as narrowest as lightweight as Code. So, when it comes to customer segments, you talked about the tiller killer or power tiller but I must tell you horticulture is not only adopted by the farmers, which are small farmers who are buying a lower cost machine like power tiller, what our order book is almost 40% of the order book comes from a tractor owners the fellow who has more than 50 horsepower tractor. So, it's a unique value proposition which is addressing the mechanization. As regards the power tiller if user goes power tiller is a very, very small machine which involves a lot of drudgery. And this resolves all it's issues, and therefore it is loved by power tillers. So, that's one big one value proportion as we talk about. As you get subsidies concerned, yes power tillers are subsidized, our machine Code is also subsidized so to that extent, it is very well positioned between a small tractor and a power tiller with a much, much higher value than a power tiller, which it offers to the farmers. And I must connect as a big game plan what Anish talked about, regenerative agriculture, it means you're creating a ecological system, which is much more robust and the crop diversification is a key part of the regenerative agriculture. And we are happy that the innovation what we have done, is really addressing that piece. And it's consistent with our plan to positive goals. Thank you.

Sriram Ramachandran: Thank you. Just another question from Anoop Bhasker of IDFC AMC. And this is to Anish, congratulations to the management for sustaining growing the quarterly profits. How is M&M placed on the journey of efficient capital allocation going forward, you address some part of it.

Anish Shah: So, we let our results speak for themselves on that question. In terms of pose pass through ROE as well as growth we are driving, all I can say is that we will continue to maintain that discipline very sharply and ensure that every rupee of capital used generates more than adequate returns for us. Yes, we are making bold commitments, but the bigger challenge for us than making the commitments is actually meeting them. So, far, we met the challenge and we hope to continue meeting that challenge as we go forward.

Yogesh Aggarwal: Hi, this is Yogesh from HSBC. Just couple of questions, firstly on the subsidiary ROE targets while 18% is very healthy. I was just curious, some of your largest subsidiaries are in industry which, where companies make 35% to 40% ROE. So, when you evaluate all your subsidiaries, are you only looking at absolute 18% or are they evaluated relative to the peers?

Anish Shah: So, very glad you asked that because 18% at the group level, it will be different for different subsidiaries as compared to their peers. In some cases, it will also be different where we want to drive growth. So, for example, what I tell Harish for farm machinery is I'm fine with a 0% ROE for the next five years. But can we go from 400 crores of farm machinery sales to 8000 crores of farm machinery sales, I am not putting that as a commitment, just to clarify. But that's a conversation we are having saying, that's the growth you've got to show in the market you need to invest for that growth, because that's going to be a very strong business for the next 20 years after that. So, there are going to be different targets by business. It will be lower ROE target sometimes for a very high growth businesses. And for some of the businesses where we are an industry where the higher ROE targets clearly we expect them to beat or outperform financially in those industries as well.

Yogesh Aggarwal: I just have a follow up from Rajesh on Scorpio, usually Scorpio has a certain level of fan following and a profile of customers the new one looks quite contemporary. So, will it expand the market and at some edges will it cannibalize XUV, how will both be positioned separately?

Rajesh Jejurikar: Yes, Yogesh thanks and that's one of the reasons we are going to continue with the current Scorpio as Scorpio Classic because we realize that they are very different target groups a lot of the current Scorpio sales comes from rural India, Bihar, UP, Rajasthan and so on and so forth. And we think that, that segment still will want the Scorpio in its current form, current level of compactness and so on. So, we are continuing with the current Scorpio so, we don't lose that loyal base and we at this point of time expect that to continue in spite of announcing the Scorpio N we have seen very little cannibalization or waiting amongst that target group at least as of now. So, the Scorpio momentum continues very strongly in spite of all the announcements around Scorpio N. The second part of the question, So, second part of the question is around will this create a new target group and the answer is yes, that's the whole intent of this marketing strategy to bring back Scorpio into cities and into the tier one towns of India which is metro so maybe top 60, 70 towns is where Scorpio has lost its current momentum and presence and the brand is still strong and we think in this new form with this offering it will come back as strongly a city vehicle. The third part of your question was the overlap between 700 and Scorpio, you are going to see them next to each other to realize that they are going to appeal to a different people and it's in a way it's like comparing Thar and 700 the appeal is very different. This is of course not Thar, but it has its own distinct body on frame and strong rugged presence, we do bring in technologies into it, but it has the character of a real true blue SUV as one would call it. So, it would be thing be very distinct target group from 700 and will create a new segment for us.

Chirag Shah: The first question is on the capacity in both ICE engine as well as taking it ahead to electric whenever you showcase the products, is there a rethinking on how you look at capacity given the momentum that we have gained on the UV side, and the fact that you are looking at platform consolidation, traditionally you have started with 4000 to 6000 units of capacity and then looking to ramp it up. Is there in a rethinking happening that you need to look at a much bigger capacity at the base capacity, given platform sharing your breakeven will definitely be far lower than what they were earlier?

Rajesh Jejurikar: Yes, answer to that is yes. And every time we have to go to Anish or Manoj and tell them we are revising a number upward. We don't want to go that path too often. So, we are, this is a learning that we've got out of the last launches that we've kind of not investing in the tail of the investment, in a way capacity relative to the total cost of the project is not such a high investment given that we already have manufacturing presence and so on. So, we are now going into this with much greater confidence and hence building capacities keeping the future in mind, not just with us, but with suppliers as well. So, clearly, this is a learning out of what we've done in the past, even on Thar we have started with two, we've now started with just a capacity of 2000, we hit four, we're going to hit six in a month or two. And we're going to move that up further.

Chirag Shah: So, how are you thinking about it. So, when you launch a new set of models, would you think you need to set up a capacity of 10,000 units given that the platform could be used further, so if you can articulate how you're looking to expand the capacity, how fast?

Rajesh Jejurikar: How fast, it'll be hard to answer that question without putting out the exact volumes. But the plan is that, we want to be number one in SUVs, we see ourselves on a clear path to get there, we're setting up capacities to meet that, we've set out a roadmap for EVs, there is going to be some overlap, because there will be some carryover. So, all of that is being factored into the capacity expansion. From a timeline point of view, most of this will kick in in 18 to 24 months.

Anish Shah: But let me just add a perspective to that. All of you have tracked this industry very closely, if you look back at the launches in the SUV space in the last five years or the last seven years, if we look at it there wasn't a very high percentage that hit 6000 a month. In fact, even if you take the bar lower to 3000 a month, it after maybe an initial blip for some of them. There's are very few that can sustain going over 3000 a month. So, if you were to look at where we were two years ago, 6000 a month seems fairly bold step at that point in time to say that yes, it can be done, because as you well know, the capacity comes at a cost in terms of our capital and our suppliers capital as well. So, today, where we stand 6000 seems low it's a great place to stand right now. And it's not one launch, it's essentially multiple launches that we've seen. So, yes, we will be revising our standards upwards in terms of saying yes, we can hit this regularly. But not this is we should be able to add more regularly. And that is what will be factored going forward. Will we get to starting with 10,000 capacity for certain models, I'd love to be there when we get there. I don't think it may be too far off, but I don't think we'd start with 10,000 right now in the next model that we have.

Rajesh Jejurikar: Yes, but a lot of that Anish to build on your point, it will come into the platform approach. So, we are saying that this platform will be 10K +, etc, et cetera so now we're thinking about it as platform capacity, which solves 70%, 80% of the availability issues, then you only have to invest incrementally on what's not common.

Chirag Shah: Second question is on two-wheeler side, given that the focus on right to will now where does the two wheeler piece fit in the scheme of things?

Anish Shah: We're not getting back into mass market two wheelers in India.

Chirag Shah: But even globally, if you can articulate how are you looking at, it's not more from losses perspective, but it's more from management bandwidth, and how you're looking at it, because if you don't have a right to win over there in that sense or which are the areas that you are seeing you have to right to win in two wheelers as a space?

Rajesh Jejurikar: So, we have two parts to our two-wheeler business as things stand, one is a business which is called Classic Legends, which is the Jawa, ESB and the BSA brands. And then we have the Peugeot scooters in France. So, basically, these are the only two legs we have in our two wheeler business, Classic Legends we have a co-investor who leads the management of that company so neither Anish or I spend, it doesn't consume our bandwidth by way of management to drive that business. It has an independent CEO and two of the co-investors who are non M&M player a very significant role in enabling that business. The other is the Peugeot Scooters, which has a full time CEO and again, doesn't consume too much of our bandwidth or time on running it. So, from management bandwidth point of view both of these are niche businesses, not playing in the mass market. And as Anish said we don't have intentions of getting into the mass market in India. If we were to do that it would take bandwidth.

Anish Shah: I will just add that CL PL Classic Legends is actually a very exciting business, because if you look at the brands it has with Jawa, Yezdi and BSA this is a very strong collection of brands. And this is one therefore that has, it might be a very strong right to win. And we're playing in a very niche segment there with those brands. But, again if you look at the industry on that and all of you are experts on that, you would see the highest profit creation in that industry or that segment of the industry. So, if you look at the profit pool, while it's a tiny part of the overall industry, from profit pool standpoint, it's a pretty significant part of the industry. So, that gives us a lot of confidence in terms of playing in that space and saying we can actually create and generate a lot of value and the consumer pool on that is extremely good.

Sriram Ramachandran: So, the last two questions, one from the online and one from the participant here. Online question, this is from Binay Singh, Morgan Stanley. M&M EV CAPEX number looks smaller than what peers have announced. How to think of M&M EV share in that context, when do we hear more about Volkswagen MEV tie up, also what sort of CAPEX savings come from doing partnerships with Volkswagen?

Rajesh Jejurikar: The number that we've shared is for the next two years. So, there's a buildup obviously of capacity. More details on both the Volkswagen, our product portfolio and how we think about it will all be shared by August.

Anish Shah: I would also add that, even the capabilities that we've seen in Mahindra Research Valley, if you look at even the XUV700 or the Thar or other cars we've developed, I'm pretty certain that we've developed it at a far lower cost and what many others would have developed. So, that is one factor here as well that that needs to be taken into account to.

Sriram Ramachandran: One other question is SUV order book any data on consumer in terms of M&M consumer upgrading versus new to the brand and urban share seems to be going up is it?

Rajesh Jejurikar: For 700?

Sriram Ramachandran: Overall SUV.

Rajesh Jejurikar: Okay, so I'll answer for 700, then there are 300 and, both of these actually have a hugely new customer base. One clear indication of that is the level of automatic in our portfolio. So, all the launches 300, 700 and Thar have more than 50% automatic in their portfolio, 30% gasoline so these are all not traditional Mahindra customer 700 does have a huge metro focus, for 300 it's roughly 60% metro, 40% non-metro. So, all of these launches are getting very new customer base. In fact, even the Bolero Neo is getting us a completely new way minimal cannibalization with Bolero, it's taken the Bolero brand back to 9000 +, and completely different target audience. So, it's got back into Delhi Bolero is never strong in South but Neo is doing very well in South so very different target audience even for product like Neo.

Nitin Arora: Nitin Arora from Axis Mutual Fund. Just for the perspective of emission norms in the next three, four years, two, three changes are happening. Just want your thought on why choosing stellar diesel over hybrids for the SUV. If you can throw some light on that, and also if you can throw with respect to the total cost of ownership, which you might see increase in your assessment for a diesel engine would choosing a hybrid would be good or you think diesel would still do that space. If you can throw some light on your bookings how much still Thar bookings or SUV bookings are still in diesel?

Rajesh Jejurikar: 70%+ are diesel. So, clear preference from customer for diesel. So, the new evolving metro segment maybe 25%, 30% gasoline but and we have a really good gasoline engine, both on the Thar and the 700 gasoline is really quiet, very peppy all of that. But this segment is not from a customer preference point of view moving away from diesel to gasoline in a hurry. But we think with EV we will start seeing that shift where they will get the performance parameters much more strongly than EV.

Nitin Arora: No, why I'm asking this because let's say the cafe or the RD, if you can throw some light what's the total cost increase for you let's say in a diesel why am I asking this because a small

Rajesh Jejurikar: 10 to 12,000, which is already done.

Nitin Arora: That doesn't go in favor of hybrids you feel that even if the diesel is still.

Rajesh Jejurikar: Yes, we already made the changes for Café from 1ST April built into most of the changes are made built into our cost.

Anish Shah: So, it's more about performance and diesel engines we have today are very good, the petrol engines, we've had a few auto journalists tell us that they are the best in class petrol engines that we see around. So, it's a very strong set of engines and we see the move really going from here to electric, not as much to hybrid, which is sort of an interim solution. Similar to the fact that even for electric, the interim solution is taking an ice car and making that electric. But the real game is born electric platforms that's when you get the optimization of the vehicle.

Nitin Arora: And RDE norms would add how much cost let's say the Café is 10000-12,000?

Rajesh Jejurikar: That is still a while away, so we are not going to talk about this number right now. There was one question at the very end that the gentleman was asking raising his hand for a while so let's go there.

Ravi Purohit: Hi, this is Ravi Purohit from Securities Investment Management Private Limited. Sir, I have three questions. First was on capital allocation, we've been on this part of creating shareholder value through various methods. Just wanted to get your views on treasury stock, between Tech Mahindra and Mahindra and Mahindra, we hold probably a couple of billion dollars worth of treasury stock. We are the only company now left on the listed space who owns treasury stock, there were two other they've already kind of return of their treasury stock in favor of shareholders. So, any thoughts that you can share on whether by way of distribution new shares back to shareholders or writing them off or monetizing whatever if you could share that's like a low hanging fruit for you for value creation point of view. Second question is on farm implements, we had mentioned earlier that we target of about 5000 crore revenue for farm implements. So, if you could just share where we are in that journey. And third, and last question is we have a subsidiary of Mahindra and Mahindra, which is into defense and aerospace. Where would you categorize that business in A, B, or C is that business, because we don't hear that business be spoken about in our analyst meet or concalls, but that business has kind of got some 3000 crore order book now. So, is it category C, on its way out and not a focus area, or Category B or category A if could just share some more thoughts and light on it, those are my three questions. Thank you very much.

Anish Shah: So, we will start with the last question first, we took all our loss making businesses and put them in A, B and C Defense in Aerostructures, actually a profit making business. And it's on a very good path to our 18% profit goal plus value creation. So, it's a business we clearly like, this is also a long-term business. It's not one that can be put in place, we've become the tier one supplier for Boeing and Airbus for some of the components as well. And we also supply to Boeing and Airbus is tier one suppliers as well. So, it's one that I would look at as a value creation opportunity. We haven't talked about it much so far. Because there are some things that we will wait till we can actually show results. So, that that's something we will wait for. On the farm implement side, this is clearly a growth area, and one where the business is looking at significant growth drivers over the next couple of years. I won't talk about specific numbers right now, because any numbers I throw up will essentially be higher than the budgets that the business has right now. But all I can say is that I do think this is an area that we have a very strong right to win, we've got global presence in this business through acquisitions we made locally and we are bringing those trends to India. We've got a very strong ecosystem in India, from a brand standpoint, a distributor standpoint, and therefore I would look at this business, just growing many multiples from here at 10x is the minimum I would look at, I'd probably look at somewhere between 10 and 20x, in terms of growth and that will require us to make sure that we're not worried about margins for that business. So, please don't ask questions on margins for the business, the investment required is not very high. So, we're not really worried from an ROE standpoint, what is the investment there. But ideally, in the next five years, we want to build this business to a very strong business. And then we will start looking at margins and the returns from that as we go forward. And your first question was a treasury stocks. There, our focus right now is creating value. Those are things we will come back and look at in future as we have to, but that is not value creation for us. I'm not going to put those numbers out there and say financial performance is very strong, because that that sort of is there right now, again we really haven't spent much time on it. So, we'll look at that in future, but right now the main focus for us is to ensure that from a core value creation standpoint, we can get the business to a level where we are consistently performing and at a very high level.

Ravi Purohit: Just one follow up on the defense and aerospace business, you mentioned farm implements your aspiration, that we could have 10x, 20x in the extra scale of revenues, would you have similar aspirations for this business also, and if you could spend some more time today, if not today maybe some other platform to kind of give us some feel, some insight into what we are really looking at in that space, what is it that we are really kind of trying to build or?

Anish Shah: See this business has two very distinct aspects to it. Defense is based on orders from one customer. And those orders can overnight make the business 100 times its size. Or it can take a while for the orders to come in. And we haven't seen many large orders, or you've seen the level of orders we've seen from the government so far. But it's something that the government has to indigenize defense production, and therefore we are in a space that is a good space. At the same time, we are careful about how we play in that space. Because for us, we're really looking more at things like cyber security, things like managing cities, and not getting into areas that are weapon production, that is not a space we want to get in. So, therefore, we've taken some parts of that business and say we're not getting into that business. Aerostructures is a business that is a very long term business. It often takes two years to three years for the manufacturer, Boeing or an Airbus, to make sure that the part is perfected before it can be sold to them. But once it is done, it's something that doesn't change for a very long time, because the barrier to entry is very high. So, the Aerostructures business it actually has to be built brick by brick, and one therefore that will become more and more valuable over time.

Sriram Ramachandran: Thank you. So, with that we come to the end of the conference. We will have all the senior management available to you during the lunch time. So, I take this opportunity to thank all of you for being here. And looking forward to meeting you quite often. Thank you Anish, Rajesh, Manoj and the others for being here. Let's join for lunch.