"Mahindra & Mahindra Limited Q1 FY-22 Earnings Conference Call"

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Sriram Ramachandran: Hello everyone, good day and welcome to M&M Q1 FY22 Earnings Call. Let me start with the 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 differ materially from those in such forward-looking statements. Please note that this conference is being recorded. I would like to welcome the senior management of Mahindra & Mahindra Limited for this call. We have with us today Dr. Anish Shah – Managing Director and CEO; Mr. Rajesh Jejurikar – Executive Director, Auto and Farm Sectors; Mr. Manoj Bhat, Group CFO and other senior management including IR team**.** We will have a presentation by our management team before opening the floor for Q&A.

You are requested to use the raise hand feature, if you want to ask questions during the Q&A session. You can also type the question in Q&A tool in your browser. Before handing over to Anish, I just wanted to bring to your notice that from this quarter we have started reporting M&M plus MVML financials as M&M standalone financial, as all the formalities for the merger of M&M and MVML have been completed during the last quarter. With this, over to you Anish.

Anish Shah: Thank you Sriram and good morning, good afternoon, good evening everyone. I know you're joining in from various parts of the world so thank you for joining our call today. We will cover the four key messages that are listed here. One is Significant headwinds in Q1 as we have seen across many companies. But despite that, we've seen a very strong performance in Farm, good recovery in Auto. Mahindra Finance has been hit hard, we will talk a little about what has caused that and what has Mahindra Finance said in terms of how it's getting back on track; and Tech Mahindra's very positive momentum continues. So, that has been a huge,all of that together has helped deliver very strong results for M&M. And we continue to maintain a very stringent fiscal discipline. and we'll talk about some of the actions and outcomes on that front as well.

First, just a quick highlight on the headwinds that we saw. The impact of wave two in many ways was very different from wave one because first it did penetrate into rural areas a lot more. The impact was much higher on our associates on dealers and their families. And that caused a significant disruption in operations, not only for ourselves but for the entire ecosystem around us. And we obviously saw commodity price increases, supply chain issues, is better than semiconductor shortage and higher freight cost. But, despite all of these challenges, what we really felt good about as a team was, that the Farm business came out really strong and Auto we would see a fair amount of strength but obviously not as much. But the farm business delivered its highest ever profit for the first quarter at 1081 crores, up 59% from first quarter last year which had April as a washout but a very strong May and June. Volume up 52% and volume is that even up 7% quarter-over-quarter, after a strong fourth quarter of fiscal 21.

Market share is up 2.6 to 41.8%, commodity price increases were largely offset by cost management and by price increases. And the one point that we were really focused on through all of last year was profitability of international subsidiaries. And today very glad to report that every single international subsidiary of the farm sector was profitable in the first quarter of F22. So, good momentum, strong volume and good momentum on cost and market share as well.

As we look at Auto, there were a lot more challenges in Auto, but despite that Auto did manage to get a 103 crore profit up from a 584 crore loss**.** In contrast to Farm, Auto was much worse hit last year in the first quarter. So, in many ways, that's really not as much of a comparable number, but the key aspects in Auto are market share improvements to both UV and PV segments. Very strong product pipeline as well as recent launches. Rajesh will talk a little more about the Thar and the XUV300, as well as the Bolero Neo and the excitement we have around the700. Commodity prices same comment as a Farm and in Auto there have been a lot more supply chain issues. But I would say the team has really managed them very well and come out much stronger than we would have expected at the start of the quarter.

Mahindra Finance deserves a deep dive, and many of you may not have been at the Mahindra Finance analyst call. So, in some ways it is a summary of what we had covered there. Profit after tax dropped significantly, to 1529 crores. The key drivers were GNPA up from 9% to 15.5%, which resulted in P&L provisions going up from Rs.735, which is probably a little higher than a normal quarter because that was again a tough quarter last year, to 2517 crore. With 2517 has two aspects to it, one is an ECL provision increase of 2124 crore that is essentially driven by forward flows of loans into stage two which is greater than 60 days and stage three which is greater than 90 days. And the second aspect of the provision was a 393 crore Overlay provision. This is done from a prudency standpoint, just to make sure that the business is staying extremely safe. We had put in some Overlay provision last year as well, because of some uncertainty that we've seen over the last 18 months. And with the addition of the 393, the total Overlay provision is 2709 crore.

The way to think about the Overlay provision is, this is over and above what our models would estimate from a Loss standpoint. So, this factors uncertainty in the environment and once the uncertainty in the environment goes away, then this will not be required at that point of time. From a capital adequacy standpoint, despite all the provisioning, the business continues to be extremely strong at close to 24% from a capital adequacy standpoint, and I will also add that the provisions are 54% of stage three which is industry leading. So, from a safety standpoint, we make sure the business is very safe.

Now, let's go to the right hand side and talk a little about what happened, why did it happen and what else from here. We talked about the ECL provisions been driven by stage two and stage three. So, let's start with stage three, this is greater than 90 days what drives this GNPA. Stage three contracts, at the end of June were 294,000, they had gone up by 180,000 between March and June. Of this 294, 78000 contracts were partly paid back in July. 92,000 contracts have an outstanding loan amount which is less than 50% of the loan value**,** which essentially means that the value of the asset, because these are all asset backed loans, the value of the asset is much higher than the value of the loan. And historically what we have seen is, when this happens, there is no loss on it, because usually customers will repay back because they don't want to lose the assets. And in the event they just cannot repay, then the asset is repossessed and sold and typically there's enough value in the asset to cover any losses. So, combination of 78 and 92 is a 170,000 which essentially is close to 90%- 95% of the 180,000 increase. Similarly in stage two, this had gone up to 402,000 an increase of 316K, of the 316 right now we feel that 334 are solvable some of them possibly may stay in stage two by continue making some payments. So, even on a conservative basis it's usual that 250 are solvable, the Mahindra Finance team feels fairly confident right now that they could reverse 80% to 90% of the additional ECL provision of the 2124 crore that I talked about, that was taken last quarter and this will be done by the time we get to the third or fourth quarter.

What also gives us a little more comfort is that, over the cycles, you have always seen the Mahindra finance portfolio of higher GNPA, where credit loss always stayed within a tight range and similar trend as an example, during demonetization was a peak GNPA of 14.5% and three quarters after that it was 9% and further three quarters later it was 6%. So, the Mahindra Finance team essentially sees it as higher provision due to COVID related liquidityimpact with a number of earn and pay customers in various segment, a clear path to reversal and a business which is well capitalized and has prudent provision.

If you look at TechM, which for this quarter at least is at the other end of the spectrum, just an outstanding performance, up 39% versus Q1 last year which also was a very strong quarter for TechM, in fact up quite significantly over last quarter as well to 1353 crore of profit after tax. A lot of traction in various sectors, health care, BPS, communication, high tech manufacturing, the pipeline is very strong, the total contract value is double the historical run rate at $815 million; driven really by cloud data, customer experience AI, margins are improving. So, everything is going great that is for TechM as we will see the momentum continuing there.

We also want to focus on our growth gems and talk about 3 of them the listed entities. We talked about each of them reaching a billion-dollar market cap, well logistics seems to be headed faster than we had expected, because logistics has gone up through $720 billion in terms of market cap, up 2.79 times or 173%. Hospitality has close to doubled. Real estate is almost four times at 273% compared to Sensex of 54% growth during the same time period. Logistics was really driven by core execution, hospitality because of the business model that was protected through COVID and growth that is being driven through various initiatives right now. And real estate with a combination of core execution and growth. So, we are seeing each of these three businesses really start to function well and they should be great value additives for our investors as we go forward.

So, summarizing all of this, in terms of standalone, operating PAT and PAT after exceptional items. Operating PAT is at 934 crores, up many multiples compared to a quarter last year, which in many ways is very much comparable, but similarly PAT after EI is 856 crores and up significantly. So, despite the headwinds our teams have given a very robust operating performance. As we look at the consolidated numbers on the next page, as reported 473 crore profits on the consolidated side, if we look at last year we had negative 20 from our continued operations perspective, but if we include SsangYong it was really negative 582. And that's essentially the 1000 crore swing despite the significant loss of Mahindra Finance, if we exclude

Mahindra Finance then we are looking at nearly a 2000 crore positive swing on the profit side, as we would have been at 1300 crores whereas the SsangYong impact would have taken it down much further. So, this is really capital allocation showing results plus strong operation performance that helps us overcome the impact from Mahindra Finance this quarter

Rajesh will take you through more details on Auto and Farm, Manoj will then cover the financials. And I'll come back and talk about where we go from here. Rajesh over to you.

Rajesh Jejurikar: Good morning, good afternoon, good evening. I guess it's not good afternoon time, so nice to be with you, and it's time for the first part of the presentation. I'm going to start with a recap of the slide that I used the last time and we have broken up this year in two phases. The gear up phase which we thought would be quarter one which is about managing cash, costs, inventory and enhanced wellbeing. And then our readiness to fly and some key strategic levers on the auto side and the farm side that we had spoken about. Happy to share with you that one very important part of the enhanced wellbeing and people engagement has been that our automotive and farm sectors were ranked number two in India's Best Companies to Work For. We are particularly happy about this because it happened in a year which was a year of high stress and we truly believe that our teams really came well together to see us through for what has been difficult phase through the COVID period.

The gear up phase had like I said earlier three key areas, we believe we managed the margins very well in challenging environment in quarter one, debtors has been under control. We built stocks through the quarter one, prepared ourselves for the festival seasons. And a lot of focus has gone into enhanced wellbeing, vaccination drive, family assistance policy, the M- Protect for customers, mainly on the tractor side but also in rural auto and COVID-19 package for 80,000+ dealer employees. All of this has of course created positive good will but also we believe that really is a critical and core part of our values.

Some highlights, we saw a big increase in the market share of tractors. You know that through last year, we were losing share with supply (constraints) and we are happy that we came back and come back to a level of 41.8, which is the highest in the last eight quarters. Anish already spoke about the global subs performance on the FES business. And the Hisarlar restructuring, which is the part of capital allocation, we moved out of a non-core metal-fab business and restructured the Ag Machinery business into our core tractors**.**

On the auto side, we have the XUV700 launch on the anvil very excited about it. And the Bolero Neo and Supro Profit Truck launches are off to a very good start**.** Our brands are in momentum we will talk a little around that and auto sub are on track in line with our expectation.

Let's look at the automotive business, the revenue was at level of around 6000 crore this is automotive standalone. Last year quarter one was depressed but none of this year, it's been a relatively good performance in the context of large number of lockdowns we had in quarter one. We did make a profit of 100 odd crores in quarter one, last year of course quarter one was a big loss. You can see that the volumes are lower in quarter one, was expected due to the various lockdown including in dealership and that of course is impacted the bottomline but we think we managed a difficult environment. We used this time to build upper inventories still not back up to levels of previous years, but we believe now we have a much healthier stock compared to the last few quarters. All our brands are in momentum we have open booking of 39000 for the Thar, which is a waiting period of 10 months, open booking for 10,000+ on (XUV)300 and s we did 6000 billing which is highest ever for XUV300 in July. And these brand products are doing extremely well, 4000+ opening booking Bolero and 6000+ open bookings for Scorpio and a very strong demand momentum on pickups as well.

The Bolero Neo had got very well received it's opened up a huge segment, acceptance in newer markets, and that's what we were hoping for, we were hoping for a launch which would create new markets and segments for us with a minimal cannibalization of Bolero, we have priced it well. And the looks, design has been appreciated, liked and it has created its own traction and we are hoping that this would move on**,** be another successful launch from our stable**.**

The Supro Profit Truck also got launched in July and has seen a good traction since launch, it's a good product and we are sure we have created a very strong product for us. The XUV700 launch is around the corner, we will reveal it this quarter, and we hope to start delivery in quarter three of the year. We are not going to be delaying the launch because the semiconductor crisis, we believe we will be able to see it through the planning that we have done so far. The response on the XUV700 seems immense with 97 million views on the videos that's put out and a huge amount of social media engagement and a lot of excitement that has got created out of what we call the snackable videos**,** short videos talking about some critical tech features which are going to be segment Leading.

On the farm equipment side, we've seen a revenue of 5300 crores in quarter one, strong growth on last year, last year quarter one on FES side was not so depressed so it's a strong growth and a strong growth in PBIT as well. You can see from the chart that quarter one volumes on tractor side was not as impacted it's almost equal to the quarter three season one. So, the tractor momentum in quarter one has continued and you can also see that we've been able to build back stock at the end of quarter one, which is now at a reasonable level, and this said to recap is our stock with us plus dealers. We have delivered again a very strong margin performance in spite of the inflation on commodities, margin of 20.3% and increase in market share as I have mentioned earlier.

These are the four key levers that we had spoken about strengthening our core domestic business, and what is happening around that to drive our market shares up through the year. To focus on scaling up our farm machinery we see that as a big opportunity grow the category and gain share. Focus on technology, new programs, K2 program, leveraging our global centers of excellence and building on that. And global growth, as we now see consolidation of our global subsidies. We really think there is an opportunity to leverage that for growth and profits**.**

This chart represents how we have done in our key markets where we have on ground presence, as you can see all of these are profitable, Anish mentioned that as well and we are seeing very good momentum in North America, delivered a positive PBT in MAgNA and Turkey is seeing a very strong momentum and again, Turkey was a profitable business operation as well as Brazil**.**

This chart brings alive the turnaround in the FES subs, and if you see that from losing substantial amount of money in F19 and F20 over the last four quarters we moved to breakeven and now, a positive quarter one.

We believe we are on the path for a bold and aggressive growth strategy, there will be some constraints, especially on the Auto side that would come around the semiconductor issue. But we believe that we will be able to address those. And if that is through, this is something that is going to be dynamic and we will have to learn to live with it for at least a couple of quarters we believe and we are gearing up towards that. With that, I hand over to Manoj, thank you.

Manoj Bhat: Thank you Rajesh. Good evening to everyone. I'm going to quickly cover the financials before we throw it open for questions. Rajesh talked about the revenue, the revenue is almost more than doubled. On the EBITDA side, if we look at the numbers we have seen a 3x improvement in EBITDA compared to Q1. This has been driven by an increase in volumes. We will talk about it some more, and then finally operating PAT has gone up 23x from the Q1 levels of last year. The other significant feature here is, EI has come down last year we had a lot of capital allocation actions, but, this quarter the EI has come down to 78 crores, so the PAT after EI is about 856 crore for the quarter.

Coming to the year-on-year performance, if you look at domestic farm Q1F21 while it was muted but still profitable. And that performance has since then improved to 844 crores so we are seeing a positive contribution of 288 cores from the Farm business. Auto which was in a lost position in Q1 because of the shutdown. Despite the lockdown situation in Q1 this year, it is managed to get to profitability through a combination of cost saving and other measures. So, Auto is a big contributor when we look at year-on-year bridge on margins. The other two amounts are about international subsidiaries and group companies that are some small adjustments here or there so it's not significant.

Moving to the consolidated numbers, it's a growth of about 60%. (v/s)the same quarter last year. I've already talked about Auto and Farm, Rajesh and Anish have also covered it. So, from the Group companies perspective, there's been growth across the board when compared to Q1 (last year), and their performance while many of them were impacted in April and May, we have seen the rebound coming in June and July and that is the trend we are hoping will continue. Operating PAT side if I look at Q1, the number after for continuing operations before EI and after NCI is about 20 crores negative in Q1(F21), which has moved to 473 crores now within that 473 crores, there's an impact of 826 crores for Financial services because of the provisioning we took there and the other element which Anish also touched upon is that, since we don't have SYMC now in any of these numbers. In Q1, we had an impact of 562, after EI and after NCI and tax impact of SYMC which is no longer there in the numbers so, that's the benefit we have come to because of the SYMC actions we took. EI is a smaller number this time, 49 crores, which you see in the current quarter is a part of the Hisarlar deal which we did where we sold part of our business to another party and as part of that some EI we booked during the course of the quarter.

Moving to the next slide. In terms of Q1 to Q1 across the board we have seen a substantial increase in profitability and profits. The one thing I want to highlight here is the international subsidiaries. In Q1 FY21, they were in a loss position of about 248 crores, which has now become a breakeven overall, I think we have made substantial progress on both cost optimization and also repositioning the business for the right kind of product set and the right kind of market approach, those are paying dividend and that's something which we are hoping will continue. And the Group companies, as I mentioned there is improved performance across the board. And the major ones here are, is TechM which has been strong performer Q1 to Q1 and finally Mahindra Finance if you looked at it and Anish covered it that, this is a provisioning which we have taken from the current situation. And that's something we will hope to recover and we'll cover more as we go along. Anish back to you.

Anish Shah: Thank you Manoj. Going back to our key focus areas, as we talked about earlier, we are looking at taking a leadership role in ESG globally and have outlined a roadmap for it. We will talk a little about that today. Maintaining financial discipline, accelerating core growth with leadership and Auto and Farm, a turnaround in Mahindra Finance that goes beyond taking care of the short term issues. New trajectory at TechM with strong momentum there. Scaling Growth Gems and seeding Digital Platforms. Beyond that enhancing customer experience. Let's talk about a few of these today.

First is 10 commitments that we are making for ESG. You would have seen some of these before but now we have targets around these, and the teams are geared up to deliver them. Starting with maintaining a gold standard in governance, being water positive across the group, carbon pricing, RE-100, EP-100, planting 5 million trees a year, educating 1 million girls a year, supporting 1 million women a year to get jobs from a woman empowerment standpoint, zero waste to landfill and carbon neutrality by 2040, with science based targets along the way. So, a significant set of commitments that we are making, to really be able to make this real, so to really live our purpose.

I do want to come back to this slide, because you have seen various versions of this over the last year and the promise that we had made was, by March 31st we would categorize all the companies into A, B, C, which we did. We had promised that we will take actions on the C companies, which we did as well. And what we had also promised was milestones for everyone in A and B and continuing to maintain the discipline for companies that don't make the cut, that may come into the C category. So, what we showed here first is a report card in the sense, under category A, PMTC has had some COVID impact in terms of various challenges of supply chain, but it has still performed quite well based on the challenges, fundamentals are strong and on the farm side as we look at the farm subsidiaries in category A we have seen a very significant turnaround from a 103-crore loss to 37 crore profit.

Similarly in category B, APF will be launching the Battista soon. And even in this category, the Farm subsidiaries have shown a very strong performance from a 17 crores loss last year to a 22 crores profit in the fourth quarter of fiscal '21, and 31 crore profit in the last quarter that we are reporting right now. Beyond that, we have put two businesses in category C, and we have taken action and they have been sold already, one is the metal fabrication unit of Hisarlar which was one of our Turkish entities, and second is the dairy business that we had as part of our agri business. So, we will continue maintaining this fiscal discipline, continuing monitoring category A and B closely and where they don't make the cut they would fall under category C.

For Leadership in Auto there is a series of actions that have been laid out, with 23 new products by 2026, nine of them are in the core SUV segment, this is obviously in addition to what we have launched already the Thar, XUV300, but we see great traction on things that we had launched, the Bolero Neo is taking up quite well and we are very optimistic around all of the excitement that has been created for the XUV700. So, stay tune for that.

On the EV side, it's not only about four wheelers, on the three wheelers we have sold 30,000+ three wheelers with a 50% market share in its category. Collectively, we have over 300 million kilometers for EV, it's a lot of experience that has gone into a battery management system, the Battista as I talked about earlier, is launching soon an EV Hyper car, arguably one of the best EV cars in the world. And that's really starting to position us to maintain the EV leadership that we've had in the past and continue that four wheelers going forward as well.

On the LCV side, as you are aware we have always have a very strong market share leadership in the pickup segments for 2 to 3.5 tonnes, the Supro Profit Truck launch in the 0 to 2 tonne segment also is doing extremely well and giving some of the others there a run for their money and compact Pickup is coming up soon. So, number of activities out lined for us to maintain or rather in some cases regain leadership in Auto.

Let's talk a little about the turnaround to Mahindra Finance. While we feel that some of the issues for the past quarter are short term as we explained earlier, we do have to ensure execution as the same has come before, they are confident they can do it again, with a focus on collections and really move towards reversing 80% to 90% of the 2124 ECL provision that was made last quarter. But, beyond that as we take a step back, let's look at the strengths of the model and what we need to augment.

Mahindra Finance in many ways is a very unique model. It has a wide distribution in rural and semi urban areas with a strong local connect and trust, 1400 branches, local talent pool and a brand that really epitomizes trust for all our consumers. It is a leader today in rural asset-based lending, but it has gone beyond rural as well. Rural today is 42% of the asset base, semi urban 35%, 23% is urban. The business has shown a strong expertise in financing cyclical products over decades and has managed stress periods well, despite having volatility in GNPA where they go up to 14%, 15% and they come down after that. It has diversified into non captive with multiple products, strong OEM relationships and as I mentioned earlier very well capitalized, managed from a very prudent standpoint with an industry leading provision of 53.7% covered and CRAR of close to 24%. But that said, we do need to augment certain things here, we are looking at how do we reduce some of the volatility in GNPAs, should we rationalize a few micro segments and customer types, enhance early warning signals with data and a link to collections. Leverage data and digital a lot more than we have done so far, sharpen origination and credit underwriting, we have got a lot of proprietary data sets for Bharat, rural India 7.5 million customers and how could we unlock value in that. How do we drive growth with cross sell, now this is one area where we have been much worse than our peer group, and there is a huge opportunity for cross sell and to carefully target attractive products and market segments. And strengthen organization with specialized talent in AI, in digital and data sciences, we already have a good team there, but we are looking at expanding that significantly, empowering our field agents. So, as you see, across this it's really looking at data and AI to drive a lot of actions, a lot of decisions, and be at the center of what Mahindra Finance does going forward.

And finally, I do want to leave everyone with a view to our path to18% ROE, we are not going to put numbers because we don't want to in a sense give forward guidance, but directionally you have seen a few businesses being negative in ROE in F20, in F21 that has largely improved but COVID hit businesses, Auto, Hospitality and Real Estate stayed negative. What we are seeing all of them do is to track the positive territory this year and by F26 we see good position for all our businesses to be able to get us to 18% ROE with the growth rate that we are looking for.

With that Sriram, I will hand it back to you and open it up for questions.

Sriram Ramachandran: Thank you Anish, Rajesh and Manoj. We have the first question from the line of Gunjan Prithyani from Bank of America. Gunjan you can go ahead.

Gunjan Prithyani: I have two questions, firstly on the listed subs, now clearly, it's good to see that you have covered MF (Mahindra Finance) in detail in this quarter. And you also captured the MTM gains there, but when you put out this 18% ROE target, the listed subs have clearly been a drag, so how should we think about the strategy on some of these listed subs is there an target income or startegy execution with these listed subs that we can get to that 18% road map. If you can talk about the strategy about that?

Anish Shah: So, Gunjan as I shared, some of the progress done in the three listed entities Logistics, Lifespaces and Real Estate, what will become apparent as the execution continues, is that you are going to start seeing much better returns there, and that is really what is contributing to the overall portfolio. What I have also shared in the past is every entity will not be at 18%, some we will be happy at 15% if they have got a very strong growth rate and what I would expect in Real Estate for example is a much stronger growth rate but a 15% ROE and we are on track to getting that done so each business has a road map to ROE that is being tracked closely and each business knows that in order to get capital from the group they have to be able to maintain that and exceed that.

Gunjan Prithyani: So, just a follow up is it how do really monitor the performance, is there engagement from M&M to improve the performance, which is something which is not been there somewhere in past, clearly lot of work has been done on Ssangyong and some of the Farm subs and all, but these are things which have been dragged for a while barring Tech M. So, are we extensively involved on this piece now in terms of turning around the businesses?

Anish Shah: Yes, the M&M representatives on the Boards of these companies have been very vocal and very active in outlining the expectation from a returns perspective that all the investors of that entity have not just M&M. And each of the entities has a part that has been outlined with specific milestones for every year in terms of how are they going to get to those return metrics. The answer to that is yes there is a significant change in terms of the discussions at the board rooms of those entities. .

Gunjan Prithyani: Can I just take the second question?

Sriram Ramachandran: Yes, go ahead Gunjan, go ahead.

Gunjan Prithyani: Auto business, if you can give us some color on how we should think about the margin, incrementally given all the commodities headwinds so you can talk about the price increase taken and the trajectory going forward?

Rajesh Jejurikar: Gunjan, clearly there has been an unprecedented level of inflation of commodity prices across the last 15 to 18 months, something we haven't seen before, we have taken a series of price increases, both on the auto side and the tractor side, to cover up as much as possible. So, there are two effect one is if there is any lag effect or any uncovered material cost that's not passed on. And the second effect you see is, that we certainly haven't passed on the margin on the material cost, which inflates the overall percentage margin, as seen in percentage margin terms. So, you see, some effect on margins coming out of that, because it's such a high commodity inflation is not possible to add the margin on the commodity price increase itself**.** We have like I said second price increases, but also seriously looked at all options on management of cost. And which is why when we look at the impact at a PBIT percentage level it is not as significant. So, we are focusing right now managing our PBIT percentages, our OPM and it is not completely possible to manage the variable margins right after variable expenses and material cost because of the huge increase within commodity prices that have happened. We have been leading the pack in both auto and tractor going ahead of competition and taking prices increases and we do hope that the commodity price curve will flatten off, starting quarter three.

Gunjan Prithyani: If you can just quantify the price increases and the under recovery, it will just help us see the operating leverage price for the under recovery you can help us map out the margin?

Rajesh Jejurikar: Yes, well there is very little under recovery fundamentally by way, on the tractor side we have passed on everything and taken three price increases this year January April and July, the latest that we have taken in July was of the order of magnitude of 18000 of courses varies model to model. The auto side as well we have taken three prices this year, we can give you the specific numbers separately so Sriram can connect with you and share that.

Sriram Ramachandran: Thank you Gunjan. The next question is from Kapil Singh of Nomura. Kapil you can go ahead.

Kapil Singh: My question is for Rajesh, I wanted to know in terms of the demand environment both for UVs and tractors, where are we in terms of booking inflow, related to that if you would also talk about chip shortages, because in July we have been probably one of the highest volume numbers for UVs in last few years. And even that doesn't represent the underlying demand. So, on this chip shortages, what are the actions you have taken and some of the OEMs have talked about the fact that it has gotten worse for them than expected. So, from your perspective, are things getting better, or we don't know at this point of time, that is the first question on auto's.

Rajesh Jejurikar: Thanks Kapil. So, on the demand side, on Auto as I covered in my presentation, we see strong demand for our brand and overall, I would say reasonable level of buoyancy even for the auto industry overall. But in particular, our brands are in very good band and rightly pointed out we did have a very good July. On the Tractor side the demand did start picking up from June, there is a regional skew, the Southern markets have done better than markets like UP and the Eastern markets that is also because the rain dispersion was better in the South and West markets and is moved towards UP and Eastern markets later July, there has been some dampening of the sentiment that happened so that the rainfall has caught up there as well. So, the Tractor demand did get very strong June and July, the reason we still maintain a conservative outlook for this year, is that last year was a very, very high base, and last year base started building up from July, August onwards. So, to compare the first three months of last year, growth over first three months of last year we don't think is representative, the right representative way to look at the full year, because the so to say non-supply that happened in quarter one due to large COVID shutdowns manufacturing and sales last year, did get compensated in July, August, September on the tractor side. So, we don't think that's the right way to compare and that's the reason we still stay with low to mid single digit kind of forecast on the tractor side, for demand. Of course, we all know in the Tractor industry these things change and there could be an upside but right now we won't count on that.

On the chip shortage, yes there is a tightening of chip availability is something that we need to work around. A lot of that is happening because Malaysia which is source of semiconductors has got into COVID lockdown in August or latter part of July and in August, September. And that's the reason there is a tightening of that. We will wait and watch but we believe that we should be able to navigate that through and are hence going ahead with our launch plans for XUV. But, clearly there is a tightening as you rightly said Kapil and that's coming out of situation in Malaysia.

Kapil Singh: Okay. And secondly on capital, just on capital allocation if you could explain slide #41 what does the green pluses and stars and (2+) and (3+), what do they mean and the last quarter we had talked about investment of 35 billion. So, how much CAPEX and investment we have done in first quarter and whether those investments are firmed up or they are dependent on some of the events which may take place?

Anish Shah: So, Kapil, we debated a lot around whether we should show the ROE slide or not, because the one thing that we do want to stay with is not give forward guidance so which is where we find the event with a terminology around pluses and stars, the star essential means that there is well out of the ballpark. It is just so strong, that we can't even compare it with any other business. So, that's what the star means, but that's something that you know, your colleagues are all aware from a tractor business standpoint. The pluses essential show a range and all I would say there is a single plus is not acceptable for us, two and three pluses are better and I would stay at that right now because if I start giving numbers, it could start really becoming forward guidance for many of those businesses. Some of them are public entities as well. So, at this point, the basic message there is, we have a clear track for ROE for every entity. And that track meets what we are looking from an overall portfolio perspective.

Second, with regard to your product on the 3500 crores. At this point in time, it is not firmed up. This was driven more as it could be that much over the next three years just in the spirit of being completely transparent saying if we do need that to create more growth, to have a growth gem to get to a billion dollar market cap that is the max we would do, it is very likely that spend remains to only half of that or even less. At this point we have visibility for 10% of that, the 90%, we don't have visibility. We will maintain a very strong lens with regards to, is it giving us the results we want or not. And if it is not going to give us results we won't use it. In many cases, for our growth gems as well as our digital platforms, we will seek outside capital also. And where we feel outside capital will help grow that business faster that will reduce a need for me to put in more capital. In the first quarter, I would say that we put in a small amount at this point I don't want to deviate from our practice of not disclosing that quarter-by-quarter but that is something we can possibly do as we go forward, but it's a very small amount at this point in time and as I said before most of the 3500 crore is not something that we're looking specifically at that this is where we need to put it, only if we do need to put it to create value we will.

Sriram Ramachandran: Thanks Kapil. The next question is from Hitesh Goel of Kotak. Hitesh you can go ahead.

Hitesh Goel: Thank you, just a follow up on the tractor piece Rajesh. Like you said, it's too early to give a direction on the growth outlook for this year, but we have not seen this kind of three years of monsoon being good, the reservoir levels are at 10-year high levels right, if you compare with the 10 year average levels. There was a issue in sowing but sowing has also picked up, so I fail to understand why the industry should grow at only single digit this year. Already, first four months, we have seen a 40% growth. So, are you indicating a decline in the rest of eight months, so what are the things you're seeing on the ground, because to really make that call or you think it's more of a conservative guidance and the overall outlook should improve, so the second quarter should also be a good quarter right?

Rajesh Jejurikar: So, Hitesh, like I said quarter one growth is not representative, because last year quarter one was, though it was better than Auto but it was depressed. Most of the markets were shut from 23rd March actually all the way through May and everything including dealerships, factories, were all shut so I don't it's right to judge this year based on the quarter one. Like I said earlier July, August onwards we started seeing phenomenal growth so, let's keep in mind that, last year saw

(+25%) growth for the industry in spite of 1.5 months being wash out, now that is unprecedented as well. So, that's the reason we believe we are on a high base. As we all know the tractor sales is in two seasons of the year and if we see a very good festival season which hopefully we will, obviously the year will end up better than what we are saying, but we think it's a little early to reach that conclusion as on such a high base year we feel anything more (is too early to conclude).

Hitesh Goel: Sure. Just a follow up question on the tractor implements space, can you give us the market size of the tractor implements in FY21 and what do you expect in FY22, and what is Mahindra's revenues as a group in tractor implements, so if you can give that one?

Rajesh Jejurikar: So (domestic market implements space), it's not always easy to get these numbers because many are not published but our guess is that the tractors, farm machines not only tractors, so including harvesters and all of the products, would be in the region of about 5000 crores. We are at about 10% share of this, it is in the region of about 500 crores.

Anish Shah: I would also like to add that today it's an industry that is highly unorganized and we see huge potential in that, so if you look at that industry as a percent of the tractor industry in India, it's a small fraction and we have talked earlier about globally that is 2x the value of tractors sold. So, we see huge potential in India and we are looking at significant growth in farm machinery over the next few years.

Hitesh Goel: Thank Anish.

Anish Shah: Hitesh just to clarify the 5000 crore is organized. There is a huge unorganized, on top of that.

Hitesh Goel: So, who is the bigger player in the organized just to follow up that, because you are 10% of the Market…

Anish Shah: So, that's the thing, there are many, many players even within the organized sector so there is no like one player who is very large quantum of this, you have multiple sets of people, there is Shaktiman so on and so forth. But they're all in the region, so we are not very far off, but there's no one player who is dominating this.

Sriram Ramachandran: Thank Hitesh. The next question is from Binay Singh of Morgan Stanley.

Binay Singh: The first question is on the Auto sector gross margins, like Rajesh pointed out, there is some bit of under recovery on the auto side, could you quantify that and linked to that, given your order book and given the new launch it seems that in the coming quarter, your share of new models on the auto side will rise. So, will that have an adverse impact on gross margin because new models are basically launched at introductory pricing or you think you'll be able to offset that, so that's a first question, secondly on electric three wheelers, in the two wheeler space we're already seeing an inflection, but not so in the three wheeler space, so what do you think is sort of missing over there. Thanks.

Rajesh Jejurikar: Binay, it will be hard for me to answer the question, because it will lead to give in a guidance so, I may not be able to give you specific response on quarter three margin. We haven't been able to fully recover cost from the auto side, because the increases have been significant and we also want to right now not go to much ahead of what others are doing, we do also want to get our volumes to come back and see that as very crucial for setting up our future. But we have, been taking very good price increases In the second quarter again there is a pressure on commodity and is not stopping here. e hope (will stop in next quarter).

And you are right about the fact that new products are on lower margin, but we do still have a very strong momentum on our current products. So Pickup is very strong, Bolero is very strong, Scorpio is very strong and so if you know we are not expecting that at the moment new products are going to be overwhelming majority.

Binay Singh: Thanks for that. And sir on the electric three-wheeler side?

Rajesh Jejurikar: In electric three wheelers there are two parts over there one is the passenger and one is the load. Load has a good demand, though it does need a lot of local level approval and so on which takes some time to get into momentum that is not the case in case of two-wheeler personal buying. So, the second part of electric which is the passenger three-wheeler overall electric and ICE has been severely impacted through last year by COVID. And that part is not yet seen a recovery, the passenger three-wheeler segment. That's one of the reason why even the electric, is not as buoyant but we do as I have mentioned earlier, see the last mile mobility segment at a very good inflection point. And will see momentum build up very strongly in three-wheeler space, but it's not same as personal buying decision, it does need fleet operator, or individuals to come out, witness the current product, buy a new one, figure money out**.** So, it is very different than what's happening in the personal use two wheeler, where there is a high bias towards the owning of the personal mobility solution.

Sriram Ramachandran: Thank you Binay. The next question is from Jinesh Gandhi of Motilal Oswal. Jinesh?

Jinesh Gandhi: My first question pertains to our, can you just give an update on Ssangyong divestment where we are and how long do you expect that to play out. And second question pertains to the inventory so, given the chip shortage issues we have been building up inventory on the auto side, but given the outlook or uncertainty of outlook in tractors why have we been looking to build up inventory. So, those are my two questions, thanks.

Anish Shah: I'll take the first one on Ssangyong and then Rajesh will take the second one. The court process is underway. Going along the line that we had expected, with one thing that we had not expected, is that there are a lot more buyers for the business than we had anticipated. And that's a positive in some ways for us. But we'll have to wait for that court process to play out. And that will then give us a sense of how much we can recover from it, currently we have provisioned everything that we think is prudent and adequate. And at this point in time, we feel very comfortable around that. But it will take next few months for the court process to get over and get an answer to it.

Rajesh Jejurikar: Jinesh, on your specific question around why are we building tractor inventories, we are not building tractor inventory which is out of whack but this is what we normally do leading into the season. We have to realize that when we are talking about the current season, in an absolute context is going to be a very big number, and so was last year's season and that's the reason we are not very sure about the quantum of growth this year because last year saw a huge increase which like I said was also a build up of the previous, start of the year in this quarter one of last year, not being operative so there was a pent up which moved in. As you know we lost a lot of market share last year and the reason we lost market share was, and we kept reiterating that we didn't have enough supplies. So, what we're doing is, building up our supplies and we are sure that that's the right level of stock build up needed for the season, given that we severely under supplied last year season, it's not out of line with our previous stock build up, in fact it's still little lower than what we have done in the past. And the auto side there has always a bit of a challenge at the moment, because there is a balancing act on what is going to be stocked and what is not and there will be some mismatch inventories that are there, we believe that they are risk worth taking rather than have item A today, and then you don't have item B, and you don't procure A because B is not there and then situation reverses too much later on .

So, we do believe that we have to build some inventories in through our pipeline as you can see out of the chart that I have shown, it is still lower than what we have done in the past so we still are not at a level where we believe we want to be and not at level in-line with the demand for our products. So, we are doing it very prudently, but we do have to take some considered risk.

Jinesh Gandhi: Sure. Just a follow up on tractors, so our cautious stand is just because there is a high base and not anything which we are seeing at the ground, which should make you worry right now is that right understanding?

Rajesh Jejurikar: That is correct, there is nothing on the ground that is worrying us at the moment. The only thing I would personally watch for is any affect that the recent price increases may have on demand that is something to watch for, but we haven't seen any of that till July. So, that is the only thing to really watch for, there is nothing on the ground right now which would make us feel that there is a slowdown.

Sriram Ramachandran: Thanks Jinesh. The next question is from Hitesh Bhargava from B&K Securities.

Hitesh Bhargava: Sir one book keeping question, there is increase in employee expense. Is there any one off and what is the run rate going forward?

Manoj Bhat: Let me pick that up, so if you look at the employee expense during this quarter we had a scheme for all our affected employees during COVID and we came out with a scheme where, if there is an death of our employee due to COVID reasons, we gave a two year salary as an ex-gratia payment plus we gave a monthly salary for upto to five years is what we have committed to them, in addition to that we said that the children education up to grade 12th will be covered, so it's part of a larger package which we have come up with, which is for all employees and also some dealers, so in the employee expense fee is about 43 odd crore of expense which is there but, I won't call it a one off because our salary hikes are coming in effect to August. So, on a steady state while that might go out we might have the impact from the salary hikes. So, from a steady state perspective, this might be a good number to go with in terms of employee cost.

Hitesh Bhargava: Thank you. My next question is regarding the tractor inventory, how is our tractor inventory compared with the industry level in practice?

Rajesh Jejurikar: Hitesh, we are well within our norms and very competitive and that is normally in the region of about a month.

Sriram Ramachandran: Thank you. The next question is from Aditya Makharia, HDFC Securities.

Aditya Makharia: The competition has launched a seven-seater SUV, perhaps ahead of what we were launching, so any thoughts there ?

Rajesh Jejurikar: Sorry, not clear what the question is Aditya.

Aditya Makharia: They have been taking the early mover advantage over us. A seven-seater SUV, I am just saying that this pace is not really that well covered, now it's been two, three launches come in the last year so?

Rajesh Jejurikar: Aditya, we can see the huge amount of excitement around our launch, which is unprecedented and we are very, very positive about it.

Aditya Makharia: Okay. And secondly on the inventory for tractors would it be 45 to 50 days because that's where the industry is today?

Rajesh Jejurikar: No, I just answered that Aditya maybe you couldn't hear it when I responded to Hitesh, no we are not at 35 to 40 days we are within the region of 30-odd days.

Sriram Ramachandran: Okay. Next question is from Pramod Amte from Incred Capital.

Pramod Amthe: This is to Rajesh. First in the sense of the finance availability, if they are to look at the situation of Mahindra Finance and also the other NBFCs, do you see a challenge of finance availability for customers of Mahindra Tractors or on the Automotive and second question is with regard to CAFE Norms where do you stand as automotive region on CAFE Norms and what you expect to deliver or what thinking you have to do to re-schedule the expected requirement on CAFE?

Rajesh Jejurikar: Yes, Pramod I just missed out to hear you a little bit maybe my network dropped, on your first question I could the second one on CAFE, you mind just repeating the first question?

Pramod Amthe: Sure. The first one is with regard to the vehicle finance availability to the customer, especially in the background of Mahindra Finance challenges, and similar challenges for other NBFCs on the GNPA, how is the situation on ground for tractors and automotive on finance side?

Rajesh Jejurikar: So, I will also let Anish come in on that but, we haven't sensed any challenge on availability of finance and on the ground either for auto or tractors up until now. So, of course it's something to wait and watch for and Anish has spent a lot of time talking about that in the context of Mahindra Finance, but so far on the ground we haven't seen any challenges. So let me Anish take the the CAFE question. So, we are Pramod reasonably prepared with the CAFE norms, meeting the norms that are as expected, multiple actions are in place to enable us to do that that and we think we should be on it.

Anish Shah: And Pramod just to clarify the Mahindra Finance stress is around the higher GNPAs, the team feels very comfortable right now that they will be reversed based on what they have seen historically and based on the data that we have shared to you earlier, therefore there is no impact on disbursements at all. So, Mahindra Finance disbursements are going on as normal in fact looking to grow on that front and the liquidity position has been very strong as we have shared in the Mahindra Finance analyst meet as well in addition to the capitalization position.

Sriram Ramachandran: Okay, next question is from Sonal Gupta of L&T Mutual Fund. Sonal you can go ahead.

Sonal Gupta: So, first question on the electric three wheelers could you talk about what is the sort of capacity you have and what sort of run rate ramp ups can we see if the demand is there and secondly on the financing piece for EV three wheelers is that figured out what percentage of EVs are currently being financed, three wheelers?

Anish Shah: Yes, so on the electric three wheeler guessing the question is more around our readiness on capacity, is that right Sonal?

Sonal Gupta: Yes, both on capacity and then on the financing part.

Anish Shah: Yes, the financing was the second question, the first question was related to capacity right.

Sonal Gupta: Both are the part of the first question.

Rajesh Jejurikar: Okay. So, like I said, we have seen very good traction on both the segments that come out two segments so to say, one is the e-commerce players and the e-commerce players are looking at a significant pickup and we have spoken about our tie ups like Amazon in the past we see good traction coming out of that. The second clearly as we have launched Treo Zor and now expanding the network for that, we are seeing again very positive response because clearly there is a value proposition in it based on the cost structure. So, we are well poised for that, as I mentioned the dampener at the moment is the passenger segment. And we think that is going to take a little bit of time to pick up because that has not been very good for the owners of the vehicles over the last year or so. So, there is a resistance for that set of the purchase or for people to come into that segment at this point of time. So, that is the dampener but we think the momentum on load will offset this in the short term.

On the financing part, clearly that is something that the finance companies, are going to wait and watch, we are engaged in some very high-level discussions with the financers some in the PSU segment and some in the private banking segments. And we are seeing a high willingness to support financing. Clearly there will be a little bit of a wait and watch as resale prices get established and so on, but we are seeing a reasonable momentum. So, when any new category is getting created there are going to be some barriers to change, and working around the financing situation is one. Anish you want to comment as well on the financing?

Anish Shah: Yes, financing is getting comfortable with the product which is part of any product evolution, so we don't really see any challenges on that front.

Sonal Gupta: Yes. So, just on that, could you give a number in terms of what is it, like EV CV capacity with 60,000, 100,000 anymore sort of numbers you have right now?

Rajesh Jejurikar: Suddenly the two-wheeler segment has skyrocketed expectations. So, we are reasonably here, so I am not going to give you a number Sonal but we are well placed at the moment. There is a significant investments we have done to ramp up. Beyond some we have just done the small investments to add capacity to fill up demand versus volumes. We will l at appropriate time come out with our overall game plan and so on for how we're going to build last mile mobility into a larger business, we are re-working and evolving numbers and seeing what it would take to get us there, so I don't want to jump the gun right now, we have our strategy team working with the business team, to put in place a long-term strategy to drive this. So, I am just going to wait a little bit till we have all the elements in place.

Sonal Gupta: Sure and my other question was on the auto margins, over a medium term what would you see as the drivers of the improvement because clearly over the longer period we have seen these margins kept on declining and now there is a lot of pressure also because of the high depreciation f the previous launcheso and the volumes have not really grown. So, what is the driver here, is it going to be product lead and mix lead improvement, because of the dry weight or there is a significant operating leverage as you say assuming the volumes come back to FY19 that is for SUV plus the pickup. So, I am just trying to understand what will be the drivers to take you back to say a high single digits margin?

Rajesh Jejurikar: Yes, so firstly our OPM margins are the most competitive amongst all published numbers if you have to compare them on the Auto side. So, while your question on margin pressure is very valid, it is the best in class margins compared to any other player in the domestic market, in whichever segment s that is. So, I just want to reinforce that while there is margin pressure we believe we have done very well to manage our OPM margin. The key lever that we will work on are as follows, one is there are several projects on to improve and reduce material cost through value engineering, there is opportunity and as we know typically newer products have a greater opportunity, because the older products have been already fully optimized. And the newer products, there is a lot of work happening on the launches to optimize value without taking away customer's benefits. So, that is one critical project that is on, which we believe will do
quite a significant (saving), we did in the last meet talk about this very substantial reduction in

fixed cost that we have earned through FY21. We have completely redefined G&A, marketing cost, so on and so forth we are learning to do brand launches with very low budgets, we saw that on Thar, you are seeing that on XUV700, all this excitement is being created with very, very little mainstream media. So, that is a critical lever that we are working on. Certainly, operating leverage, will kick in as volumes go up and it is unfortunate that we' have not been able to fully leverage the demand that we have for our products. And we think that will even out in the next few months. So, what we are focusing on is driving material cost down with upcoming launches, focusing on managing our fixed cost very well, the number we had shared last time was 800 crore reduction on the auto business. And of course mix does matter and we are taking price increases appropriately hopefully the commodity cycle will start downward and we will get the benefit. Just want to reinforce again, that our margins are great.

Sriram Ramachandran: Thank you. We will just take two more questions. Chirag Shah of Edelweiss can you please go ahead.

Chirag Shah: My first question is on the account of subsidiary, there is a significant improvement sequentially on the margin front, so how much of this is seasonality one, and how do we look at the margins, that we have reported sequentially at 5.7%, what is the scope of improvement?

Rajesh Jejurikar: Chirag, so firstly it's a trend which is not just a coincidence, we have really worked very hard on restructuring each of these companies and each of these organizations. And in each of these organizations we have worked on significantly bringing down the breakeven points**.** Even in a company like Mitsubishi in Japan where it is very uncommon to do restructuring and voluntary retirement schemes we have pretty successfully done that in December of last year. Turkey has gone through significant man power cost and other business model restructuring, and a lot of work has happened in that manner, where our cost have been brought down, to make us very competitive and a key focus on bringing down breakeven points. We are seeing the effect of all of that. Now, is there, of course there is an upside at the moment in demand in some of the markets like Turkey. But let's keep in mind that Turkey had a huge fall on industry size, if you go back three odd years the industry size was, tractor industry was in the region of 65, 70, 72,000 odd tractors a year, they have fallen to as low as 20,000 odd tractors a year. So, when we are now looking at growth on that, the growth on a hugely depressed industry size that had happened. So, we don't think that this is a cyclicity. Of course, then in every -tractor market there will be some highs and some lows and volatility is part of the cycle. But we think the efforts of restructuring our cost and strengthening our value proposition is what will yield results. Chirag, does that answer your question or did you have anything?

Chirag Shah: Sir this was helpful. Secondly, was on the automotive side, if possible can you indicate the impact of negative operating leverage sequentially because is it possible to indicate how much is the negative, which will come back as volumes normalize for you, if we go back to Q4 levels how much of this negative operating leverage will reverse?

Rajesh Jejurikar: I'm not absolutely sure I've understood the question Chirag, are you saying what will be our operating profit if we were at quarter four level corrected for margin depression because of inflation is that what you mean?

Chirag Shah: Yes, if we look Q4 to Q1 there is a significant drop in volumes, so, that's every year negative operating leverage impact on various aspects of business. Can you just indicate how much that would be when things normalize for us, what is the right level of operating profitability one should look at?

Rajesh Jejurikar: I am not sure how to answer this question without giving a very definitive guidance, Manoj do you want to comment or any thoughts?

Anish Shah: Let me just clear one thing here, because there are various variables there, so we can talk about it in the sense of keeping everything else constant, but that might cause more confusion. So, my suggestion would be, we will have Sriram work with you after that Chirag to look through the various variables and we will be able to point out what's happened in the past, what has changed from there. And that will give a clearer picture.

Chirag Shah: Okay. Just one clarification Rajesh, you mentioned that, you indicative that in autos new models tend to have lower margins. I presume that is at EBIT level and not necessarily at EBITDA level, because of higher depreciation the EBIT margins would be initially lower on the new launches, is that the right assumption?

Rajesh Jejurikar: It depends on the pricing strategy Chirag. So, I won't want to give a generic answer. There are products which we have priced very aggressively and there are some where we don't need to do that and so the answer may vary depending on how strong a pricing stance we need to take .

Anish Shah: Yes, so basically there is some generalization, because as Rajesh said, pricing strategies also temporary because it might be aggressive for the first six months or the first 12 months and then catch up again. But in general, it would not be fair to say that new products have lower margins, it will depend on the pricing strategy and for what time period.

Rajesh Jejurikar: To give you a prospective we held on to Thar prices because we didn't want to put off customers who had a very long waiting period right, that's a conscious call we took through all the commodity (hikes) because it would have really upset customers who had booked, then we were launching and then quite a waiting period of six months, eight months, ten months. We normally don't do that but in the case of Thar we decided to do that given the huge demand that has happened right at the start. So, these are things that do have impact and varies from product-to-product and time-to-time.

Sriram Ramachandran: Okay. We have the last question from Nitij of Jefferies.

Nitij Mangal: First question is, if I look at the gap between our consolidated and the standalone profits, between the fourth quarter and the first quarter, so that seems to have contracted even excluding the

Mahindra Finance issue, while you mentioned that pretty much all subsidiaries have seen an improvement in profits sequentially, is there anything which is dragging our subsidiary contributions on a Q-o-Q basis or am I missing something there?

Anish Shah: At this stage it's essentially Mahindra Finance for this quarter, if you take Mahindra Finance out then consolidated goes up significantly. And there as we said its, what Mahindra Finance team believes that it is a short-term issue but is there something else beyond that is that your question.

Nitij Mangal: Yes, so I meant excluding the Mahindra Finance let say if we knock off Mahindra Finance impact on the consolidated profitability for the quarter, and broadly what I had seen through that the implied profit contribution of subsidiaries is down from about 800 crores or so in 4Q about 400, 450 crores this quarter, and you have mentioned on the slides that in most subsidiaries your profitablity has improved sequentially. So, I just wanted to understand, am I missing something, is there something which is not like-to-like or what could explain this?

Anish Shah: See if you are looking at standalone after EI, there would be some impairments in the past which are not there right now. So, that is one thing that makes that margin narrower and also even if we take Mahindra Finance out, we are assuming zero profit for Mahindra Finance at 1300 crores level, it is a big impair 1300 versus 934. And you typically have a Mahindra Finance profit in there as well so that would extend it further.

Manoj Bhat: Anish, just to add to that, from Q4 to Q1 there are several businesses, which did decline because of the COVID impact. Is that what you're referring to in your question?

Nitij Mangal: Yes, possibly. So, is there anything specific which kind of?

Manoj Bhat: No, my only commentary there would be, if I look at many of these businesses, whether it is hospitality or real estate or logistics, April, May were bad, June was better, July is even better so, it's just a normal curve. I wouldn't read much into it as Anish mentioned, the financial services businesses is the biggest impact.

Nitij Mangal: Okay, understood thank you. And my second question is, how you are thinking on the discounting in the tractor industry, FY21 would have been a very good year given it was a supply constraint industry and you are probably getting more balanced on demand and supply. So, is there a case for discounting to get a bit more normalized versus maybe last year?

Rajesh Jejurikar: You mean will discounts go up?

Nitij Mangal: Yes, this versus last year?

Anish Shah: Yes, so Nitij there are two things that play here one is the discounting and the other is the price increases. Everybody, each player will follow a different mix of how much is price and how much is discount. So, potentially somebody may take a higher price increase and pass on something more by way of discount and some others won't. Your point on the fact that the supplies are better for everybody as we get into this season and hence the level of competitive intensity will be higher than last year, that is the correct situational analysis. How that will play out is something that you have to watch but, I don't see it going out of hand compared to what was in F20. FY20 we do believe is an aberration by way of a very low discounting and very, very good level of debtors and as you know we had quarters-over-quarters of negative core working capital never happens in the tractor business. So, these we think would be outliers.

Sriram Ramachandran: Thank you. With that we come to the end of the conference. Thank you, everyone Anish back to you.

Anish Shah: So, I thank everyone for taking the time today. And we'd be happy to follow up one-on-one if there are more specific questions that we have not answered today. Thank you everyone have a lovely weekend.

Rajesh Jejurikar: Thank you.

Manoj Bhat: Thank you.