"Mahindra & Mahindra Limited Q2 FY-22 Earnings Conference Call"

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MANAGEMENT: **DR. ANISH SHAH – MANAGING DIRECTOR & CEO.**
MR. RAJESH JEJURIKAR – EXECUTIVE DIRECTOR, AUTO & FARM SECTORS.
MR. MANOJ BHAT – GROUP CFO.

Sriram Ramachandran: Good afternoon everyone, good evening or good morning from wherever you are joining in. Welcome to M&M Quarter Q2 FY22 Earnings Call. We are indeed glad to have you all on this call today. Just before beginning, a safe harbor statement, certain statements on this conference call with regard to our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Now, I would like to welcome our senior management. 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 also other senior management from Auto and Farm team and also the Investor Relations team. With this now, I hand over the conference to Dr. Anish Shah for his opening remarks, and then followed by presentation by Rajesh and Manoj. Over to you, Dr. Shah.

Anish Shah: Thank you Sriram. And Greetings, everyone. It's a pleasure to be back with you today, we're going to talk about some very strong results, despite some challenges that we will outline. I'm going to outline or start with a framework that you've seen before. But we're starting to really look at our businesses as Core, Growth Gems and Digital Platforms. And we will talk about the progress on each of those. So, the key messages for today are that our core businesses have really seen a resilient operating and financial performance, despite some fairly significant headwinds for both commodities and supply chain. Our new product launches have been very well received by the market and we've talked about that, the XUV700 in particular. But it's not just that it's a set of products that has been there leading up to that as well. And we've seen a very strong recovery from our group companies, Mahindra Finance in particular, but also some of our other group entities. And we've got all our group companies really starting to position themselves very well and deliver results.

On Growth Gems, we're seeing a higher level of profitability from both listed and unlisted entities. And we're seeing tangible examples of value creation at our Digital Platforms and we'll talk about that as well. So, for today, I'm going to give an overview, after which Rajesh and Manoj will take you through the details. Let's start with the numbers first and on standalone basis PAT before EI is up 29% at 1687 crores. PAT after EI is up almost 9x at 1432 crores. If you were to look at consolidated, here we see PAT before EI at 1975 crores up 43% after we restate SsangYong has a discontinued operation, but what we announced last year when we gave our results was 906 crores, which included SsangYong at that point in time. So, if you look at it versus 906, it's effectively a 2x return. And similarly on PAT after EI, it's going up from 615 to 1929, with SsangYong as discontinued. But based on what we reported last year, it's really going from 136 to 1929 and that also shows the result of the hard calls we've taken with regards to capital allocation.

I refer to the headwinds, they're essentially in three categories, significant increases in commodity prices, which I'm sure you're seeing across the board, the semiconductor shortage issue and freight costs. We have taken significant actions around that, increasing selling price, aggressive cost re-engineering, looking at rejigging our production, commonalising some components within auto though that does take some time, looking at route optimization for freight, and so on. So, those have helped us, but this has had an impact and as we look at the next page, what we see is on the farm business, revenue is up 4% but PBIT is down 14%, despite almost a 2% point gain in market share. And that's really driven by the commodity price inflation. What also I am very happy to say is, our international subsidiaries where we've seen significant concerns in the past have turned around, the actions we took on category A, B and C have really worked out well. So, the Category A and B companies that we continued with have demonstrated a PBIT of 105 crores for this quarter, a second consecutive quarter greater than 100 crores and the fifth consecutive quarter of being positive. So, we have started to see a real turnaround on that front. And that really leads us to the conclusion of a focused and robust operating performance in the face of some very significant headwinds.

Auto, again a similar story, much stronger growth in revenue here at 23% and PBIT is impacted not only by commodity inflation, but in this case by shortages on semiconductors as well, that resulted in a volume loss of 32,000 units that obviously impacted operating leverage and thereby PBIT is lower. But what we're really excited about here is my earlier comment on XUV700, the bookings are reflective of the quality of the product. And the four consecutive blockbuster launches from the XUV300, Bolero Neo, Thar and 700. We've seen some very strong response from the market. The best was in the 700 obviously. And what we are looking forward to now is the launch of the new Scorpio. And we hope to make it a fifth consecutive blockbuster launch which positions us really well to regain leadership in the core SUV space.

Let me talk about Mahindra Finance, because this is one that did concern us last quarter. And what we had at that point indicated was based on history, it was a temporary phenomenon that would get reversed in the following three quarters. And what we are seeing here is that reversal is well on track, PAT is up from negative 1500 to positive 1000. In this case, we are not looking at year-over-year, we are looking at the previous quarter, because we do want to show a story from the previous quarter as to what happened. So, you effectively have a 2500 crore swing on the profit side that is driven by GNPA down 2.8 points, though, we do expect it to go down further as we go along in the next two quarters. And that has resulted in a fairly significant swing with regard to provisions. And we had taken a provision at 2500 crores last quarter, 763 of that has come back. And based on what the Mahindra Finance team has outlined for its Analysts the rest will come back or 80% to 90% will come back in the next two quarters.

So, little more of a deep dive on GNPA. Just to give a little more flavor of the numbers behind Mahindra Finance. Stage three contracts have come down from 294000 at the start of the quarter to 216000, at the end of the quarter. As a reference in March, there were 194,000. So, we are getting fairly close to the March numbers, which is what we wanted to get back towards. A lot of stage three rolls into stage two first. And therefore stage two hasn't seen much movement, or has seen no movement in fact. It's gone from 402 to 404 and that is also almost the same number that we had in March 2021. So, what we need to do is work on stage two next and start moving that down to stage one or current. And those are the efforts that the team is focused on over the next couple of quarters.

Tech M has great momentum, profits are up 26% driven by large deals by 5G, by TCB being doubled in historic run rate, free cash flow and 15,000 associates hired in the last quarter. So, very strong momentum for Tech M and that's something that we're seeing based on the tailwinds in the industry, as well as the performance by the company.

Let's look at a listed Growth Gems. Logistics has seen some strong progress this quarter and even as you see the profit number down 37% that's driven by some onetime items. But revenue is up 22%, multiple business wins. And it's positioned very well in an industry that has a lot of tailwinds. Hospitality we're seeing a significant growth in profits. Occupancy getting back to pre-COVID levels, resorts in Finland are operational and fairly bold approach to driving growth in hospitality. Similarly, in Real Estate and we're seeing that bold approach starting to pay results, profits again showing a significant uptick, focused execution, and proud to report that we are the only real estate sector company to publish a sustainability report. So, that is one that's a huge plus among various actions on the ESG front. So, overall, a listed growth gems have seen some very strong traction and profitability. We're not going to go through the unlisted ones today. But we'll do that in future conversations as we start highlighting some of them.

But let me talk about Digital Platforms. We mentioned this before, and we mentioned the fact that FirstCry was at a $1.7 billion valuation. And it was a result of merger with Mom & Me and FirstCry and is along this exponential curve that we've shown. But beyond FirstCry, we've got First Choice Wheels which is being rechristened as CarandBike really coming up strong, a fundraise is underway right now. And we do expect to see some good numbers there in terms of market valuation. What I really want to talk about today is Porter. Porter is a business in intra-city logistics, the latest round values the company at 3750 crores, this company was set up with a merger with Smart Shift. Smart Shift was a startup that was set up in M&M with an investment of all of 23 crores and Smart Shift became the second largest in the industry merged with Porter at that point we put in an additional 70 crores into the company, overall we put in so far about 100-120 crores or so somewhere in that range and the valuation today is 3750 crores where our share would be somewhere in the 25% to 30% range. So, significant value creation, we start seeing the impact of the exponential curve catching up here. Valuations up 4x in the last 24 months. M&M still is the largest shareholder but this company is positioned very well in intra-city logistics with 35 cities where it's a leader.

Beyond this, we're going to look at, just moving back to the previous slide for a minute Sriram. We are looking at the Digital FinCo that we have put in place now, a good team's already driving action in that space, we are looking at Agritech and Receivables as two more digital platforms. And there will be a couple of other ideas we have put on the table. But we are starting to see real value creation for our shareholders without having to invest significant money into it, because we are looking at external investors coming in, to many of these companies where over time we will take a minority stake. So, with that, let me hand it over to Rajesh to go through details on auto and farm. Rajesh, over to you.

Rajesh Jejurikar: Hi, everybody good to be with you this evening for us. And like she Sriram said morning or evening for you all. I'm going to break my presentation into two parts. Talk briefly about the quarter that's gone by, and then focus more on the path forward, which is the growth and return journey. So, on the quarter that's gone by as you can see here, the standalone revenue grew by

15% on the consolidated revenue by 13%. And for the first half, it was 46% and 41%, respectively. This clearly is an indication of the fact that H1 was slow, because of the COVID lockdown and we saw some of that effect this year. In the way that quarter two got depressed, as quarter two last year had got a carryover of the quarter one of F21 into the numbers.

Next slide When we look at our PBIT you will see that standalone PBIT has come down by 29%, but again, I'm just reinforcing that quarter two last year was an exceptionally high base so this year, the quarter two in FES even though you see this de-growth here is actually our second highest ever quarter two PBIT. And it is our second highest ever quarter two domestic volume and second highest ever exports volume. So, it has by itself been a very strong quarter, you just have to keep in mind that what we're comparing is on an exceptionally high base on volumes and on margins.

Next slide – When we look at the first half, you can see that the standalone PBIT has gone up 37% and the consolidated PBIT has gone up by 73%. Next slide, Anish spoke about the turnaround in the international subs of FES that has been a major task in front of us, it was slowing down our ability to grow as we were focusing on turning around these and consolidating our performance. As you can see from here, five consecutive quarters now of profit and two consecutive quarters of profit more than 100 crores. Clearly setting us up for an ability to drive growth as these companies get stronger on their path to turnaround.

Next slide – A quick summary of the highlights of farm in quarter two. Our market share went up by 1.9% points. Very strong launch of Yuvo Tech on the farm site, feature pack product, well priced. Exports I spoke about and what we believe is a strong margin performance in the context of the environment. 18.7% is a very healthy margin, the tractor business has been used to margins in the region of 18%, 19%. Last year was an aberration as I said with exceptionally high margins driven by volumes that built up into quarter two. And of course, the operating leverage kicked in and commodities inflation had not yet kicked off. Strong price increases have been taken 8% overall, and material cost is not yet fully passed on. However, you have managed margins by keeping fixed costs under control.

Next, on the auto side, a very, very strong launch of 700, over 70,000 bookings. And as you all would have read 50,000 of them happened in three hours, 25,000 in the first hour on day one, 25000 in the second two hours on day two, and that takes the total cumulative open bookings across all our products including 700 to 160,000. Strong export performance and we have been talking about the fact that three wheeler electric is at an inflection point. And you can see that play out now, a very strong growth of 318%, but more interestingly a 68% share of market, establishing the first mover advantage that we had, and now beginning to leverage that, as we set that business up for a strong growth trajectory. The auto margins have been under pressure, clearly, commodity price inflation has hurt us. We've lost about 32,000 vehicles due to ECU shortage in the quarter. And we've taken aggressive price increases not enough to cover the material cost increase, but a 7% increase over the last year.

I'm now moving on to the second phase of my presentation, which is how do we drive growth, as we think about the future. We have built a strong base, it's time for us to now focus on growth, but growth with financial returns. By the year 2025, we will look at a CAGR of 15% to 20%. Tractor market share would grow to 40%+ levels. I'm going to spend some time talking about Farm Machinery because we have been talking about that as a growth engine. And we are talking about hence a 10x growth and we'll talk about why we think that's doable**.** We would like to be number one in the core SUV sector. I'm going to take a minute to talk about what we mean by core SUV.

As we've been talking about the fact that UV's is a very broad category in the way SIAM is defining it and that has its relevance. We have defined core SUVs in a way that it doesn't make it too restrictive and too niche. So, the definition that we are using includes 70% of the UV industry. Our definition is based on bringing alive the SUV character. So, a high ground clearance and a high seat position reflect an SUV character. And we've defined that by distance of seat point to the ground. And if that's greater than 660 mm we believe that is something we can call a core SUV.

The other is a capability to go anywhere. Capability to go anywhere is defined by the tire outer diameter, which if it is greater than 660 mm we will consider it as a core SUV and an engine capacity equal to or greater than 1.5 liter or the engine is turbocharged. So, basically combination of the perceived look and the capability. But, we've tried to keep the perceived look parameters or the parameters here completely measurable. There are several SUV characters as a part of design language. But we're intentionally not putting that out there because that's driven by subjective judgments. All of these are very measurable parameters and hence clearly allows us to segment the market in a way which we think is the universe we want to compete in and that is 70% of the UV industry. We are number one in the LCV less than 3.5 tonne segment, and we'd like to stay that way.

Next slide – So, I'm taking some illustrations of business segments, where we'll talk about how we are thinking about the future growth strategy, farm, SUVs, LCVs, Last Mile Mobility and just a slide on capturing the auto electric going forward. Next slide, this is the way we define the purpose for the farm business, it's about transforming farming and enriching lives. Our people are here to enrich the lives of farmers by providing easy access to affordable and innovative technology solutions enabling them to Rise. I'm going to talk about exciting new tractor platforms which are in the pipeline. We'll talk more about the 10x by 2027 and 15 new products that we see coming along the way to enable that. This is the product portfolio that we're building on the tractor side brand Mahindra and brand Swaraj, a lot of these are underway. And we would start seeing them from next year till 25-26. A significant part of it is the K2 platforms which we have spoken about, that's four new platforms 37 new products, but that's not the only thing we do. There are multiple new products on the Swaraj side, all in work and we expect to hence have a very strong solid portfolio of tractors to keep our edge and to keep increasing our market share.

Next slide – Here's the logic behind the Farm Machinery story. The domestic industry today is at 5000 crores, 18% to 20% CAGR will take it to 12,000 crores by 2027. Our market share today is less than 10%. Our tractor market share is more than 40%. We do believe that with everything that we're going to be doing in the next five years, our farm machinery market share should be 30%+, which is basically 4000 crores of a 12,000 crore protected industries, and a 1000 crores of exports from India, our partnerships will take us to a 10x growth. This doesn't include farm machinery revenue through our global subsidiaries. How are we going to make this happen. A very strong product pipeline, some of which I've alluded to, leveraging the capabilities out of our global centers of excellence, exploring partnerships, alliances, acquisitions. We are setting up a manufacturing facility in-house at Pithampur which will be ready next financial year. Expanding our network by three times over the next four years. And most importantly, increasing access. Growth of Farm Machinery is going to come out of access. Use of finance financial packages, leasing models, and rental models. So, while this may seem a stretch, when you talk about 10x, we think it's doable. It's doable because we are a very, very strong rural and farm equipment driven company. And with the right product portfolios and the right go to market strategy there is no reason why we can't leverage the opportunity. It is what it is around the world and as we've often said in the past, India is tractorised is not mechanised. And there is a big opportunity ahead for us as leaders to drive that pace of mechanization. Next Slide – This is what the 15 products look like, just an illustration, products which are tractor mounted or tractor trailed and products which are self-propelled. These will come out between now and 2025.

Next slide – Moving on to SUVs. And really what we are trying to do in the SUV portfolio is to build a strong and authentic SUV brand. What does that mean, it means creating sophisticated authentic SUVs with an unmissable presence. Products, which are advanced by way of adventure ready capability, we don't say that authentic means you have to be a 4x4 to be an authentic SUV or that you have to only body on frame. What we really mean is how do we create products which are adventure ready. And our whole portfolio is going to be about that and which is why we would like to measure ourselves with a relevant size of business. And that's what we're calling a core SUV business. We are planning 13 new launches by 2027.

Next slide – A very important part is our whole brand transformation exercise. And you've seen us do that over the last year and a half. First with the launch of a Thar, now with the launch of the XUV 700, we've moved to a new visual identity, the twin peak logo for the SUV business. We are revamping our dealership signages to bring alive this new imagery. And these are our four key focus brands that we'll build on, we may look at creating a new electric brand as well. So, here's a strategy about focus, differentiation, transformation. And we believe based on all the research that we've done, that there are large number of consumers who are very excited with the proposition of what our brand offers, the proposition of buying an authentic, true core SUV.

Next slide – This is what a showroom could look like by 2027, 13 new products, a large number of them eight are going to be electric. A lot of work is happening on electric I'm sure you'll have questions, and I'll talk a little more about it, but more over the next year. The XUV 400 here may make you wonder what that is. We may name that XUV 400, the electric version of 300 we believe has an opportunity to be named differently this is still a codename, but just to differentiate it from the 300 you see an XUV 400.

Next slide – So, the proposition here is around exploring the impossible that's the brand idea, Four key brands, doesn't mean we discontinue the others, one new electric brand, 13 new launches out of which eight will be electric and we believe we should be prepared for at least 20% of the UV volume being electric by 2027.

Let me move on to LCVs. In the LCV space we already are leaders. We're planning to strengthen our position with 17 new launches by 2026. Eight of them will be electric, there'll be 12 CNG options available. Next, a lot of these products are underway already, a new pickup range starting from early next year and some new platforms that we're working on and a very exciting product portfolio on the Last Mile Mobility side.

Moving on to the Last Mile Mobility vertical. We are number one, in the month of, in quarter two actually, we had a 68% market share, we believe the penetration in this is going to happen very rapidly. And we would expect a 30%Plus penetration by 2025 in the electric three wheeler space. We would like to stay ahead by launching five innovative products and strengthening an ecosystem of partnership as we build,reach and sales & service.

Next one. Moving on to one slide around the electric, auto electric targets as we may call it. We have been in the segment for 10 years, we have a cumulative 340 million kilometers on road, lots of learning's out of that, these learning's are going to be fed in to creating our portfolio of offerings. So, eight new SUVs, eight new LCVs, and number one in the electric three wheeler space. We will talk more about the details of our strategy I'm sure your questions on who are going to be our partners, where are we going to get batteries. But that's not for today, we will talk about that during the course of the next calendar and share with you as openly as we have been over the last two quarters, what our thinking around this is. With growth has to come strong returns and ROCE of 18%++ what we have as target, we are working and we have been very strong in managing our working capital. CAPEX which is focused around segments in which we are going to play and win and complexity reduction through platform synergy and platform commonality.

As a part to driving returns management of our OPM is going to be critical. And we've hence taken upon ourselves a target to reduce cost as a percentage of revenue by 3% year-on-year. This will happen by way of driving material cost down, a lot of work happening around it, parts commonality platform configurability. On the fixed cost side, we'll look at new age marketing, already seeing that we've launched both Thar and SUV 700 with a fraction of the marketing budgets that we have in the past. That's what new age marketing is about and we believe that because our products are so differentiated and unique, it allows us to do that more than from any other thing. Drive manufacturing conversion cost down, logistics costs down, leverage manpower productivity.

So, broadly, as we think about the future, we believe that we are uniquely placed very, very strong pillars to build on to drive growth and deliver very strong financial results. With that Manoj over to you.

Manoj Bhat: Thank you Rajesh, thank you. Most of you would have seen the numbers. I'm going to run through this pretty quickly. If you look at the standalone revenue growth of 15% within that auto segment showed a growth but farm showed a slight decline, because last year farm was, a very strong year for farm. And so there are two mixed trends in here. Coming to the EBITDA at an absolute level, there was a 19% decline because of some of the reasons which were discussed by Rajesh and Anish in terms of the commodity cost increase. And so the margins have gone down as a percentage and also in absolute terms.

Go to the next slide. However, at the PAT level, our returns from our group companies are increasing. So, our dividends are increasing and many of our group companies have given dividends this quarter, most notably Tech M that was a large component of this. So, that's why overall PAT before EI grew about 29%. PAT after EI was a 9x growth. The main reason for this difference between before and after EI was some of our capital allocation decisions last year, which had resulted in certain write-downs which are not there. During the current quarter, we have an EI of about 255 crores, which is embedded into this number. So, that's the gap between 1687 and 1432 in the current quarter. Can you go to the next slide, please?

This just illustrates what I was talking about, both farm and auto, because of the commodity cost pressures we have seen an absolute decline. However, group companies largely led by dividend increase have contributed to a growth in profits leading to an overall growth in the PAT before EI at a standalone level. At a consolidated level, auto led the growth 23% growth year-on-year, farm at a consolidated level including domestic and international was about a 4% growth, while group companies and this is across multiple sectors grew by 11%. So, good all round growth which we are seeing across multiple companies in terms of revenue growth. If you look at PAT before EI, there's a 43% growth at a nominal level, and SYMC effect which Anish was mentioning, that is, if you have taken that into account it's a growth from 906 to 1975. Similarly, there's a 9x growth coming at a consol level, because from 136 to 1929.

Can we move to the next slide. Just splitting that up into the pattern domestic auto and farm we're seeing the same pattern repeated as in the standalone, there's an absolute decline. However, international subs where there's been a lot of effort in terms of metric improvement that's a positive contribution of about 200 and finally group companies, within this 776 number of group companies, the positive impact of MMFSL is about 411. And the remaining is coming from some other group companies. So, overall, the bridge here is that while the domestic auto and farm business is under pressure because of some of the reasons but we are seeing good growth in terms of profitability in international subs as well as the group company performance, that's all I have in terms of the slides and back to you Anish.

Sriram Ramachandran: Thank you. Anish, Rajesh and Manoj. We now open the floor for question and answers. First question we have today from Pramod Kumar of UBS. Pramod would you like to go ahead?

Pramod Kumar: Before I start off with my question, just a clarification on Slide #42, where you mentioned a 3% cost reduction as a percentage of revenue. Just wanted to clarify, is it auto plus farm and also the timeline for the same?

Rajesh Jejurikar: Yes, Pramod so that is auto plus farm. That was a common slide, all the financial slides are common for auto and farm.

Pramod Kumar: And timeline Rajesh?

Rajesh Jejurikar: Yes, so the timeline for the ROCE is 2025, that's where we are putting the revenue and that doesn't mean it won't happen before. But clearly when we say year-on-year it starts now.

Pramod Kumar: Okay, and my first question Rajesh.

Rajesh Jejurikar: Just wanted to clarify Pramod just want to clarify it is as a percentage of revenue.

Pramod Kumar: Yes, that makes it quite impactful actually. That's why I want to clarify that upfront. Thanks for that Rajesh.

Rajesh Jejurikar: It need not always be absolute, just want to clarify that's percentage.

Pramod Kumar: Thanks Rajesh. And, the first question is actually on the EV strategy, we have seen off late a lot of transactions on EVs a lot of appetite in fact to participate in the India EV story. And given that the wide, EV mobility platform what you have and reasonably good capabilities already in terms of born electric platforms. Just wondering, are we still open to partnerships, because we had this thought couple of years back, then we moved the EV subsidiary into the main business. So, what is the thinking going forward because you seem to be having a very busy launch pipeline across both auto, farm, non-farm and amidst all this, is there something which you can benefit from by partnering with someone. So, just wanted to understand your thoughts on that?

Rajesh Jejurikar: Pramod I hope you mean busy in a positive sense.

Pramod Kumar: Yes, of course.

Rajesh Jejurikar: Anish you want to take that first?

Anish Shah: I will take that first Rajesh. So, Pramod, we are looking at leadership in the EV space. As you rightly said, there are lots of capabilities we have today. And to directly answer your question first yes, we are open to partnerships, we are open to investors coming in as well. We had Mahindra electric setup as a unit, which was doing some very specialized things on the EV front, but we need to go broader than that. And that's the reason we have merged it back with the company right now, we will look at all potential options of the partner coming in. But where we stand today is leadership in three wheelers as Rajesh has talked about, 68% share in a market which is moving to EV very quickly. As shared earlier that there are three drivers of EV, cost of ownership, range anxiety, and infrastructure. All three have been met for the three wheeler space. We're not quite there for the four wheeler space as an industry and therefore volumes today are very low. But as volumes pick up, we will be a big part of that and we've got a range of products coming up for that as well. So, EV is going to be a big part of a story going forward and we are open to all options in terms of partnerships and investments.

Pramod Kumar: Thanks, Anish. Second question is more towards Rajesh, Rajesh between XUV, Thar and some other products you have like over 150,000 bookings. And I am pretty sure with Thar, you did get a lot of new customers. So, between Thar and XUV where you have like 70,000 bookings if you can help us understand how is the customer profile has changed for Mahindra compared to the previous products, because what I'm trying to get at is, we had a very strong positioning in certain pockets of the country, certain product categories. And I'm just trying to understand are we seeing a change in customer profile, which would benefit more and more as we launch Scorpio for example which is historically a semi urban, rural kind of a product not seen so much by office going public in Mumbai for example, I may be wrong, but that's my general understanding. So, I'm just trying to understand are we are we managing to attract more new customers who were not the typical Mahindra customers historically?

Rajesh Jejurikar: I'll give you a data point which will make it very illustrative of the fact that we are getting a very different target audience. Thar is 50% auto transmission. Just a very clear indication that it's a very different profile from what we have had before. Even XUV 500 which was a metro driven product had less than 10% or 15% auto transmission. So, when we launched Thar, Thar has gone in with 50% auto transmission and 25% gasoline. As we've got into XUV 700, of course it's a number of +50%, but AX7 and AX7L are in the range of 65%- 70% right at the top and 95% of the portfolio is AX and just 5% is the MX portfolio by way of bookings. So, you can clearly see that this is a very, very different segment. And hence sets us up at that exactly what our intention the whole brand transformation exercise is about attracting newer different usage, user segments. And just going back in time 20 odd years when Scorpio was launched, it was a very much a Metro product. And you did see it a lot in cities. It's just that with time as newer products have come in Scorpio became more a semi urban, rural product and lost traction in the cities. I'm sure as we launch the Z101 we're going to come back very strongly in cities.

Now that is not going to say that XUV700 or Thar are not selling in our strongholds. What we are doing is getting a completely different base on top of what we have. We are not doing anything by which we're isolating or losing our base. And actually anecdotally this holds true even for Neo, Neo is starting to sell in Delhi NCR which Bolero never did and starting to sell in South. So, we are clearly opening up new markets, new segments with new launches.

Pramod Kumar: And Rajesh before I go, XUV 400, I see the timeline on the slide has 24-26 is that understanding right, I thought we were closer (than that)?

Rajesh Jejurikar: No, see the timelines here on a slide like this have to be a little loose by way of band, it will be much earlier.

Sriram Ramachandran: Thanks Pramod. The next question is from Kapil of Nomura Securities.

Kapil Singh: First of all appreciate that the management has laid out an impressive vision for both EVs and Farm Machinery. Thanks very much for that. That was a key ask from us. My first question is on EVs again, we've executed very well in case of SUVs, though we are yet to see the fruits of that. When you envision this number one position in e-SUVs as well and also e-three wheelers, what are the capabilities required for the same in your view, and where is M&M on that, what are you doing to get there, also if you could talk about external funding requirements and whether you are exploring that or not?

Rajesh Jejurikar: Anish you have answered the second question that Kapil asked which is around funding requirement, yes we are open to any form of funding that may come in to enable us to achieve the objective that we want. So, we're not at all closed to that. The first point around what capabilities we need is what I would like to take a few months before we can come and share with you we will want to do a very specific EV based communication around how we are preparing and building of competencies, ourselves. So, we are at that stage of defining what we're going to do ourselves, what we want to get into partnerships on and who that partnership and what that partnership ecosystem will look like. But we wouldn't want to share that in an ad hoc manner like this. It's not a 30 second answer. So, we will come back sometime in the next calendar year with a comprehensive plan. Anish you want to add on to that, please.

Anish Shah: I just want to touch upon the three-wheeler EV that you mentioned Kapil. That front, we do have clear market leadership today with a 68% share. We have all the capabilities required for that, it's been driven essentially by our experience in electric vehicles over the last 10 years, because it's the same battery that's really being used for this. We've had vehicles driven over 340 million kilometers and a lot of expertise in battery packaging and other areas that are required for it. So, on the three-wheeler front, we are well positioned today. We need to demonstrate more on the four wheeler front, which is what we're focused on.

Sriram Ramachandran: Thanks Kapil. The next question is from Pramod Amthe from Incred Capital. Pramod you can unmute and go ahead with your question.

Pramod Amthe: There seems to be a mixed signals on the rural demand environment, would you give some/ your thought process in terms of how we're shaping up for your products or overall scheme of things for the next six to nine months?

Rajesh Jejurikar: Yes, so Pramod two things to consider one is for most products rural is on a very high base because as we all know last year, when urban was very slow rural had really taken off, of course for tractors, but we had also seen it in all our auto products. And it was visible across categories rural was extremely buoyant. As we've come into this year, so we have to keep in mind that all categories are on a very high base at rural. The other thing to keep in mind is rains have got delayed this year, sowing happened late to begin with. And then rains have flown into or carried over into the so to say festival season. And it's been particularly bad in the East. That is UP, Bihar, West Bengal kind of belts. South, Southern markets Telangana, Andhra have been slow as well for the same reason. So, my kind of take would be at this point of time. And these are things which will evolve as we get a deeper understanding with time but my current take is fundamentals of rural economy are very strong. Crop outputs are very good and overall we'll see buoyancy going into rural over the next six to nine months but there is going to be a base effect and anytime we look at rural we have to keep in mind that we are comparing on a very high base. Does that answer your question Pramod, kind of answer your question. I am sure it doesn't fully answer your question.

Pramod Amthe: Yes, that helps to answer the question little bit. Second one is with regard to the new model launches. Good to see that you guys are back on successful new launch successes and garnering a good amount of bookings. Two questions related to the same one, looking at the aggressive pricing stance, which you are taking, it looks like that till the time your cost structure comes into place, we have to assume these lower margins for automotive division to continue for some more time to come, that's one. Second is looking at your execution capabilities, challenges in some of the responses like Thar, how do you plan to successfully address it in the future models. We have never seen you guys hitting +50,000 type of bookings. And how are you planning to ramp up your supply chain so that you can deliver these customer expectations. Thanks.

Rajesh Jejurikar: So, the first question is around pricing of new products, and the overall margin story. And they are connected and they are not connected. So, firstly, when you look at our auto business, right now, the margin is a blend of multiple categories. It's a blend of SUVs, it's a blend of LCV less than 3.5 tonnes and it's a blend of trucks and buses. So, what you're seeing is a blended margin and each of these have different factors at play. What we have seen right now is an-unprecedented commodity price inflation. And when you look at our margins today, they're still best in class way above all our peers who may have higher volumes than us as well. So, we have been aggressive in taking our prices up and while of course, margins have dropped, they are still way better than others. So, I wouldn't right now, at this moment read new product pricing into margins that we are seeing in Q2, not to say that it won't make a difference. Just to give you an example, we did not take Thar prices up for many months, because we wanted to protect customers who have booked Thar in the early months, we could have easily taken it up. But we felt it would be very non customer centric for somebody who has booked a product in 15 days or 20 days to get a product at a significantly higher price, even though we always capture that in the booking form. So, we have taken some of these calls to protect interest of the customers, we learned out of that in XUV700 and we did two rounds of pricing. So, we did 25,000 bookings, we stopped and we changed the price, we knew upfront that if we don't do that, we'll get locked into the same situation as Thar. So, these are some things we learn out of these things. And as you see, the XUV700 profile of bookings, as I just mentioned is highly skewed to the top end. So, I won't necessarily read too much right now into new product pricing, not to say that new products are not going to be aggressively priced, they will be aggressively priced. We know that's the way to win when you have a good product and we know that in the past, whenever we succeeded the ability to take prices up is seamless. So, we believe that there will be some play that we will put in in the short term to get the right prices out for all our launches. And we will be able to take them up with success. We've done that in Thar we've taken a very aggressive price increase which has come into play now in November. And that hasn't affected the booking momentum at all. So, that's the question on margins, it's a mix of commodities, which is very aggressive we think commodity will see a down cycle in the next two to three year period has to, all past evidences whenever you see a increase of this kind, it does correct. And you can't say when it will correct but it will definitely correct in the three year cycle.

Your point on execution, I am guessing is to do with what kind of capacities we are setting up for. And, we had set up Thar for 2000-2500 kind of capacity, we are now at 4000. Thar capacity is ready for 4000. However, the constraint continues to be the availability of ECUs and sometimes the infotainment. So, the constraint is not our capacity planning at the moment, it is the semiconductor and we are we've already triggered investments to take that 4000 up quite substantially. Likewise, 700 we are ready with a very, very good capacity, we were prepared with the strategy of MX and AX variant that we would see a very strong demand. But again, we are constrained by multiple semiconductors that impact us, the AX7 variant has over 170 semiconductor. That's the extent of technology that's there in that product. So, these are things that we are going to have to navigate with. Some of them are environmental, some of them we are learning out of, and with every new launch, we learn something new, and we will factor that into the new launch.

Sriram Ramachandran: Thanks Pramod. We are bringing back Kapil, we lost Kapil earlier. Kapil you are back on line.

Kapil Singh: Thanks for bringing me back. Firstly, just one clarification on the product launches on EV side, how many are you launching by FY23 end and in terms of chronology is E-700 coming earlier, or is E-400 coming earlier?

Anish Shah: E-400 is coming earlier and that will be the first launch and that will happen in the financial year F 23, probably towards quarter four, calendar 23.

Kapil Singh: Okay. Because I see E-KUV there as well?

Anish Shah: Yes, E-KUV we may lead as a primarily export product with maybe a little bit of play in domestic. KUV100 is a very strong export product, North Africa like countries like Tunisia, South Africa and so on. Also some neighboring countries like Nepal, so we may use that more as an export product.

Kapil Singh: Got it. The second question was on Farm Machinery. So, when we are looking at this 10x growth. Can you talk about what are the kinds of innovations you are thinking that could disrupt or help us grow at that pace and would the export play be much higher in the long run in these kinds of products?

Anish Shah: Okay, the first part of the question is clear. I'm not sure about the second part, when you mean export play would be higher would you mean higher than what. You mean higher than 1000, or I'm not sure what you're comparing?

Kapil Singh: Yes, that's what I meant that in the long run could this 1000 crores could also be a multi fold opportunity with these products beyond 2025?

Anish Shah: Okay, so the first part of your question Kapil is around what innovations, innovations are going to be multi fold. There will be product innovation, because in this category, you have to have hyper local delivery, products will perform differently in different soil conditions around the country. How do we create a scaled up model which allows hyper local customization. The second part of innovation is going to be around logistics, logistics slash localized production facilities. The third part of innovation will be around access finance, leasing, rental. So, there are a bunch of areas we will have to look at by way of innovation to enable this kind of growth because at the end of the day, what we're looking at is creating a category and category growth will come out of innovation on multiple fronts, not just one. The second part of your question is very interesting and we strongly believe that India can be a global center of manufacturing for Farm Machinery. We have everything to enable that to happen. And yes, potentially as things pick up, we could look at a greater than 1000 crore revenue. Also many of our subsidiaries have a very large Farm Machinery presence. So, in MAgNA, almost 30% or 35% of the revenues come out of farm machines. And some of them we may make in India, which are currently being made in US or other parts of the world. So, there could be an upside on exports but too early to talk about.

Sriram Ramachandran: Thank you, Kapil. Next question is from Gunjan of Bank of America. Gunjan, can you please go ahead? If Gunjan is not online then we can go to Jinesh.

Jinesh Gandhi: First question is on clarification on the XUV700 capacity, what was the number you shared Rajesh?

Rajesh Jejurikar: That was a good catch, I didn't share a number.

Jinesh Gandhi: Any number which we can put to that, in the capacities which we are starting up?

Rajesh Jejurikar: I don't want to put that right now. Jinesh not for any other reason, but it's going to lead to speculation of what's going to be the waiting time. And that's going to create a lot of discomfort among customers, who are already speculating. So, the way we are dealing with this right now is addressing each group in phases. So, we right now have given out a delivery schedule to the first 15,000 people, we will do that very shortly for the next group when we complete the first day 25,000 booking and put out a schedule for them. And then we're going to put out a schedule for the balance 25 and so on. The reason we are not putting out a number on our capacity, because is right now the constraining capacity is going to be the ECUs. And not necessarily our own capacity, and putting out a number of what our capacity is not relevant, because if you don't have the ECUs, you're not going to be able to leverage your capacity. And everybody is going to get into projecting what their waiting period is going to be, that waiting period is also going to be very dependent on which version they bought. Because there are multiple semiconductors that are at play, like I mentioned earlier. So, there is just for a simple example, a wireless charger needs a semiconductor that's in shortage. Now we have to probably create an alternate variant to give customer choice if they want the 700 without a wireless charger. So, there are multiple such things that we are working on Jinesh so just bear with us a little bit, we don't want to jump the gun and put out something right now, which creates discomfort amongst people. I hope you understand that.

Jinesh Gandhi: Sure. And on the semiconductor part, what is the visibility you have now given that there is some improvement on the supply side and secondly, can you update on the tractor Diwali sales for the industry how were they whether they were down or flat on Y-o-Y basis, thanks.

Rajesh Jejurikar: So, the semiconductor question. To, be honest it continues to be dynamic, we would know about now in a few days, what December availability is going to be so it's really a month-to-month thing. And like I said, it's not just Engine ECUs, it's use multiple things. So, at the end of the day, it's very dynamic production planning of the kind I don't think any supply chain people have ever experienced so many moving parts all the time continuously for over a year. Really the word planning has very little relevance in the current context. But as we've said earlier, the last year has been hit by multiple extraneous factors, there was a semiconductor factory in Japan, which had caught fire and they were down for almost a month. Malaysia was hit for almost a month, there were some storms in US a few months back and some capacity that got out of commission, there have been multiple extraneous factors. Hopefully we won't see more of those and then it's going to be a normal demand supply gap. And that's not going to be as bad as what the last few months have been. So, that's on the semiconductor question. Your next question was on the tractor Diwali sales, I don't' want to put out a number yet because right now our view is that, Diwali sales are going to spill over in to parts of November because of delayed sowing, delayed rains and buying is extending beyond the festival time. So, we are just going to wait and watch how November goes, rather than conclude that Diwali was the end of it. We are seeing postponement in the market not buying, so it's just better to wait out November.

Anish Shah: Just to add a listen to Rajesh's point of semiconductors, the two factors driving it are the COVID and the supply demand gap. COVID really caused a much bigger disruption. And that's what we've seen. Hopefully that's behind us, unless COVID rears its ugly head again somewhere around the world in a much bigger way. So, if that's behind us, then things should be much easier to manage going forward, yes there will be a supply demand gap. But it'll be much easier than what the COVID issues were.

Sriram Ramachandran: Thanks Jinesh. The next question is from Sonal Gupta, L&T Mutual Fund.

Sonal Gupta: Sir just a few financial related questions. So, could you sort of tell us what is other operating income in this quarter. And what is the corresponding number in Q1?

Manoj Bhat: So, the other operating income what we showed, it was about 852 crore of dividend. What was the other question, I will come back to this¸ I'll give you the exact number.

Sonal Gupta: And I was asking the corresponding number for the first quarter as well. And my other question was the lower employee cost in this quarter if you see sequentially is there a one off here?

Manoj Bhat: Yes, so there are some swaps in terms of performance pay, etc. So, that's an impact of about 30 crores, which should be normalized, so it's lower by about 30 odd crore. I will come back on the other operating income.

Sonal Gupta: Sure, and would you be able to share the absolute EV three wheeler number for this quarter?

Rajesh Jejurikar: Rajeev Goyal do you have that readily available, but I do remember the last couple of months have been in the 1000+ range and we did 2000+ in October.

Sonal Gupta: And that includes the e-rickshaws as well?

Rajesh Jejurikar: E-Alpha and Treo. Rajeev Goyal, do you want to add anything? .

Rajeev Goyal: We did 1600 in September and over 2000 in October and that has basically around around 1200 numbers of Treos and 800 number odd of eAlpha Mini.

Manoj Bhat: Also, on the other operating income the dividend is 58 crores in Q1 and 852 crores in Q2.

Sonal Gupta: No Sir, I meant the other operating income, which is the incentives, etc., from the government which would be coming above the EBITDA line.

Manoj Bhat: Okay. So, let me come back to you on that.

Rajesh Jejurikar: I think Manoj last year in auto we had one time of IPS, which is promotional incentive and this year, we didn't.

Rajeev Goyal: Yes, so 63 crores was one time last year, IPS which was pertaining to the previous year which is F20 and before, this time there is no one time.

Sonal Gupta: But what would be certain number overall?

Manoj Bhat: Why don't we contact to you after the call. I'll give you a number on that piece.

Sriram Ramachandran: Thanks Sonal. The next question is from Amyn Pirani of JP Morgan. Amyn go ahead.

Amyn Pirani: My question was with respect to the specific guidance that you've given on LCV market share and SUV market share. Now, on the LCV side for a very long time, we've seen that the number one position between you and Tata is determined by whether the zero to two tonne is doing better, or the two to three and a half tonne is doing better. So, when you're talking about leadership, should we expect that two to three and a half tonne will keep getting better or are you going to do some product interventions on the lower zero to two tonne where you are relatively weaker?

Rajesh Jejurikar: You did see that chart out there and we did talk about a new platform and that's what will take on the lower segment. So, yes, it will include both.

Amyn Pirani: Okay, and just on the SUV market share, so you mentioned that you want to be number one in the core SUV, which will be like 70% of the SUV market, which will effectively place you like a number one or a very close number two in overall SUVs also. So, again, so should we expect that because you've stayed away from that small crossover car like SUV, so again are we expecting that the market will now start shifting towards the mid to larger size SUVs. And that's how your dominance in that category will lead to a higher market share?

Rajesh Jejurikar: Yes, so 70% is based on today's market composition, not a projected market composition. So, it is 70% today, the way we are defining it, and we've been very mindful to define it in a way that you don't come back and tell us that you have defined a category to suit your convenience. So, we're not saying the market is for Thar and Scorpio kind of products and we are going to be number one in that. We have taken bulk of the market, only excluded clear outliers which are either completely MPV or Car crossovers and clearly as per us should not be counted as SUV. And we are hence keeping a very reasonable size. So, the 70% is based on today's vehicles in the market, not based on their projected conversion.

Amyn Pirani: And your market share there right now would be number one already or you would, according to your own calculations?

Rajesh Jejurikar: No, we are not number one, and we are not measuring our market share in a context where we are supplying so badly. So, we will just play out a few months before you see the real value of where we are.

Sriram Ramachandran: Thanks Amyn. The next question is from Yogesh Aggarwal of HSBC.

Yogesh Aggarwal: So, just quick clarification, Rajesh, you talked about this growth expectations for the next three years 15% to 20%, but you also talked about this base effect in rural India. And all of us are expecting a bit of moderation now in tractor cycle next two, three years is quite likely right so, bulk of that 15%, 20% will be driven by non-tractor business, one could expect or is our assumption for farm businesses softer?

Rajesh Jejurikar: Okay, so let me answer this question by saying two things, a lot of global players in the farm equipment space, always talk about mid cycle. And we tend not to do that and we're actually thinking that maybe at some stage, we need to talk mid cycle, rather than a point in farm because it's such a cyclical industry so if we say we are going to be something in 2025, that maybe a year in which the industry has crashed. And then you say okay whatever happened to everything that you said, and a lot of people correct to take an average or take a mid-cycle. So, there will be ups and downs but we've consistently maintained that we expect an ongoing CAGR for tractors to be in the region of 7% to 8% or 8% to 9%. We believe all the fundamentals are right for that. So, you will see years when there are 20%, 27% growth as it was last year, and that is going to see, you may see two such years, and then it will correct or you may see one year and it may correct and it may come back. But, as you look at data over the last many, many years, you will see that a 7% to 8% CAGR is a very, very reasonable assumption to make for tractor growth, and we believe that, that still holds.

Yogesh Aggarwal: Okay, thanks Rajesh. Just other quick one. And you talked about this farm mechanization 10 times growth, is there a change in farmer behavior economics as well around implements because they cost a lot and historically they have been sharing. So, what will change the mind of a farmer to start buying it or buying it from you versus a local, unorganized guy.

Rajesh Jejurikar: That's, a great question Yogesh and I'm going back to the comment I'd made earlier on innovation needed in multiple fronts. Clearly, you have to think about access, access may come out of rental models, may come out of leasing models, financing models as one key area. Competing with local players is going to need a different supply chain structure. You can't make at one place, products of this kind and supply around the country. You will probably have to have different manufacturing hubs closer to market. So, there are multiple such thing that we are looking at putting into play. So, it will have to be innovation at multiple levels where for farmers , where you are converting unorganized to organized you have to have a cost structure which enables that switch. Or a finance package to compensate for it.

Anish Shah: Let me just add here that if I were to look at the macro view, we have shared this before, globally the farm machinery or implement segment is to 2x tractors, in India it's a fraction. So, that in itself gives us a significant level of opportunity. Now all of that's not going to happen overnight, but that will require a new set of products, it will require working with farmers to have them accept those products. But the positives here is we're seeing greater affluence for farmers. And that's going to drive behavior towards getting some of these implements that make their lives easier, and you will see from us a set of innovative products that come out as well, that will be better than what farmers use today as implements and make the lives much easier. And that will drive this demand. So, that's the market we're going after when we talk about a 10x growth in farm machinery. And that will really help offset some of the slowness that we may see across the industry for tractors in itself.

Sriram Ramachandran: Thank you. The next question is from Gunjan. Gunjan you can go ahead with your question.

Mihir Jhaveri: This is Mihir Jhaveri from Avendus. Two questions, one is on the tractor side you said that we will wait for a month so just want to understand what's the inventory situation out there given by what sir, you have said that it looks like the retail would be negative. So, where are we in terms of inventory position in tractors and what is the short cycle guidance for this year in terms of, do you have any guidance for this year in terms of the tractor growth, which you see, that's my first question. And my second question is with relate to partnerships. So, we have seen competitors doing this in a manner where they have got the products and the market share gain in dicey space, and also launching the EV products and then scouting for investments and partnerships. We have had a mixed view in terms of having a partnerships be it with Ford or be it with Renault. So, are we looking at differently where we will launch new products given that till 2027 you have a targeted EV launches, which will be there. So, you will be launching few products and then looking at investments or how are you looking at. So, these are my two questions, if we can answer. Thank you.

Rajesh Jejurikar: I will take the first one Anish and maybe you want to take the second. So, Mihir on the tractor stock we always realize that when industry is going through volatility, we have to watch for stock. In the month of October, we already initiated down stocking. We are amongst the people who had started the process of down stocking in October, and we will be correcting stock in November as well. So, we build whenever we talk projections for industry, we realize that it is about up stocking and down stocking in tractor industry. So, when we say industry grew 27%, almost half of that is or let's say x percent of that is because of inventory pipeline built. When you start seeing a down cycle, and you say there is a minus growth of 20% x percent of that is because you're correcting stocks, because at the end of the day, every number you're seeing is a billing number. So, the billing number always adjust for what's happening to retail and we start correcting our stocks. Our anticipation is that by December, January we would be back to our normal stock. So, as things stand we are factoring that into our projections. To your specific question on how we see industry growth for this year. For the full year, we would stay within the flat to low single digits and that's what we've been saying for the beginning of the year and many of you have been saying how can that happen if quarter one grew so much and we have been saying consistently we are on a very high base, the balance part of the year and we were not going to get growth on that base. So, we stay with the flat to small single digit for the industry and from our standpoint that includes stock correction. And, so nothing more to add to that Mihir unless you have a follow up. Anish you want to take the second?

Anish Shah: Yes, Mihir on partnerships, I'll share a few thoughts. First is we are very open to partnerships, as long as there is a clear objective that's shared between both partners. When we look at a partnerships that you referred to Renault and Ford from 20 years ago, they were very successful in terms of partners achieving their objectives, and which is where we looked again at Ford in a recent partnership. And there I would say that we have tremendous respect for Ford and the leadership team there. It's a great group of people, it was just where we found more recently that our objectives were not fully aligned. And that didn't make sense to then to get into a partnership where you have different objectives. We are today focused on the future of auto, we are focused on EV, we are focused on growth driving that space, and those are areas where we will look for partnerships where we have a full alignment of interest.

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

Binay Singh: If you could talk about two things, one is that we will see product mix shifting towards XUV700. So, will that put pressure on margins and secondly, the leverage gains when we look at automotive run rate significantly lower than what you used to do at the peak. So, if volumes were to normalize what kind of leverage gains can we see on the automotive side in the margin. Thanks.

Rajesh Jejurikar: I have kind of answered this question earlier. So, Anish there are lots of questions. I don't want to be very long in responding to that. But margins are driven like I said by multiple things. Firstly, we have multiple businesses in the auto portfolio, there is SUVs, there is LCV less than 3.5 tonnes, there is trucks and buses. So, you see a blended margin across business units. Within the portfolio of each of course there are multiple margin, then there's the evolution of new products, which obviously we are going to price aggressively in early phases. And as I said earlier, when we create success we are able to take prices up and margins improve. And we are seeing an unprecedented cost cycle at the moment commodities, freight, everything is on an off cycle. So, over time, we believe that commodity will correct, our ability to take prices will go up and we are going to improve our business unit and model mix portfolio. So, when we talk about an +18% ROCE over a three year period in auto, we are factoring in the fact that we will improve our margins from multiple areas.

Binay Singh: And any comments on the operating leverage point because that also would have been a significant hit to margins today?

Rajesh Jejurikar: It is a hit to margin because volumes are nowhere near what we want them to be unfortunately. So, there is a clear upside that's going to come out of operating leverage as we have significantly improved our cost structure. So, when cost structure is improved so dramatically, we're going to see upsides as volumes pick up.

Anish Shah: On that context, Binay I would also add that even when we talk about the XUV700 and you mentioned the question, someone else mentioned earlier, aggressive pricing. But as we look at what's happened there, we effectively raised prices twice in two days. So, we started with a certain price for the first 25,000. We had a higher price for the next 25,000 and then after that there's a higher price that will be applicable when the car is delivered. So, if you look at that journey, combined with the fact that the model mix in XUV700 is also geared very much towards the high end. And here is a operating leverage that comes in with that, we will have some good numbers overall, in terms of margins for new vehicles as well.

Binay Singh: And with that, will it also be fair to, could you comment on the ASP expansion that we saw in the automotive side, we've seen quite a nice jump in automotive ASP is on a sequential basis. Any sort of one off you would call out and how would you look at it going ahead?

Rajesh Jejurikar: I guess it is mix and the fact that we've taken price increases and the price increases are probably more aggressive on the higher end model. Manoj, I don't know if you want to add anything?

Manoj Bhat: I don't have anything to add to it.

Sriram Ramachandran: Thanks Binay. The next question is from Chirag Shah of Edelweiss. Chirag. If Chirag is not ready, then next question is from Nitin Arora of Axis. Can you take Nitin online.

Nitin Arora: I am sorry Rajesh if I ask you again on the auto business, because my question came late but, straight question you're trying to, I'm asking this question because a very nice visibility beyond the FY25, 27 I understand there are changes, there are challenges right now, but in the auto business, there was a tweet in the morning saying that Mahindra will supply 14,000 XUV in January itself. So, the question is more, because when we look at your stock backlog today, a company which does 15, 20,000 units on a monthly basis standing on a 1,60,000 backlog, optically once this paper thing comes to the execution optically your market share will look very big. So, the question more is that, is there any other challenges are you facing apart from the supply chain on the chip side, because some of the OEMs, and the Koreans or the Japanese OEMs are still improving day by day on the chip side. So, what I wanted to know, is the visibility for the next six to eight months timeframe in terms of execution, number one and number two street believes that you will not make money on these backlogs because these are very aggressively priced products. So, I understand you have given us FY25, 27 visibility, is it possible to guide how the margins of an auto business will look like in the next one year, because you have the booking in your hand, you know which product people have booked with you. And when you do the execution, I'm sure you would have the certainty on that. So, those are the two questions very straightforward. Thank you so much.

Rajesh Jejurikar: Okay, Nitin. I am going to try and give you as straightforward a answer as I can. We are making positive margin on the XUV700, it is not priced to loose. So, now how that is comparable to the rest of the portfolio is not something I'm going to be able to get into today. But it is a positively priced, positive margin product. And so are all our other brands and products. I would kind of go back to what Anish has been talking about over the last year which is delivering ROCE and ROCE is a function of multiple variables. We just had a discussion around operating leverage. So, at the end of the day, we are going to have to balance margins, volumes, market share gain, ROCE. So, the two things we are focusing on at the moment, is how do we deliver market share, which gives you confidence that we are playing a game which is successful. And we've heard over the last two years consistently that we are not able to execute a successful SUV strategy, now you see that play out. There is a successful SUV strategy, we've got four very, very successful launches in the last year and a half or two. And we are going to have a fifth one, which is going to be very successful as well. The critical thing is now, so that's one way to put in. The second is to manage our cost to optimize margins, and it is an exceptionally bad commodity situation. You see everybody's margins, whoever are published and our margins are much better than them. And then how are we going to optimize capital in a way that we are able to give the right return. It's a function of these three things and at the end of the day, we should be clear which of these three we want to prioritize, what we are prioritizing market share and ROCE.

Anish Shah: I will just add that, we feel very comfortable around where margins will be, though there are many variables that do not allow us to give a direct answer to what that number is. But if I were to just build a little more on what Rajesh said, our 700 pricing started with positive margins in the first instance, they were further enhanced when we increased pricing for the next 25,000. And they were built based on a commodity price that was extremely high because this is more recent. So, this is not pricing that was done in the past. So, given all of those things and you combine operating leverage with that, and what the product is and what it will deliver, our sense right now is it is going to be a very profitable product. Now what those numbers are, we will have to wait to see what happens over time. But, as we had multiple questions on pricing of XUV700 so wanted to address this very directly.

Sriram Ramachandran: Thank you. So, with that we come to the end of this conference. Thanks a lot, all the participants for taking your time and being here. And also thank you Rajesh, Anish, Manoj and others. It's been a two long days of back to back meetings and thank you for doing it the evening of the second day of the board meetings. Thank you all, and stay safe.