

REF:NS:SEC:

16<sup>th</sup> November, 2022

**National Stock Exchange of India Limited**  
"Exchange Plaza", 5<sup>th</sup> Floor,  
Plot No. C/1, G Block  
Bandra-Kurla Complex  
Bandra (East), Mumbai 400051.

**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai 400001.

**Bourse de Luxembourg**  
Societe de la Bourse de Luxembourg  
Societe Anonyme/R.C.B. 6222,  
B.P. 165, L-2011 Luxembourg.

**London Stock Exchange Plc**  
10 Paternoster Square  
London EC4M 7LS.

**Sub: SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 - Disclosure of Transcript of the Analyst/ Institutional Investor Meeting**

This is further to our letters bearing REF:NS:SEC dated 8<sup>th</sup> & 9<sup>th</sup> November, 2022, wherein we had given you an advance intimation of the upcoming Analyst or Institutional Investor Meeting in terms of Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 .

The Company had virtually conducted M&M Q2FY23 Earnings Con-Call with Several Funds/Investors/Analysts on 11<sup>th</sup> November, 2022 with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the Second Quarter and Half year ended 30<sup>th</sup> September, 2022 in Mumbai and the Presentation(s) made thereat along with the weblink of the Presentation(s) and weblink of the Audio Recording of the said Earnings Con-call was submitted vide our letter dated 11<sup>th</sup> November, 2022.

The Transcript of the aforesaid M&M Q2FY23 Earnings Con-call with Several Funds/Investors/Analysts is enclosed herein and is also available on the Company's website and can be accessed at: <https://www.mahindra.com/resources/investor-reports/FY23/Earnings%20Update/TRANSCRIPT-MM-Q2FY23-Earnings-Call-11th-Nov-2022-FINAL.pdf>

Please note that no unpublished price sensitive information was shared/ discussed in the aforesaid Earnings Con-call.

Kindly take the same on record.

Yours faithfully,  
**For MAHINDRA & MAHINDRA LIMITED**

**NARAYAN SHANKAR**  
**COMPANY SECRETARY**  
Encl: as above



“Mahindra & Mahindra's Q2 F23 Earnings Conference Call”

**November 11, 2022**



**MANAGEMENT: DR. ANISH SHAH – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, MAHINDRA & MAHINDRA LIMITED**  
**MR. RAJESH JEJURIKAR – EXECUTIVE DIRECTOR, AUTO & FARM SECTORS, MAHINDRA & MAHINDRA LIMITED**  
**MR. MANOJ BHAT – GROUP CHIEF FINANCIAL OFFICER, MAHINDRA & MAHINDRA LIMITED**

**Sriram Ramachandran:** Hello, everyone. Good day and welcome to Mahindra & Mahindra Limited Q2 F'23 Earnings Call. We are indeed glad that all of you could join the call today.

Before proceeding with the call, I will just read the Safe Harbor Statement. Certain statements on this conference call with regard to 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 & Farm Sector; Mr. Manoj Bhat -- Group CFO; and other Senior Management from both Auto & Farm and Corporate Team are here.

We will begin with the Management Presentations followed by Q&A Session. Please use the raise hand option to put yourself in the question queue.

Now I hand over the conference to Dr. Anish Shah for his Presentation. Over to you, Anish.

**Anish Shah:** Thank you, Sriram. Good morning, good afternoon, good evening, everyone. We're glad you can join us today, and we'd love to take you through the results for the quarter and a quick update on what we've committed versus what we've delivered and where we go from here.

So, let's start with the key messages. What you will see or have seen from the results is that Auto is driving a very strong standalone financial results. Revenues up 57%. at the M&M standalone level, profits are up 46%. Beyond Auto, a steady performance across group companies, results in consolidated revenue being up 39% and profits up 44%. And we continue a value unlock journey. We've seen Ontario teachers come in and invest in Susten to help take that business forward on a very strong growth path.

And we've launched a platform for our Lifespaces business MLDL with Actis, which brings in capital into an area of business that could be very valuable for MLDL going forward.

A quick look at Standalone Results: Revenues up 57% for the quarter and 61% year-to-date. PAT after EI up 46% for the quarter and 54% year-to-date. And as you will see, Auto is driving a big part of this performance, though a very strong Tractor performance has healthy overall standalone results as well.

If you look at consolidated, what we see is PAT before EI is 3%, higher, but PAT after EI is 44% higher. There is a fair value gain from a stake purchase in Swaraj Engines, as well as stake purchase in Sampo, which have contributed to this gain, which is a one-time event, and therefore we have shown that separately.

The question though is with a strong standalone performance, why is consolidated PAT before EI up 3% only? And the answer to that actually is, it's a strong performance, but it's driven by the events we saw in Mahindra Finance last year. Because what we saw there last year was a

very high level of provision in the first quarter of Rs.2,500 crores. And a 106% of that provision was reversed in the subsequent three quarters.

So, what effectively happened is, you have a big loss in Mahindra Finance last year first quarter, and therefore this year first quarter, the year-over-year comparison was fantastic. Our first quarter results were a consolidated PAT before EI was up 5.2 times. And at that point also, we explained, that is an anomaly driven by the provisions that Mahindra Finance had last year. And similarly, what we will see over the subsequent three quarters of the year, is that because Mahindra Finance had much higher profits last year driven by the provision reversals, even a good performance this year is overshadowed by the provision reversal last year, and therefore year-over-year, we see a reduction in Mahindra Finance. And therefore, if we look at numbers excluding Mahindra Finance, we see 25% growth in PAT before EI and 86% growth in PAT after EI.

As we review the segments, Auto and Farm profits up 58%. TechM and Mahindra Finance were 32%, primarily for what I explained right now. Growth Gems are on a good path overall. What you see here is some reduction in the profits. It's driven by some one-offs that were there last year and some COVID-related benefits in a sense of holidays and so on. But as we look at the value unlock with Susten and MLDL that we talk about, and Logistics acquisition of Rivigo, we see our Growth Gems on a very strong path here.

And Investments, which is including FOREX and other things is basically to provide the complete picture, small numbers here, and don't really impact the overall numbers for M&M.

Let's take a step back and talk about the commitment we made. We started two years ago by committing to a path to 18% ROE. And as you see on the right hand side, year-to-date, we've delivered 20.5% ROE.

We also talked about growth. And that commitment came in almost a year after the capital allocation commitment. And at that point, we said, we will do a 15% to 20% growth in EPS for the next five years. At that point, F'21 was the base. What you see on the right hand side is that... if we keep F'21 as a base, we are currently greater than a 100% annualized growth. And if we were to close F'23 at a same pace as we closed in the first quarter, then it's significantly higher than 100% CAGR.

So, what we're going to do now is reset the bar, make it higher, and have F'22 to be the starting point essentially from which we will look at a 15% to 20% growth for the next five years... and hopefully we'll reset it again as we go forward.

The third thing we promised was value creation with our Growth Gems. We talked about a path to a billion-dollar valuation in three to five years, which at that point was worth Rs.7,500 crores. MLDL is the first to touch a billion and then pull back slightly. It's at Rs.6,300 crores right now, almost a 6x increase in the last two years or two and a half years. Susten has started their journey

with Ontario teachers coming in at a valuation of close to Rs.2,400 crores. We are on a path that will get us to 7 GW at Susten, and that will take us to a valuation of a billion dollars.

Beyond that we've talked about leading ESG. A number of tangible actions in that space. The most prominent one being focus on renewable energy across all our group businesses and really playing a leadership role at the World Economic Forum with regard to stakeholder capitalism. A number of different actions there though we haven't covered all of them.

And with that, allow me to invite Rajesh to take you through the Auto and Farm sectors.

**Rajesh Jejurikar:**

Good morning, good evening, all of you. Good to be with you again.

Next slide. So, I'm going to walk you first through the highlights of Q2 on the Farm side. And as you can see here, we maintained our Q2 market share, but on a YTD H1 basis we gained 50 basis points and on the YTD October basis we gained 80 basis points. This is our highest Q2 volume and our highest Q2 export and we saw sequential improvement in margin from 16% to 16.4%.

On the Auto side, we continue to be strong on the SUVs where our revenue market share was at 19% and we maintained a #1 position on revenue market share. We also had a 19.3% market share by volume in September, and in September and October we were #1 by way of volumes market share in SUVs. This is the highest ever volumes in a quarter in Auto, 174,000. SUVs grew by 85% and Pik-Up grew by 86%.

We continue to be #1 in electric three wheelers with the quarter market share of 67% and the highest quarterly billing of 10,600. Again, on the Auto side, our margin improved sequentially from 5.7% to 6.1%. Auto Farm standalone results reflect a 58% growth in revenue and a 61% growth in PBIT.

And when we look at the consolidated for auto plus farm together, again it's 52% growth in revenues and a 55% growth in PBIT. This is the sequential margin. On the FES side, it has gone up from 15.7 to 16 to 16.4. On the Auto side from 5.6 to 5.7 to 6.1.

There have been a lot of questions from all of you around how we're doing on Auto margin. Q3 of last financial year F'22, we had said we have a 3% upside in Auto margins over a medium term. You can see that we've already realized 2.4 out of that 3 that we've spoken about; 3.7 has now gone up to 6.1. This is led by the end of introductory pricing for two products; 700 and Thar, a structured cost reduction program and operating leverage kicking in and we'll talk more about these as we go ahead.

This is cost optimization for Auto and Farm segments combined together. So, on the top part of the chart, what we see is a reduction in fixed costs, including personnel costs. In this year, we see an annualized saving of Rs.570 crores over the F'19 base. We've also done fixed costs as a percentage of revenue. And as you can see, if F'19 was x, we are at x-minus-460 basis points.

And we've broken that up for you by way of how much is cost and how much is operating leverage, as 250 basis points around cost and 210 basis points around operating leverage. You also see the effective reduction that we've achieved in material costs and this is without commodity inflation which is basically coming out of value engineering and negotiations.

I will now get into the FES part of the business. The rainfall, as you can see and you know has been reasonably good at an overall level of 6% above LPA. And you can also see the geographic skew. So, West, Central and South has been good and East has been bad, North has been okay. Though we have seen some excessive rainfall, especially in the South in Karnataka and so on, which has not been very good in the short run to have excessive rainfall. Reservoir levels are at a good level. These are the four key levers that we talk about and we'll touch briefly on each of these right now.

Market share, as I mentioned earlier, we've seen a 0.8% improvement from April to October. A very successful launch of Yuvo Tech where 12.3% of our first half volumes of tractors came out of a new product. Farm Machinery revenue grew 36% year-on-year. And our critical projects like K2 are on track. This captures how we're doing in our global subsidiaries. Overall, we have good profit. Quarter profits continue in the global subs. The highlight on this side is the Brazil performance which gets stronger as market share is now at 7.4% in the less than 100 horsepower, and we see very good traction in that market.

Moving to the Automotive business. The year-on-year performance that is Q2 to Q2 went up in revenue by 1.9x and in profits by over 4x. So, it's been a strong performance by auto coming back to Rs.903 crores profit.

Next slide. These are the key levers we will talk around. We highlighted these and we'll talk about our progress. So, our volumes as you can see, had gone to a level of 14,000 in the SUV portfolio; they're up to 34,000 in September and stayed above 30,000 in October as well.

We'll talk a little around what we're doing to enhance capacities. Revenue market share shown a strong upward trend. And as we've mentioned earlier, we continue to be #1 in revenue market share over the last few quarters, but also #1 in volume market share in September and October.

This slide captures our current bookings as well as the open bookings. We have 260,000 open bookings as on 1st November. Overall demand momentum continues to be very strong and Scorpio-N of course as we know has been very successful launch. But Scorpio Classic which is the refreshed version of the Scorpio, also sees a very-very strong momentum on demand.

It was an action-packed quarter and you can see we started with an announcement around the British International Investment in investing in our EVCo with a valuation of 9 billion. With the booking opening of the Scorpio-N, the Jeeto CNG launch, the Maxx Pik-up launch, both of these have done very well for the segment and I'll talk about that when we come to LCVs.

Scorpio Classic has done very well. The BEV Design Reveal which we did in Banbury in UK on 15th August and the announcement around strengthening of the Volkswagen partnership.

Launched the Treo Zor brand, the Reveal of the XUV400 and the launch of the XUV300 TurboSport.

We've spent time separately talking around this with the two-brand strategy for Born electric, INGLO platform and the variety of co-products that would come out with the dates that are mentioned there

The ALL ELECTRIC C segment SUV XUV400 is ready for starting manufacturing next month and we will start bookings in January and hopefully start deliveries by end of January.

This is a slide I'll spend a minute or two on explaining to you the capacity expansion plans. In Jan-March calendar year '22 which is Q4 of F'22, our capacity was 29,000... you can see the breakup there. The end of the current financial quarter which is calendar year Jan-March, the capacities will go up to 39,000. And the end of the , financial year F'24, which is calendar year Jan-March '24 before will go up to 49,000. This does not include the capacities for the BORN ELECTRIC, which will be on top of this.

The LCV 3.5-ton category is where we are the market leader. We had lost some share mainly due to supplies. But you can see that we've recouped that very well; we had 46.9% market share in Q2. And the two graphs below are a break-up of the above chart on the top. The zero to two tons is where we've seen a very good improvement with the launch of the Supro Truck and now the Jeeto CNG. The LCV 2 to 3.5 tons which is really the Pik-up category has also seen our market share come back and it's got strengthened with the launch of the Bolero Maxx Pik-Up which has done extremely well and especially helped us gain market share in markets like South, where we were traditionally not the leaders... I should clarify traditionally not the leaders in the lower end of that segment not in the large pickup, but in the small pickup.

The electric three wheelers have done very well again with the billing of 10,600 and market share of 67.2. We launched the Treo Zor Grand which has got a very, very good response.

In summary, these are our highest ever revenue, with the second highest ever PBIT, Farm sequential margins improved, Auto sequential margins improved as well, Auto revenue grew to 2x with a 4x increase in PBIT, our Tractor market share went up 0.8% in the period April to October, Auto maintained its leadership in the SUV segment and last mile electric mobility vehicle three wheelers continue to do well.

With that, Manoj, over to you. Thank you.

**Manoj Bhat:**

Thank you, Rajesh. So, a quick summary. In terms of revenue growth, 57% revenue growth. In terms of EBITDA, I think, as Rajesh mentioned, I think Auto drove both revenue growth and margin growth, I think a very strong performance from Auto in terms of EBITDA growth.

Moving to the next slide. If I look at PAT before EI, the growth was about 38%. During the quarter, we had negative EI in the standalone books of about Rs.240 crores across multiple entities. If we compare PAT after EI, I think the growth has been about 46% which is compared to Rs.1,433 crores going to Rs.2,080 crores.

If I look at the consolidated view, again, it's coming out clearly, Auto is driving the growth; I think 85% growth on a consolidated basis. Farm, despite at the beginning of the year, we had certain concerns on the market, it's turned out to be a very steady performance of about 12%.

On the group companies, I think multiple group companies have done well. Calling out a few which are unlisted, I think Accelo has done really well, our car and bike or Mahindra First Choice Wheels, that's almost doubled revenue on a year-on-year basis, Logistics has done well. I'll touch upon a few of them as I go along. If I come to the consolidated M&M PAT before EI, as Anish explained, I think the before EI is about 3%. And I'll talk about Mahindra Finance in a subsequent slide.

But coming to the EI element, I'll explain a bit about the fair value play. So, during the course of the quarter, we bought a 17.4% stake in Swaraj Engines and completed the balance stake purchase in Sampo. So, Sampo has become 100% subsidiary while Swaraj Engines has become a subsidiary.

As part of that under IND AS, we have to do a fair valuation of the entire stake when it moves from, in one case associate to subsidiary and in other case a joint control company to subsidiary. So, a bulk of this EI is coming from that fair value gain. And that's why I think as Anish also mentioned, we have called it out separately.

I think coming to TechM, a good quarter from a TCV perspective, about 700 million in wins. Of course, I think there is a continuing demand for transformation projects. I think from a focus on operating margins, there was a sequential improvement in profit margins and a free cash flow improvement also. So, while year-on-year, I think the overall profit after tax is a bit down. But I think the effort there is to improve some of the operating metrics in the business.

On Mahindra Finance... this is what Anish was explaining, if I take the left hand chart in Q1 last year, we had a provision of Rs.2,500 crores, which during the course of the year was written back as the collections improved dramatically over the course of the year. And on the right hand side, you have the current year. So, if you look at the Q2 last year versus current year, there's a gap of about 400-odd crores in the provision write-back which is impacting the reported profit and hence Mahindra Finance, but otherwise the business is in good shape. I think collections are very, very good. In fact, disbursements are up and we are seeing good level of performance from the business overall.

Some of the Growth Gems Logistics, as I mentioned, good growth. I think driven by Auto and some of the recoveries in other segments. They've announced the acquisition of Rivigo, which



is an Express B2B business and then overall operating margins are recovering from last year levels.

On Hospitality, the India business continues to do well. And that is part of the overall behavioral trend change in India.

If I look at European business, because of the current situation, there are some challenges which they are working on. If I compare last year to this year, last year had some benefits coming from rent waivers, etc., which are no longer in effect, hence, you're seeing some impact on profitability.

And if I finally go to the Real Estate business, the institutional business continues to do well. We also tied up with Actis to create a platform for industrial and logistics segments and overall retail sales continues to remain strong. So, I think these three businesses continue to do well.

Finally, just a reconciliation, which is summarizing our movement in PAT after EI from last year to this year. Auto and Farm, as we mentioned, driven by Auto largely. If I look at the drop in TechM and MMFSL, it is largely as I said Mahindra Finance and then finally EI is largely about the fair value accounting which I explained in the past. Thank you so much.

**Sriram Ramachandran:** First question comes from Aryn Pirani of J.P. Morgan. Please go ahead.

**Aryn Pirani:** My first question is actually a clarification on the upcoming BS-VI Phase-II and how it might impact the SUV business. So, first part of the question is on the potential cost increases, because some of your peers have given a very high-cost impact on the diesel side. We know that your number has been on the lower side. So, some clarification on that. And secondly, will the implementation be in the same way how we saw during BS-IV to BS-IV, in the sense that do you have to clear the inventory at the dealer end and will that lead to one or two months of some wholesales destocking?

**Rajesh Jejurikar:** Aryn, hi, thanks. Let me clarify both for you. The second one is kind of what we are preparing to do rather than a clarification. So, our cost increase, we can confirm is nowhere near what some of our peers have said. It will be in the region depending on product between 9,000 and 15,000 per vehicle. That's a clarification you're seeking. On the implementation period, the regulation still is supposed to be on the date of manufacturing and not on the date of... which means it should not be on registration or retail. However, we don't know if there'll be any intervention like happened at the last minute from the courts and so on. So, we are preparing ourselves for that. And we will hence make the transition to the BS-VI point to adequately in advance to make sure that end March pipeline is relatively clean and anything else can be an upside from there.

**Aryn Pirani:** Secondly, on the LCV side and the overall auto margin, you may not want to give the details, but LCV historically has been a very polarized market. You lead in one category, significantly, the other guy leads in the other category quite significantly. But we are seeing that you are now

starting to make inroads in the lower segment. So, how sustainable is that? And secondly, some of your peers have reported very divergent trends in CV margins. So, when we look at the auto margin and the improvement, is LCV also moving in the same direction, or are there some competitive pressures coming on the LCV side, if you can help us on that?

**Rajesh Jejurikar:** Amin, you rightly said I'm not going to answer that question. However, directionally we are not under any competitive pressure on the LCV side. We're not doing predatory pricing to gain market share. It's the product which is enabling us to do that and margins on both the segments of LCV are healthy.

**Sriram Ramachandran:** The next question is from Jinesh Gandhi of Motilal Oswal. Please go ahead.

**Jinesh Gandhi:** My first question pertains to tractors. So, we have seen a reasonably good recovery during festive. So, what was the retail sales growth we saw during the festive season and what is our renewed outlook for FY'23 for tractors?

**Rajesh Jejurikar:** The retail in the festival season was pretty good, close to double digits. However, we are not changing significantly our outlook for the full year at the moment, because last year Q4 was an a pretty high base. So, we would wait and watch. So, we're staying with the full year outlook in the region of 5%-plus. So, we've said 5% earlier, we think it can be somewhere between 5.2% and 6%, 6.5%. But we are basically staying with the region of 5%.

**Jinesh Gandhi:** Secondly, with respect to the RM cost impact, did we continue to see inflation in 2Q or benefits have started to come in, and effectively what kind of savings do we expect from 3Q onwards?

**Rajesh Jejurikar:** Is the question related to tractor, auto or -?

**Jinesh Gandhi:** Both the businesses.

**Rajesh Jejurikar:** So, clearly, some of the commodities have started coming downwards. The effect of those commodities in the different product groups differs depending on the composition of materials. On the Auto side, there is a far greater import content even if it is by way of tier-two of suppliers. So, there is a foreign exchange effect which is negative even in a declining commodity price situation. So, clearly effects of commodity reduction are coming in and we expect them to come in more clearly between Q3 but more trending towards Q4.

**Sriram Ramachandran:** The next question is from Kapil Singh of Nomura.

**Kapil Singh:** On the capacity expansion, my first question is on that itself. So, if I see, the plan we are taking for Scorpio-N capacity to almost 10,000 per month by Q4 FY'24 and Scorpio Classic of about 5,000 a month, almost 15,000 a month for both of these together, and similarly for Thar Family, I imagine Thar 5 Door is also coming but we are keeping it at 6,000. So, could you just talk through what is happening there, is there some product intervention with Scorpio-N that will take it or do you think the current demand itself is strong enough and similarly for Thar 5 Door, why don't you think that it should be a higher number?

**Rajesh Jejurikar:** On Scorpio-N, we expect this momentum to continue and we think 10,000 is a reasonable capacity at this point of time, we have not even started exports. So, this is as you know we have about close to two year wait period and we are still getting orders way more than the rate of production that we have at the moment. So, we think we should prepare for that. On Scorpio Classic, actually demand is higher than the capacity that we have planned as things go and we will have to wait and watch and see how that's going. That 5,500 number does include exports of Scorpio Pik-Up as well as we have said on the slide. So, it is actually 4,000 plus 1,500. So, that's on the Scorpio piece and we feel very comfortable with that. On the Thar piece, this doesn't include the Thar-5 Door and is primarily around the current portfolio product. There are a few versions of Thar that we will see coming out in the Q1 and we think that the demand will be in the region of 5,000-6,000 a month, that's without 5-Door, with 5-Door, the capacity will go up further. We are very optimistic on Thar 5-Door, turning out to be very good.

**Kapil Singh:** Yes, that's what I thought. But it will come out before Q4 FY'24, right?

**Rajesh Jejurikar:** It's going to be timed around that time. We haven't announced the time, but it will be in calendar '24.

**Kapil Singh:** The second question is to you, Anish. You set some bold target and great to see the company hitting both on cost reduction as well as ROE. You are known for setting bold target. So, from hereon on cost reduction and on ROE, how do we see the evolution in terms of margins, are you going to set some new targets on cost reduction? Also, if you could take into account the fact that some of the electric vehicle portfolio will be expanding both on electric side as well as on SUV side. So, with that together, is there hope for reviewing this target on margins and on ROE?

**Anish Shah:** Kapil, let me take that in each of those categories, first, with regard to ROE, we don't expect to set a target higher than 18%, because we are now in growth mode. We wanted to make sure we could get to that target and actually as you have seen we have done that much faster than what we had initially planned for. But we feel that's good return for shareholders unless we hear different from investors, we will maintain 18% or higher as we go forward, but really be a lot more aggressive in driving growth, because we have the capability to do that and that's where the EPS growth numbers come in. And there again, we have been able to deliver far higher than what we had initially expected and what we had committed, and it's something that we will continue to push more for. So, the maximum push is going to be towards scaling up our businesses to growing our businesses. Cost reduction will continue. And that's something we will be prudent on, we have always been good at that, at the same time, we will just make sure we are not cutting too thin because we want to be able to drive growth. So, with the discipline that we have on cost reduction and ROE, we will take our energies and really drive growth with that. Then to your question on EVs and margins, I think, what will always happen is with new launches, you will see some impact on margins in the auto business because that's the model that is there, but by that time, a number of our products should be mature, should be able to withstand the slightly lower losses from the new margins. and what we have seen here, we have again delivered on margins faster than what we promised. We had talked about a 300 basis points increase a year ago. At that point, we had said in the medium term, we were thinking of

somewhere in the range of two years to be able to get there. But we've achieved 240 of the 300 basis points already. And we should be able to get past the next 60 and continue on that margin front. We do see more upside on margins for us as we go forward. And therefore, we're not worried about the slightly lower margins that we will see at any launch.

**Sriram Ramachandran:** The next question is from Raghunandhan of Emkay Securities.

**Raghunandhan NL:** So, my first question is on the model launch cycle. There is a gap between XUV400 launch and the dedicated EV launches starting from end of CY'24. During this period, no major launches are expected. How would you keep the focus on stimulating the market, would the focus be on variants and refreshes like Bolero, Thar 5 Door, your thoughts on that?

**Rajesh Jejurikar:** Raghu, you meant what will we do holistically or only in EV space?

**Raghunandhan NL:** On the four wheeler space, sir.

**Rajesh Jejurikar:** Raghu, like you rightly said, we've done with the major launches, which is the 700, Scorpio-N and 300, Bolero Neo, Thar. All of these are now giving us a very strong portfolio of products. I did mention that we're doing a few versions on Thar, which will come out in the coming quarters, and then we have the 5 Door as you said. There will be other refreshes as well. And then, of course, we have the 400 which itself is going to be a very exciting launch. So, that's basically we're talking about a year and a half or so, and we think there is enough between the current portfolio products and what we are planning to keep the market excited.

**Raghunandhan NL:** The order book is strong at 2,60,000. How do you see the model mix, does it continue to remain skewed towards higher end models? What would be the monthly bookings for XUV700 and Scorpio-N? I am trying to understand that capacity expansion.

**Rajesh Jejurikar:** The chart that we've shown actually has the monthly bookings on each of these products and they are at the moment closer to what we are taking up as capacity expansion. So, we're getting 8,000, 9,000 bookings of each of these, and as I mentioned earlier, this is without even starting any exports of these products. So, we feel reasonably comfortable with getting to utilizing this capacity. But even if we don't, the cost that we're investing in capacity expansion is not that high and we must keep that kind of headroom available to leverage opportunities. So, basically, lot of the investments are going into balancing capacities like specific aggregate or something like that. So, we feel comfortable with the level of bookings that we have. The current level of bookings that are coming in are in the region of 8,000, 9,000 a month for 700 and Scorpio and that's while quoting 18, 20 months wait period on most of the versions. The versions that are selling are still very skewed to the higher end.

**Raghunandhan NL:** On electric four-wheeler, there are hatchbacks and compact sedans launched by competitors that are being well received. Do you plan at bringing back electric hatchbacks and sedans of Mahindra, which were discontinued?

- Rajesh Jejurikar:** No.
- Sriram Ramachandran:** The next question is from Chirag Shah, erstwhile Edelweiss, Nuvama Securities.
- Chirag Shah:** My first question is for Anish. With respect to the investment portfolio that we have, you have been very vocal about Mahindra Finance and it seems to be delivering as an investor for M&M. Now, as an investor in Tech Mahindra, what are your thought processes, what benchmarks you are looking at and delivery timelines because in overall scheme of things it plays a very big role for M&M value creation as such, and prima facie it appears that it seems to be lagging slightly versus the peer side on quantitative terms?
- Anish Shah:** Chirag, you are right about Mahindra Finance. We have shown significant progress, and net NPAs are down to 2.9% this quarter, which is something that we had been planning for, and has really created, in a sense, a positive surprise for many. But it was part of the story we had outlined for Mahindra Finance saying this is a path to getting a business which is a solid business with a strong earnings potential and more stability in its NPA profile. And you see that not only on net NPAs, but also at the gross NPAs level, both for stage-II and stage-III. So, there's an inherent improvement in that business. I would say that we're not done as yet on that. I think there's still a lot more potential there, not just from an asset quality standpoint, but also from use of technology and data, and a lot of work is underway on that front. So, I do believe that Mahindra Finance still has a good way to go in terms of value creation for us and our shareholders -
- Chirag Shah:** My question was for Tech Mahindra that you have not been vocal about.
- Anish Shah:** I'm getting to Tech Mahindra, Chirag. I fully understand your question. I just wanted to give the context of Mahindra Finance first. On Tech Mahindra, you are right as well, that we are a little further behind in that journey as we are for Mahindra Finance. Margins is one key area of difference between us and our competitors. And there are again a number of factors that are driving that. The team is focused on it now. They have a number of initiatives underway. These are things that do take some time to change, just given the magnitude of the impact it can have. And I would just say that we are early in that process right now. We will come back with more definitive steps and actions on that, and a path and a timeline as we did for Mahindra Finance.
- Chirag Shah:** My second question is on the commodity side. You alluded to it. From here on, what kind of benefit can we expect on the commodity basket, directionally if you will indicate because it would be really helpful to understand the commodity impact for M&M, and given that your product positioning is today, you are in a very good position to retain most of them? So, that's why this specific question for Manoj or Rajesh, anyone if you want to answer.
- Rajesh Jejurikar:** Chirag, there are multiple factors at play. So, steel clearly is coming down, but there's a certain proportion of steel. Semiconductor shortages is not allowing us to leverage benefits in that because as we ramp up volumes, we are not able to get benefits because of the kind of pricing impact that comes into play. The other is the role of the dollar because on everything that is imported in the foreign exchanges is a dampener. So, there are balancing factors. On the net, we

will see gains, but it's very hard to see with these multiple forces at play. The proprietary parts in an Auto is a much higher percentage of the cost than in, for example, in tractors. And proprietary parts are not necessarily coming down at the commodity cycle. So, there are multiple factors at play here, Chirag. So, it's very hard to give a specific number, but like Anish mentioned, we expect the margin trajectory to keep improving as we go forward.

**Sriram Ramachandran:** The next question is from Pramod Kumar of UBS.

**Pramod Kumar:** Rajesh, on the auto side, you've already kind of said about in the automotive EBIT margin. But given the expected price increase for competitors on RDE, do you see that you could probably further improve the profitability of your automotive operations because a) you have XUV... you haven't had the full quarter of XUV full pricing yet and Scorpio, so that's ideally should be coming in from 3Q and post RDE ideally you should be able to take prices higher than your costs given the competition is talking about much significant cost increases. So, our edge in the marketplace will only get better. So, given all this, is there a potential that we can easily go past the peak automotive EBIT margins what you have done?

**Rajesh Jejurikar:** Pramod, just a one word of caution firstly before I respond to your specific question. When we look at a comparison with the past by way of what was the peak margin that's achieved, we have to correct for the numerator, denominator effect to the margin on cost. That is not unsubstantial, I mean, it was to the extent of 1.5%, 2% just in the transition to BS-VI happened. So, with every such either BS-VI transition or commodity price inflation that we've seen or the regulatory changes that are coming in or now the BS-VI.2, we're not able to at every time pass on the margin on the margin. And even if we are able to pass on the cost, the percentage margin does get impacted. So, when we are comparing with our peak margin, I think our peak OPM was in the region of 14%-odd in auto, which is in the region of 10% now. So, you at least correct to two to two and a half of that just which is the denominator, numerator effect. So, then the gap is not as much. So, I don't necessarily think that percentage margin in an commodity inflationary environment like we are is the best way to look at it, it's probably better to think about it as margin per vehicle, and multiplied by the growth story of number of vehicles that we sell, where we will see a much greater increase in absolute profit opportunity. That being said, let me still try and answer your question... I just thought, let me put that as context. Is that helpful, Pramod?

**Pramod Kumar:** Yes, absolutely.

**Rajesh Jejurikar:** Just to just to create a kind of not necessarily blindly compare with historical levels, but just correct for the role that inflation is playing, where we're not able to add margin on cost at every stage of cost increase. That becomes easier to do when the environment is not inflationary. While competitors may be talking about what their increase in BS-VI.2 costs are, let's wait and see how it plays out by way of pricing opportunity. Any opportunity that we will get to take price increases, we will, without losing the sweet spot value proposition and the volume momentum. So, that's always a balancing act. You've seen us do that very effectively in Thar and 700. where we recouped margins as soon as we've got out of the introductory pricing period. And we would continue to do that, but we will do that very cautiously. In Thar, you will see some actions that

we are taking, which will keep our price points attractive and intact. So, I think we have to do that without losing volume momentum, and I'm sure all of you will agree that volume momentum in this business is the biggest driver of absolute profit.

**Pramod Kumar:** On the EV side, Rajesh, if you can just help us understand outside of the Volkswagen alliance, the partnership, what are the kind of in-house capabilities what Mahindra is looking towards specially on the electric and software architecture, if you can just help us understand what kind of in terms of all this is going to be in-house rather than dependent on external vendors, trying to understand whether the insourcing of technology and in-house are stepping up meaningfully for us as we transition to EVs?

**Rajesh Jejurikar:** That's a great question,, Pramod. Honestly, that's something we grapple with all the time. But what we've concluded right now is we need the right mix of the skills we build in-house versus the leveraging of outside partners in the area of software and new tech. Let's take the example of 700 and that will help us think about the journey as well. 700 has very, very good tech and very good leveraging of interfaces by way of the driver monitoring systems and the AdrenoX and all of that. We've done that with not too many software engineers even at that stage of the journey. Of course, we are significantly ramping that up as we get into EVs. But we've got to be careful not to try to replicate skills which are available outside and especially people who've done work in that space who have a better ability to retain talent of that kind. So, we'll keep a very appropriate mix of what we have inside versus outside. But we will own all the key software-related IPs related to human machine interface, because that's what we think will be a brand differentiator.

**Sriram Ramachandran:** The next question is from Hitesh Goel of CLSA.

**Hitesh Goel:** On the SUV pie, investors are really grappling with this situation that SUV demand is very high in India. So, can you give us some color in terms of what is the entry level customer or the upgrade or replacement, some mix in terms of your portfolio to understand sustenance of this demand?

**Rajesh Jejurikar:** Hitesh, I just want to make sure I understood the question right. So, is the question about why SUV as a percentage to PVs as high as it is, is that what you want to understand more or-?

**Hitesh Goel:** No-no, in your portfolio what I want to understand is as a customer pie, Is it the customer which is first time buyer, what is that proportion or replacement of the existing car which is leading to upgrade or it's an additional car purchase in a household? So, you must be tracking these like Maruti generally gives that. So, just to get a sense that pre-COVID versus today how is this demand coming through, is it this additional car purchase, which is driving that or replacement, upgrades which is happening in the SUV pie, so if you have some data or color on that would be helpful?

**Rajesh Jejurikar:** We do have the data. I don't have it offhand at the moment, because it varies product-by-product, not prepared with that, but let me it will try and give you more of insight around how that's

playing out. So, at the higher end of the portfolio, which is the XUV700 and Scorpio-N and Thar even, it is about additional vehicles into multiple car owning households. Of course, there will be a small percentage of Thar buyers who are first time buyers, the young couples, so on and so forth, and they decide that instead of buying their first car as a sub-four metered conventional compact SUV, they would go in for something like a Thar because that kind of allows them to explore a different lifestyle. So, there's some of that as well. But there are a lot of very SUV passionate people who are buying into products like Thar and Scorpio-N in particular and also XUV700. That's one piece of the equation and they've typically additional vehicles in those households. And they're coming out of saying this is a product that I would love to have, it's affordable and accessible, and I can afford to either replace my second car or third car or whatever in the household with something like this. So, that's one set. At the entry level which in our portfolio will be the XUV300, Bolero, Bolero Neo, that segment is more mainstream, and in the urban cities they would be the single vehicle owner and in rural India the Bolero Neo would also typically be a single vehicle household, some may have an additional car or two in a joint family. So, I think what right now is working in the newer part of our portfolio is innate passion for exploring a new space with vehicles like of this kind, which allows them to break away from the pattern of normal vehicle ownership. That's our qualitative read on what's happening and why there's so much energy and excitement.

**Hitesh Goel:** Just a follow up there. Top 65 cities would form what proportion of your SUV volumes because that is the million plus cities in India in terms of population, so just say top-50, top-100 some number if you have just to get a sense, is it urban-centric demand?

**Rajesh Jejurikar:** The XUV700 and Scorpio would be very high in these in these cities. Just to give an example, Scorpio was weak in the south and Scorpio-N is making that up by creating very strong position in the south. But these two products have a very strong urban bias and would be a very large proportion in the bigger towns which is either top-65, top-100 towns. The Bolero, Bolero Neo is still primarily sold in less than the top-100 towns, so let's say the less than five lakh population towns. So, Bolero Neo has a very strong skew there. The Scorpio Classic has a very strong skew to less than five lakh population towns. And the 300 has got probably half and half between urban and rural.

**Hitesh Goel:** Just the last follow up. Can you give us some sense on your SUV portfolio, how much is petrol and how much diesel?

**Rajesh Jejurikar:** XUV300 is roughly half and half on petrol and diesel. Thar and 700 are in the region of 25% petrol. And the Scorpio-N is about 20% petrol.

**Sriram Ramachandran:** There's one question from Rishi Vora from Kotak Mahindra in the chat box. I'll just read out. Can you please talk about export strategy for SUV segment? Which models will you be exporting? And which geographies will you be targeting initially?

**Rajesh Jejurikar:** Hi, Rishi, like I mentioned a little earlier, we've not really been able to leverage our export strategy given so much domestic demand. At the moment, we've recently just started XUV300



which is getting very good response. XUV300 is available in left hand drive and right hand drive. So, it'll open the wide spectrum of markets that we have, which is markets like South Africa, where we have a strong presence, but will also go into Latin American markets and so on. So, that's on XUV300. The 700 Scorpio-N etc., will go into at this point of time most right hand markets around the world; so South Africa, Australia, and New Zealand, all of these. But we have to still get momentum on these because we've have to start releasing some capacity for meeting our export needs.

**Sriram Ramachandran:** The next question is from Chandramouli from Goldman Sachs.

**Chandramouli Muthiah:** For FY'24 for the automotive business, specifically on the Scorpio-N, is it going to be a gradual increase in capacity over the course of the year or is it going to be an inflection in the last quarter, just trying to understand the slope of capacity increases planned on this model?

**Rajesh Jejurikar:** No, it won't be a slope. Basically, when the capacity kicks in, most of these right now are constrained by aggregates, which are cutting across products. So, it will move from 6 to 10, there's no in between.

**Chandramouli Muthiah:** Second question is on the farm margins. So, some of your peers in the farm segment have been facing margin pressures in the first half of fiscal '23 and your margins have improved sequentially quarter-on-quarter despite seasonally lower volume. So, just trying to understand what were the key drivers for farm margin expansion in this quarter?

**Rajesh Jejurikar:** Good to hear a positive question on Farm margins. Thanks for that, Chandra. I think we've been mindful of pricing, not letting not letting the festival season, overrun us we're also seeing a positive benefit of some successful launches like the Yuvo Tech, which has allowed us to take a market position above the other portfolio. Earlier, we had the Yuvo, which was a very good product, but was too expensive. We've been able to reconfigure it to bring out all that important tech features, but at a much better value proposition. So, some of these things have helped us improve the product mix. We've also been working on the HP mix to help improve the margins. So, multiple things that we're doing on price discount, model mix makes and horsepower mix as well.

**Chandramouli Muthiah:** Just the last question is on the XUV400 electric cars. I think in the previous investor meeting, you'd indicated that we'll think about the appropriate price point after showing the product to dealers and taking feedback. So, just want to understand over the past couple of months, what is the sort of opinion you're forming here? And is this product potentially able to qualify for FAME subsidies from a localization standpoint?

**Rajesh Jejurikar:** FAME is not applicable in this category. I think your question probably, Chandra, was around PLI. At this point of time, we expect it to qualify for PLI. We've not yet decided on pricing because we are going to start the test drive process early December. That's when we will start getting a much better feel on customers, but the overall excitement on the ground is very positive.

**Sriram Ramachandran:** The next question is from Jay Kale of Elara Capital.

**Jay Kale:** So, my first question is regarding the model wise capacity that you had showcased. If we see XUV700, that's getting a step-up jump in capacity only in Q3 FY'24. In March '22 also, you had a similar 6,000 capacity if I'm not wrong. And this is one of your highest ASP products, which also does wonders to your brand, Mahindra. So, from that perspective, what was the thought process in kind of allocating capacity increases between the models, were availability of chips for this higher model a consideration? Because 18 months down the line, sometimes the model loses kind of the excitement, kind of dampened with other model launches as well. So, are we losing an opportunity of capitalizing on the strong demand for XUV700?

**Rajesh Jejurikar:** Jay, I share your concern by way of saying that we should do it earlier and we would like to do it early and we will try to do it earlier. Because this is not just capacity at our end, this is the capacity in the whole supplier ecosystem. And it does take for many of these parts 15, 18 months, because this is like almost a completely new set of tools, or dyes or whatever that have been created to take this capacity up to this level. And some of them are aggregate parts which are across the engine and that will impact 700 and Scorpio. So, while we're going to do everything possible to try and make it happen sooner, this today is our most realistic expectation. We are hoping that we don't lose the market momentum, I feel positive that won't happen because the rate of new bookings as we said is still very strong, the rate of cancellations is less than 5% for 700 in spite of a long wait period. The reason for that is it is fundamentally a very strong value proposition, very well loaded product at a very good price. But we will do everything possible to try and ramp up faster.

**Jay Kale:** And just a last bit on clarification on your CAPEX. So, this capacity increase post this also, you still maintain your earlier CAPEX guidance split that you'd done in the earlier presentations for Auto, Farm, etc.,?

**Rajesh Jejurikar:** Yes, we had built in this capacity expansion. We had not shared these capacity expansion numbers with you which we are doing today. But this capacity expansion was already triggered off and was hence in the numbers that were shared earlier.

**Jay Kale:** Any thoughts on farm tractor capacities given that we probably could reach our peaks in this year on the tractor industry, how are we looking at over the next two, three years are we being a little cautious and not expanding capacities over there or you think that this momentum could continue?

**Rajesh Jejurikar:** We have right now a capacity utilization range of 85% to 90% in tractors. We have an opportunity to add a shift in our Zaheerabad plant and on the Swaraj side we are creating a third plant which we had already announced earlier, which is underway and should be ready soon. So, both the Mahindra brand and the Swaraj brand have upside from where we are. Today, we are at 85% 90% capacity utilization. And again, Swaraj plant-III investment was baked into the numbers that we had shared.

- Sriram Ramachandran:** The next question is from Jayaraj of B&K Securities.
- Jayaraj Annamalai:** You talked about cost increase for RDE norms. Now for tractors, they are going to get TREM-IV and TREM-V. So, what can be the cost increase in vehicle level for both?
- Rajesh Jejurikar:** So, TREM-IV at this point of time is planned only for greater than 50 horsepower, which has got postponed as you know. I think it's premature to share the cost increase, which we wouldn't like to at this point of time. Anyway, it's only a very small portion of the portfolio. What is possibly likely to happen is the 50 to 55 horsepower customer will move to below 50 and the 55 to 58 will move upward to 65 that's how we think this will play out. Let's watch and see how the market reacts to the TREM-IV coming, but fortunately that's only 7% of the industry. On TREM-V, it's still a while away, and there's a lot of work to do. So, it's too early to have cost information on that. Also, there is a dialogue being held through TMA, with the ministries on what is the appropriate timing and value addition of that in this segment.
- Sriram Ramachandran:** The next question is from Pramod Amte from InCred Capital.
- Pramod Amthe:** This is with regard to the CAFÉ norms, even though norms itself are not so stringent on penalty, but considering you guys are rating ESG on a top priority. Wanted to know your position currently on CAFÉ norms, where do you stand as a Firm, one? Second how are you tweaking your portfolio, because it's a combination of tweaking product and the product mix, so, how are you looking at tweaking your product mix to meet the norms as you go forward? Third, with regard to the same, some companies are looking at the light weighting and hence a chasis-based to a monocoque and also a diesel to a hybrid system. How do you look at this item into technologies and context of CAFÉ norms?
- Rajesh Jejurikar:** Pramod, thanks for the question. Like you rightly said, we are doing multiple things to manage where we will be on CAFÉ norms and we expect to meet that using our EV portfolio, apart from rejigging configuration of diesel, gasoline, weight classes, so on and so forth. So, all of that is being done except we are not going the path of hybrid. Apart from that, multiple things are being done and you are absolutely right on a commitment to sustainability in ESG and we expect to meet the CAFÉ norms.
- Pramod Amthe:** Rajesh, would you like to say where you currently stand, what's a path to cover CAFÉ norms?
- Rajesh Jejurikar:** I don't think we would want to share that in public domain, but just to confirm to you that we will comfortably meet that with the launch of the 400 electric in this financial year.
- Sriram Ramachandran:** The next question which would be the last question for the conference would be from Mihir Surana of JM Mutual Fund.
- Mihir Surana:** One thing I wanted to know is why the cash flow negative to the tune of Rs.5,000 crores when our EBITDA is around Rs.5,000 crores in the positive for the half yearly number on a consolidated basis?

- Manoj Bhat:** Can you repeat the question? Are you looking at consolidated or standalone?
- Mihir Surana:** Yes, I am looking at the consolidated number.
- Manoj Bhat:** I think consolidated is probably not the right way to look at it. I think take the standalone cash flow. Let me give some color and we can reconcile it offline on the Rs.5,000 crores negative. But, overall, if you look at it, during the quarter, we repaid debt of about Rs.2,200 crores and also we paid out a dividend. So, if I take the first half, those are two big cash outflows. But overall, the cash flow has been positive and it is actually very strong at the standalone level. At the consol level, I think it's a more complex exercise. I can take it offline with you and Sriram, we can pick up it with him.
- Sriram Ramachandran:** Sure. If I can just squeeze in one question from the chat which was sent to me earlier from Mitul Shah of Reliance Securities. He wanted to know the price hike across segments in Q2 and October and also the festive retail sales, if that can be provided?
- Rajesh Jejurikar:** Mitul, hi. On the tractor side, we took approximately a 2% increase in July and a 1% increase on November 7<sup>th</sup>. On the auto side, we took a 1.5% to 2% increase in September.
- Sriram Ramachandran:** Festive retail sales trend?
- Rajesh Jejurikar:** Festive retail sale on the tractor side, I think, I indicated, retails were in the festival period of around in the region of 10% because of good retail momentum. On the auto side, I think, percentage doesn't matter, probably be over 100%. So, I am really not commenting on that.
- Sriram Ramachandran:** Okay. Thanks, Rajesh. With that, we come to the end of the conference. Thanks all of you for attending the conference and also thanks to all the senior management to take time and being here. Thanks a lot, and good evening to all of you.
- Manoj Bhat:** Thank you.
- Anish Shah:** Thank you.
- Rajesh Jejurikar:** Thank you, everyone.