



“Mahindra & Mahindra Limited Q1 FY25 Analyst
Meet”

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**MANAGEMENT: DR. ANISH SHAH – GROUP CEO & MD, MAHINDRA &
MAHINDRA LIMITED
MR. RAJESH JEJURIKAR - ED AND CEO, AUTO AND
FARM SECTORS, MAHINDRA & MAHINDRA LIMITED
MR. AMARJYOTI BARUA - GROUP CFO, MAHINDRA &
MAHINDRA LIMITED**

Divya Gulati:

Good day and a very warm welcome to the Quarter One Analyst Meet of Mahindra & Mahindra Limited.

We have with us today our Group CEO and MD – Dr. Anish Shah; ED and CEO of our Auto and Farm businesses – Mr. Rajesh Jejurikar and our Group CFO – Mr. Amarjyoti Barua.

We will be taking your questions at the end of this presentation. As a reminder, this meeting is being recorded. For the purpose of completeness, I want to read out this statement. Certain statements in this meeting 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.

With that, I now invite Dr. Shah for his opening remarks.

Anish Shah:

Thank you, Divya. And good evening, everyone. Good afternoon as well to folks who joined online. And we have a quarter again with a strong operating performance, which is a common theme. We hope to keep it that way. So, let's start with the key messages for this quarter.

Auto and farm continue to be on track with their operating performance. Market share gains being a key theme this quarter. SUV up 130 basis points, LCV up 160 basis points, tractors up 180 basis points. Margin expansions is the second big theme for the quarter, reasonably substantial, resulting in auto profit after tax up 35%, farm up 4% in a tough market.

Mahindra Finance is finally unlocking its potential. We're starting to see that in the numbers now. This is something we've talked about for a while. We've talked about the turnaround that we started probably one and a half to one year nine months ago. We talked about a three-year turnaround. We started to see the impact on asset quality. We were down at 3.4% at the start of this year, a marginal increase to 3.6 which is the first quarter increase that typically happens. Beyond that, assets up 23% and profit up 37% also helped by lower credit costs and this is something that is on the back of a good quarter last year for Mahindra Finance as well and therefore is putting this business very solidly on track now. TechM, the turnaround has commenced, Q1 is on the right track and this is one where we will look for a lot more over the next 3 years and be able to hopefully deliver on the TechM front as well. As a result, consolidated profit is up 20%. This does exclude two one-time gains that were in our numbers last year in the first quarter, specifically KG Mobility, which was over Rs. 400 crores, as well as the sale of MCIE. So, those are two that we have excluded in comparing numbers from an operating standpoint, and ROE is at 19.4%. So, that is the overall message as we look a little deeper into the numbers, revenue up 10% and profit is at Rs. 3,283 crores, up 20%, excluding the one-time gains that we had last year.

The key drivers of PAT, auto and farm together, grew 18%. And beyond the market share gains that we spoke about, capacity is up 3x in the last 4 years. And that is enabling us to be a little

more aggressive in the market now. And also gain operating leverage, which is helping in terms of margins. And that's something that we will continuously benefit from.

On the TechM and Mahindra Finance front, margins is a key focus for TechM. And while you see a 23% gain from last year first quarter, TechM last year first quarter was weaker, and therefore we're looking more at the longer-term gains that we need to get from TechM. Mahindra Finance was a solid quarter overall. Growth gems up 34% here, as I mentioned before. The profit number is not the primary focus for us, because it is the actions that are going in to build each of these businesses, up 5x. So, while we are happy with the 34% profit gain, it's easier for me to say this is not a big focus when this is a good number rather than when this is not a very good number. So, it's one that I will consistently maintain. It's more the growth that we're really looking for in these businesses right now.

Focusing on auto and farm to start with, auto we continue to be the number one player in SUVs. Volume is up 24%, we had talked about mid to high teen growth at the start of this year as a commitment for F25 or as an expectation rather than for F25. We are at 24% to start the first quarter. Capacity we spoke about, margins are up 180 basis points, so that's been a pretty significant jump in auto margins. And as a result, PAT is at Rs. 1,330 crore. Ahead of tractor, tractor comes in fairly close at Rs. 1,238 crores, and there the domestic industry outlook is improving, Rajesh will talk about that. Some moderation in international markets, but strong execution, not just on market share, but also on margin, up 100 basis points here. And farm machinery revenue is up 34%. Still a little lower growth than I'd like it to be while it's a good number. This is one area where we still feel we can get more growth, just given the potential we have in this business.

Mahindra Finance, we talked about asset quality and asset growth. Beyond that, technology is starting to deliver results. On a number of fronts, we've got 100% of the branches now under central processing, which helps tighter controls as well. Also a number of efforts on improving customer experience through technology. And there's again more to be done there, but good wins so far in terms of where we are. And therefore, profit after tax, Mahindra Finance in this quarter is just very slightly shy of Rs. 500 crores. It's a good market reach for us, and we close the quarter at 497.

TechM, the new organization's focused on service delivery. Demand outlook is still mixed, but the quarter shows some recovery from last year, and we will continue on this path of recovery as we go forward.

Logistics execution is better than it has been before and we feel a lot better about where we are. The Express business did have a loss but the management team has promised to turn around and a breakeven by end of the current quarter that we are in and that's something that is on track at this point in time and as that comes in, the growth in 3PL last mile will help and logistics will start getting back on track as a business overall. So, that's the weaker spot for us right now.

Hospitality continues to be a strong spot, 90% occupancy. Membership's growing 300,000 members now. Average unit realization is up 31%. So, good story there. Real estate continues to grow at a very rapid pace, aided by an aggressive approach by the team. A lot of changes made there in terms of how the team's approaching the marketplace as well as the overall market buoyancy. So, a combination of that resulting in a 3x increase in pre-sales and GDP acquired is 68% higher than last year. So, as a result, consistent delivery on commitments is something we can continually talk about. We are at 19.4% and yes, the bar is still at 18, not going up to 19. We'll continue to sort of fluctuate around that. EPS, given the results overall, slightly lower than first year because the first quarter last year included the one time as I spoke about, but again, we feel pretty good that we will be on track to deliver 15% to 20% growth on a longer term basis on EPS.

So, with that, we invite Rajesh to come up and talk about more details on the auto and farm business.

Rajesh Jejurikar:

Thanks, Anish and good to see all of you and welcome to those who are on the virtual format as well. I'll start with the FES. I'll run quickly through the slides so we have enough time for Q&A. I guess most of you have picked up what's on the slides already.

So, our tractor volumes were up mainly because we gained market share, the market had a slight degrowth but it was a good gain in market share to get to 44.7. Of course our quarter one market shares are always higher than the rest of the year. So, on that base we've had a good growth. This kind of reflects the fact that our quarter one market shares are usually higher as well. The question on what's the future, we clearly see some green shoots. One is improving terms of trade for farmers. We've been seeing that, but in quarter one seen a more dramatic improvement with output prices going up, MSPs improving, input inflation not being so high. So, that's a favorable factor. Monsoons have been good in July in most parts of the country, especially West and South which was really bad last year. So, we would see a good effect of that in the second half. Much higher spending by the government in the rural area, and that's known to be a good driver of growth for tractors. And of course, some part of Navratra will come in the second half of this year compared to last year.

The farm machinery business has had a good growth as well in the quarter, and we did about Rs. 265 crores. Anish covered this, so 5% growth in PBIT on the consolidated, flattish revenue. The margins if you can see, we got to 19.7% as the core tractor margin something we have been wanting to get to over the last few quarters. So, we can talk a little bit more if you like in the Q&A on what enabled this but this was something that we were very focused on wanting to get to this here at close to the 19%-20% core tractor margin. And you can see that we've managed this curve of being able to deliver margins in a pretty kind of narrow band over long periods of time, irrespective of what's happening to industry.

On the automotive business, we grew SUVs 24%. Pickups, the industry was flat again and we gained shares. So, we gained some volume there, but the industry was flat. And you can see we gained 1.6 share points on LCVs.

There is a second, we were number two for eight quarters on volume. Given our average price point, we think that's a very good performance and a continued strong performance by way of revenue market share. This is a recap slide which we've used in the previous meetings. The reason we're putting it up here is we've now taken our capacity up several times from where we were 2.5-3 years back. The reason we've been doing that is, of course, that we fully leverage the opportunity in front. But also more importantly, we bring down the waiting period for customers. And when we aspire to bring down waiting period to customers, clearly the concept of booking is an antithesis to that. So, in a way, we're going to retire this slide after today. And hopefully, we continue to grow without having to show what are our booking numbers because bookings of this kind really mean that we are not able to give customers enough vehicles at a reasonable delivery time. But this is what 1st July was and since the month is not over, we don't have a 1st August to share. But we did have a very healthy increase in bookings in XUV700 during the month, up from the previous month by more than 40%-45%. So, that is till yesterday.

Question many of you want answers, we'll try and answer that here and it may be more in the Q&A because I think you probably want a little bit more. So, we took the XUV700 price, up from launched which is over 3 years by 3.8 lakhs to 4 lakhs. This was a function of commodity prices, premiums that we were paying for importing chips which we had to. We have a large number of chips, we are paying premiums, so that was all getting built into the cost. So, we have taken very aggressive price increases. Capacity has gone up in the meanwhile. We started at 3,500, we went to 6,000. Now we are at 10,000. As we shared in the February meeting, one of the key challenges that we had on XUV700 as we were thinking about growth is to create accessible price point. And in February, we had kind of called out that we will take a series of actions to make the brand more accessible so that we can grow. A very large percentage of the brand volume was coming at the high end which was good till we were at a certain volume. Once you want to go beyond that volume and you want to grow into being a larger brand than 6,000 a month, then average price point of 25 lakhs ex-showroom or 23 lakhs ex-showroom with on-road crossing 30 starts becoming a barrier for segments. So, the first initiative we took was to introduce a new version called AX5 Select which came with Panoramic Sunroof and so on at a more reasonable price point way below 20 and we did feel that we at least in the short run need to run a promotion which we branded as a third anniversary offer to kind of make the two higher versions as more accessible as well. We think this is not going to have a financial impact or significant financial impact because we will get operating leverage through higher volumes and many of our costs have come down including chips but also work that we have done on value engineering. So, that's where we are on why we did this. I spoke about the LCVs, the LCV market share we gained again in quarter one.

Last mile mobility, the penetration of electric three wheelers continues to grow, it was close to 20% in quarter one, which is a very good sign and we have been saying that we believe that this category will probably be the fastest to penetrate because it gives clearly visible benefits to the customer. We had a PBIT growth of 45% on auto and revenue growth of 16%. The standalone margin came at 9.5%.

With that, I will hand over to Amar. Thanks.

Amarjyoti Barua:

Thank you, Rajesh. So, just to sum up everything that you heard today, I'll start off with this page that you have seen before, but just again, highlight the key points.

We tend to focus a lot on the pattern, that's great, but I do want to call out the very strong revenue performance as well. Auto was up 16%, within this 10% growth. Farm was flat in an environment where the domestic market is kind of flattish as well, so they've grown domestically, gained share, internationally is where there's some pressure and that's something that is mostly coming from the US and some of Europe. And then within this, you continue to see the growth that is coming in through the asset growth in Mahindra Finance. And also very important to highlight that 8 out of 10 growth gems had very strong growth in line with our expectations. And the two that didn't were also as part of our plan. Like for example, Susten which has sold off its assets to InvIT, so doesn't see much revenue growth year-over-year.

I'll spend a little bit of time on the PAT, because I think it's very important that we address some of the other income conversations that happen all the time. And we don't provide guidance, so this is not a guidance on the number, this is a way for you to think about other income. For us, other income is basically the income we earn on the surplus funds that we have and mark to market on any investments that we have. That's primarily what goes into other income. There's very little that happens outside of that. Last year, we had Rs. 405 crores of KG mobility, mark to market gain as the stock got listed. This year that number actually turned to a negative, so that's a significant swing. But you'll see we don't call up the negative because it's not material in the M&M scheme of things, but the gain last year was significant, 405 is way above our materiality threshold. So, that's how we always look at this. And when you think about how to think about other income, unless you hear of something that we are doing either in terms of stocks, share sale, which is also intimated to the SE, or significant variation in some holding, you should not typically have a lot of movement in this account outside of mark-to-market, which frankly, even we can't estimate. That really depends on share price or valuation on a day.

The other thing that we are calling out here is the stake sale that we had in MCIE. That actually comes through the investment in associates and JVs and was part of that number. That was around Rs. 358 crores. So, that's what makes up the 763 crores. That again is not something that you'll see every year or every quarter. It is a one-off and that's how you should think about it.

Dividend income is something that will come in periodically and you know the cycle that we follow for dividend income, that's something that will come in through the investment line item. So, excluding that up 20%, again, tremendous performance, you heard from Rajesh on auto margins, on farm margins, and then I should also call out very strong performance from Mahindra Finance, up 37% in income. And TechM, while very, very early, is showing some signs of recovery. So, 23% up, we'll have to see how that goes. Growth gems were up 34% within this number as well.

This plays out what I just talked about. And I call this page our strategy in action, because you'll recall Anish keeps talking about capitalizing on market leadership, so you still see auto and farm delivering a lot of margin improvement year-over-year. And then this unlocking the full potential is where you are starting to see some of the strength of the strategy. So, hopefully with time we can see that number, at least the services number growing even faster. Finally, need to call out the very strong performance on the standalone side, both in auto and farm. You saw the margin performance. Volume was up 11%, margins up 23%, and that's primarily coming on the back of the significant improvement in PBIT. 9.5% in the case of auto and 18.5% in the case of farm. So, I'll wrap up here and we'll take some questions.

Divya Gulati:

So, we will begin with the Q&A round now. Binay, go ahead.

Binay Singh:

Congratulations for a very strong quarter one. I just have two questions both on the auto side. First is billings versus bookings. Our booking number remains quite healthy at around 50,000 but the billing number has not moved up. Any sort of guidance that you would see? When do we see that moving up? Secondly, we called out in February about XUV700 price action and then we finally saw that. Any other part of the portfolio where you feel there is opportunity or need to do something similar at some stage? So, these two. Thanks.

Rajesh Jejurikar:

The first question is around billing versus booking. When we look at booking, there is a cycle of conversion. And that does take time based on the season. So, June, I think, was a time which was slow for a lot of people on converting for multiple reasons, heat waves, so on and so forth. So, you had bookings, but customers were not actually coming in to showrooms even though they were on a booking list to get into conversion and hence retail and then you don't want to end up billing beyond the point. Also when you are doing a variant transition like we were in XUV700 introducing AX5 Select, then you go to down stock some other ones which is likely to cannibalize so you kind of also look at making sure that you are not holding stocks of wrong variants when you are trying to introduce a variant with a different price point. The third factor that we have been working on carefully is what we do with the Thar 3-door because needless to say there will be some cannibalization and we have to be very calibrated in the way we build that in because it won't stay at the same level as it was and we expect the total volume to go up, but it's very unlikely we will be doing 6000 of 3-door a month that it will stay at that level and then we will add 5-door as well. So, again moderating what we are going to do with 3-door we don't fully know what is the level of cannibalization that may happen. So, we have been careful

a little bit on how to think about Thar-3 door. So, there are multiple such factors but I think one of the reasons was overall June convergence were low even on existing bookings. So, if that happens, then your dealer stock has gone up a few days, so you want to correct that and try and stabilize that so you can start moderating billing. So, it's a combination of multiple things. Does that answer the question or?

Binay Singh:

Do you see that essentially trending up?.

Rajesh Jejurikar:

Yes, I think the honest answer to that is after Thar 5-door, we start billing because till then we are going to see a little bit of pressure on Thar 3-door because existing prospects are in pro wait and watch as well. So, everyone wants to see what this is before deciding which of the two. So, there is a little bit of wait and watch. So, it's going to take a month or two for that to stabilize. The second question was around will we do more such pricing, we would do it only where we really feel it and needed from a right long-term strategy. So, what we have done in the case of XUV700 is not a knee jerk reaction, it's been thought through, planned over months, financial impacts studied. And on balance, we believe that it is the right thing to do to drive growth, make the brand more accessible. Like I said in the presentation it was becoming expensive for getting volume, because there is too much perception of the average price of the product being more than 30 lakhs on roads, that's not a place we wanted to be. So, there was a strategic reason to change the price perception around the brand. So, wherever if there is a need for, taking a strategic call on a portfolio in a way that we are able to look at the need around price perception, growth, margins, then we would kind of do that trade off. But we were not really believers in kind of, okay, let's learn lots of discounts to get a current one billing going. This is not what this is about. It was a thought-through planned intervention, which we feel was needed for long term growth of the brand and business.

Anish Shah:

Just to add to that, this was in a sense, signaled in February saying we are going to start thinking of this, consistent with our approach to it, because as the cost comes down, the operating leverage goes up. It was the right action to take as well, even as the margins are going up. So, on balance, we really don't expect much of a financial impact as a result of this, because of the other balancing factors. Yes, Kapil.

Kapil Singh:

So, my first question is on demand environment itself, we had set a target of mid to high teens growth. How do you feel about demand right now? Do you see that things are slower and you need to take effort to drive growth faster, because these things some price reductions by you and the competition, and industry is seeing very tepid growth now. So, you might need to drive too hard to drive growth so just your thoughts on that first?

Rajesh Jejurikar:

You have been around a couple for a long time tracking the auto industry and Anish was asking me this also in a different context earlier now. Of course, the demand and the environment has been tepid, but why is that not affecting 3XO? Why is there it's in the heart of the most competitive segment. But we are seeing huge momentum there. So, it's also freshness, what we

are doing new, how strong is the value proposition. So, and so, it's a function of many things. So, right now we have that advantage with 3XO so we will have that advantage with Thar five door. But when a product is three years, four years old, there is going to be a little bit of fatigue and then you got to make the right interventions. But overall, let's say the buoyancy as an industry clearly, that's not there. We got to be honest about that, then it's a question of what each individual brand and players approach to is thinking about growth versus profit and so on and so forth. So, we would be inclined to drive growth and which is why we stay with the mid to high teens as the objective for the year because with 3XO still ramping up with five door Thar coming in and with what we are doing on other brands we think we will easily get to mid to high teens. We see and anyway we have started the quarter one with 24% growth. So, we are going to end the year with mid to high teens then, we already have the right first three months to work out from.

Kapil Singh:

And second question is on ASPs and margins, this quarter will be compared to Q4 the auto ASP has come down, there will be a mixed impact but is there, how should we think about it when we are building this forward do you see further drop in average selling prices looking at on positive side you will have the five door Thar coming in, on negative side you will have a price cut and maybe higher volumes of 3XO. And similarly, margins we have seen a good improvement in both the segments. So, what is the outlook there, what were the factors that supported margin expansion this time?

Rajesh Jejurikar:

So, the quarter-on-quarter average selling price, fundamentally two, three things. One is that we had a very slow share of XUV300 on Q4, because we were phasing it out. And then we have a, just as a comparison to XUV300 which was ramped down share in our mix two and significantly enhanced share in quarter one. Obviously, there's some effects of that when you are comparing Q4 to Q1, so it's not a like-to-like comparison, because XUV300 itself was significantly ramped down in the overall so that raise the average selling price. There is some minor effect of XUV400 where the Quarter 4 number was higher, and that set a much higher average selling price. So, that's a second factor. I don't think, it's too early to count the effect of, either the AX5 Select on the mix or whatever, because that was coming in towards the later part of the quarter, so I don't think that's really significantly baked in. But we have been seeing, over quarter one, the overall ratio of AX7, AX7 L was 70%, 75% in quarter one that was by June, we had come to 50%, 55%. So, we have already started seeing some of that in June and we will see some of that in the quarter-on-quarter margin. So, what the large corrections you have actually taken are in AX7, AX7 L which is now clearly, as you would interact and find out in the market, what this is doing is enabling people to come back to AX7, AX7 L because, you creating accessibility perception with AX5 but when they come into the showroom AX7 is a wow proposition. So, we are already seeing a huge move to AX7 and hopefully with time to AX7 L. So, we will come back to an better AX7, AX7 L mix which will actually elevate margin and average selling price both. That is the first part of your question. The second part was, what did we do to get the margins on the track?

Kapil Singh: The margins and also the outlook if you can talk about the various factors which you are seeing from your advantage point right now?

Rajesh Jejurikar: Is the question couple both for tractors and auto?

Kapil Singh: Yes, please.

Rajesh Jejurikar: Okay. So, on the tractor side, we have been, when you come out of a downturn, so to say that is the period in which you are bringing every cost completely down, you cut all the extra expenses, because, none of us like the margins that we were doing over the last few quarters, of course we understand it was because of commodity inflation, the fact that the industry was not going but not a level of margin let's honestly say Hemant was feeling good about and like I said in the presentation, we did want to come to get our core tractor margin to reasonably to where we were which was around 19.5%, 20%. So, we did get into trying to do a lot around cost and then because we gained market share we got 5% volume increase, you straightaway saw the benefit of managing cost well with a 5% volume increase and commodity was reasonably benign, which was helpful. I won't say it had gone down but, it was reasonably benign which helped. So, that was on the tractor side. On the auto side, it was a little bit of commodity benefits. So, we did get some of that. The benefit if I may use that word or some of the price increases were taken got fully baked into the full quarter numbers. So, you got to see a full quarter of that. So, I would broadly describe it as these two things which affected the auto margins.

Kapil Singh: And outlook?

Rajesh Jejurikar: You know we don't share outlook Kapil but, I thought your question have finally got filtered to tell us the lever which got you there. So, these were the levers.

Kapil Singh: Okay. No, we have had a price cut as well so in light of that do you see that you need, you are passing on some of this margin or should we expect that putting everything together margin should go down?

Rajesh Jejurikar: You know, we have answered, and Anish reinforced that the decision that we have taken on XUV700 pricing, we believe will have a negligible effect on the financials over this quarter or the next. So, we are not really factoring in that as a major driver, what will affect our margins, we have a certain assumption of what kind of volume growth we should be able to get with this kind of pricing. Hopefully, that will play out, if that plays out we are good or anywhere in that range. So, overall, we are comfortable, and we have also got flexibility, if it doesn't work out the way we want, we can always go back to pricing because it's announced as an anniversary promotion. So, it's not a price drop, so we always have the option of going back to any price that we feel is the right price for November.

- Divya Gulati:** Raghu, I will just come to you, we will take a couple of questions online as well. Anish, this one is for you, does Mahindra plan on venturing into any new segments in the PV business?
- Anish Shah:** In the passenger vehicle business?
- Divya Gulati:** New Segment?
- Anish Shah:** Any new segment, I would actually hear Rajesh answer that question, so back to you Rajesh.
- Rajesh Jejurikar:** I am just wondering how to think about that question, because passenger vehicle itself is a segment. So, at this point of time we have been very focused that brand Mahindra will state as a pure SUV authentic SUVs player. So, it is with brand Mahindra, we will not get into any other segment.
- Divya Gulati:** Raghu, please go ahead.
- Raghunandhan NL:** Sir, first question was on the tractor demand side, so Q1 we have started on with East, West and North regions doing well, even Central has done well. The South part which is declining but the monsoon progress in South region has been very good. So, assuming things improve in the South region and you also have that Navratra effect in the second half. Would you say that full year 8% to 10% growth is possible in tractors, that is on domestic. Second, on the export side, we have done almost 50% growth in Q1 and OJA launch has helped. So, how do you see that sustenance of export, maybe this 1500 to 1800 per month kind of a level. So, whatever we have done last three months is it sustainable?
- Rajesh Jejurikar:** I wish I could give you a very numeric answer to question one. But we will wait two, three months to give you a more numeric answer, right now we will stay with the 5% odd growth rate. But, based on the slide that I put out, there are several indications that things could be better than what we thought a month back. But it's so early in the monsoons to kind of give a new outlook that we would just rather wait a couple of months before we change a formal outlook. But all the factors that you said especially the rains in South auger very well for a good second. So, it's a little premature to say whether that maybe 8%, 9% for the year. But it does look like the second half will be good.
- Anish Shah:** Just on that if I follow the strong what the Fed governor or the RBI governor, we say that we are still at 5% but the arrow looks upwards.
- Rajesh Jejurikar:** Yes, and that is absolutely true. The point on expert I just maybe add a nuance perspective which may not be so apparent or obvious. So, in the US, we have three sources from which we get product supply, all under brand Mahindra and tractors. So, it used to be from Mahindra India, it was from our joint venture partner company, Mitsubishi, Mahindra Agri from Japan, and from a company in Korea as well. So, through OJA, what we have done actually is, we re-moved some of these other sources back into Mahindra sale made in India format, so all the growth that

is coming from OJA is not necessarily extra growth in US. It's also a reallocation if I may use that word of supply chains from other partners, to Mahindra India, so as part of OJA, that's one of the things that we have done. So, in a way, what I am trying to kind of say is, there's a reasonable amount of sustainability because it is not just, all of this is not leading into market share growth in North America, some of it is substituting what we were buying from somewhere else, and that's getting routed through Mahindra India, does that help you think about it. The US tractor market right now is actually had eight months, 10 straight quarters of de-growth, the segment in which we play. So, the market itself is a little strange at the moment in the less than 100 horsepower in North America, part of that is the interest rates going up and maybe that's why Fed is on top of Anish's mind. So, hopefully, they will correct their interest rates and that will bring back some of the buying there in this segment.

- Anish Shah:** Yes, three green for us is the up arrow and the green for them is down arrow.
- Raghunandhan NL:** Thanks for that. And over a period of time the share of Swaraj has been growing up in the tractor pie and with all the product actions we have done, how do you see Swaraj and Mahindra portfolios playing out in future?
- Rajesh Jejurikar:** You mean the mix between the two?
- Raghunandhan NL:** Mix between the two?
- Rajesh Jejurikar:** So, we wear two hats when we talk to each team and each team aspires to be number one. So, we let them play the game they want to and we were very happy if one of the brand goes ahead of the other. And that way, at least number one and number two are fighting really hard.
- Raghunandhan NL:** Either way, you win.
- Rajesh Jejurikar:** Either way we win as a total, as long as we ensure that which is what we try to do. These are only guardrails otherwise, we do want them to fight and when Hemant talks to the Swaraj team or I talk to the Swaraj team we will energize them to want to be number one, we never tell them that you have to stay number two, because there's another brand in our portfolio, which is number one. So, as far as we are concerned both should fight to grow.
- Raghunandhan NL:** On the last mile mobility, as per the FY24 annual report, the margin is about mid-single digit 4%, 5% EBITDA margin. Now that we have PLI certification for the products, how do you look at the profitability going forward and also the volumes have been increasing?
- Rajesh Jejurikar:** It's a difficult question to answer because of so much uncertainty in the regulatory environment with FAME 2 going away, EMPS coming in, FAME 3 coming back, in the process of that the quantum of FAME 2 came down, first came down because the methodology and then came down through EMPS. Part of that gets offset by PLI. Every time the scheme changes you have to do a re-certification, and then we lose some money in the transition time because the dealer

stocks or the pipeline stocks are not covered. So, that's the cost we need to incur. So, it's a little dynamic right now so, at least our focus at this point of time is, as long as we are making a reasonable amount of money, but driving growth in EV penetration, that's the objective right now because it's with the current dynamism if I may use the word on policy changes, it's very hard to kind of pin and say okay, this will be the margin at this point of time so I am honest, but the business has a good cost structure, cell costs are coming down. So, hopefully our brief to the business will be to try to grow EV penetration as quickly as possible and there is still large pocket and many, many districts with EV penetration is close to nothing, this is a huge queue district wise and the way penetration is happening.

Anish Shah: That's a very good story overall because industry penetration has gone from 0 to 20% in a very short time. And we feel that by 2030 will be 100% and by 2030, the industry will not need incentives. So, PLI will end by then and at that point in time with battery cost coming down, with scale coming in. So, overall came FAME 2 has helped a lot and a lot of credit to the government for that EMPS has helped FAME 3 will be essential to continue that momentum because the price gap is fairly high and consumer is not going to be able to take the impact without FAME 3 nor will the business be able to take the impact and therefore that's an important bridge that's required, but once we get to 2030 we are not going to need incentives beyond that.

Raghunandhan NL: Absolutely sir, given that the penetration is increasing so fast. And sooner or later the ICE and EV margin gap should narrow and one of your competitors indicated that they look forward to making same margins as ICE and EV for three wheelers so that where I was coming that by when maybe in the next two, three years, do you think it would be possible that the gap will be significantly narrowed and EV last mile mobility will be making double digit margins?

Anish Shah: As Rajesh has just given the flux in policy we are not completely sure of that. But it's fair to say that by 2030, at least we will have got back to normal. What happens two or three years before that will depend on some of the policy and on the pace of change as well.

Pramod Kumar: Hi, Rajesh first question on Thar. You guys have had a hot hand on launches but how do you think about Thar because something which is very unique Thar three doors has already done what it has done, incrementally do you see the Thar four as something with extension of Thar three or it can something which can open up a wider segment for you because we don't have a product like that which can work for a family, because Thar three door had limitations in terms of it can't carry four or five them in comfort for long drives, for example accessibility as we know the back seat is a bit of a workout. So, should one see Thar five door?

Rajesh Jejurikar: Wider segment.

Pramod Kumar: How wide?

Rajesh Jejurikar: You may want to wait for 15th August to hear how wide, but it will be pretty wide.

- Pramod Kumar:** Pretty wide, so in that sense, we can expect a pretty tall price ladder so that
- Rajesh Jejurikar:** I am not even going there.
- Pramod Kumar:** Can't wait for that. And second question on the pricing bit what you alluded to that, once you hit the 30-lakh price mark, it kind of becomes a bit for a family or anyone. So, how should one think about EVs in that context, will we have the same hurdle for you in EV, which you will not, because end of the day the customer will look at the EV as a substitute to its existing ICE or XUV, Scorpio or anything right, so how should one look at EV pricing in the context of the point what you made?
- Rajesh Jejurikar:** I am glad you think that our EVs will sell at more than 30 lakh but we have not given any such indication.
- Pramod Kumar:** With that kind of spec and 60 and 80 kilo watt hour battery, and our intention to make margins, if I look at that.
- Rajesh Jejurikar:** I think Pramod that's the conversation for 2025.
- Pramod Kumar:** Fair enough. And on the export side, because given the kind of the success we have had in the market against pretty well engine global competitors, why can't we think differently on the exports, probably partner with some of our existing alliance partners, is there anything which we can do, because our products are quite complementary to some of the other global players, like if you pick Volkswagen some of the products can be very complementary to their portfolio in many emerging markets, for example. So, is it something which you can think, which can widen our product reach on the export side?
- Rajesh Jejurikar:** So, let's first just talk about a little organically and then of course, in today's world we have to explore every other alliances opportunity to get a win-win, but organically we already seen very good traction in markets where we have a presence with our new products. So, example the response to XUV700, Scorpio N in South Africa or even now the 3XO it is just getting to go to South Africa, Australia, New Zealand, so see the some of the new markets we have gone to. We think the big disrupter will be when we do the global lifestyle pick up because there are not many people playing there and we have been strong in pickups in many markets around the world, but it is aging product the Scorpio pick up, the global pick up is going to take it to a totally different scale. So, we do think that international will be a very big opportunity for us. But we will do it in a very calibrated way and choose markets that really have a presence and then add slowly. I don't think we are planning to do one fine day now let's go global kind of thing.
- Pramod Kumar:** Inorganic alliances or?
- Anish Shah:** If you have any ideas do share with us. We will keep that in mind.

Pramod Kumar: And this is to Anish. Anish there have been media articles talking about some of the global players looking for Indian alliance partners and also uploading equity. So, how should one think about your approach to such moves or offers, because the problem we will have our analyst press that if you take a equity exposure to existing business which is loaded with legacy costs and sustain business so, if you can just help us understand from your capital allocation prism and the return focus how should we think about it, if it were to, something were to fructify.

Anish Shah: So, I will look at it the same way, as we talked about one new area, which is the bar is very high. It has to make sense for us more financial standpoint, it has to be able to generate returns that will be outside. And we can define what outside is relative to the industry. If all of that happens, then that is something we will look at. So, that bar continues to be maintained in everything we do. Amar, anything you want to add to that.

Amarjyoti Barua: I would just say that bear in mind that you are not going to get into an alliance bringing no strength, if there is ever a proposal and our strength is the margins you saw, the cost point, the ability to get. So, nobody is going to get into a business which is going to be dilutive, that's the point Anish is making it's got to make sense for us.

Divya Gulati: Just take a couple of questions online. So, this is from Gunjan at Bank of America. Can you talk about the moderation in the booking run rate across the UV model, she is particularly speaking about the Scorpio order book decline. And the second question is understanding the sustainability of the auto margin, particularly given that we are going ahead with BEV launches?

Rajesh Jejurikar: Particularly, the last?

Divya Gulati: Going ahead with the BEV launches, the sustainability of the margin?

Rajesh Jejurikar: Okay. so, let me just take the second one very quickly Gunjan. So, we have said in the past that the percentage margin on BEVs will be lower, because the denominator effect and we will call that out separately, so you will be able to see the BEV margin separately from ICE. Of course, we do keep margins low when we launch new products. But once we get to a steady state, we would expect the per unit margin for BEV to be by and large the same as the equivalent ICE, but percentage cannot be maintained, the denominators are totally different. And we will hence call that out separately for you. So, you are able to see the effect of that and it's not lost in the mix, so this is something we are very conscious of and will allow you to look at both separately in a way that you can form your own judgment on how each line is doing. But the percentages can't be compared because the denominator effect. On the booking question I did cover that in some amount of detail, specifically around Scorpio, there was a time a few quarters back when customers were comfortable with putting in money waiting, and so on and so that, in an open market of the kind that is now I don't think customers are in the mindset of saying okay I am going to book something which is going to come to me after two months, or three months, or five months or six months, we have to get out of this booking mindset and try and get into being

able to sell what we are able to because that's what customers expecting today. Two years back, there was a different mindset, many brands were in shortage, there was, hence they desire to kind of say okay let me book and wait, I don't think that is going to happen now on products which are two years, three years old, customers will want pretty soon like if you walk in we need it or then we don't want to book whenever it's available we will come back in. So, we will see some of that happening. But the rate of bookings by itself is good enough for the fresh booking for us to maintain the retail and billing momentum that we are talking about to get to the mid to high teens. So, we have got to calibrate what is happening with the ambition that we have set out for this year, which is mid to high teens.

Anish Shah: Just to add to that capacity is a key factor there as well, because we have gone from 18 to 29 to 39 to 49,000 now, so as you have taken capacity of that also has increased the ability to be able to clear that out and therefore, we started to look at scenarios where we hopefully don't have too much of a booking pipeline and can increase capacity faster whenever that's required.

Rajesh Jejurikar: Yes, and as I have said in the past Gunjan, when this change is happening, we do have to get back into marketing. And we do see for example Scorpio Classic we never thought would do the level that it was doing after we launched the Scorpio N but today Scorpio plus Scorpio Classic is amongst the as a portfolio amongst top 10 brands across any price point. And the franchise volume is more than 12- 13,000. So, it is a very large franchise, it is doing very well. But it's not now, I don't think right now we are expecting customers to come in and say we want to book a Scorpio Classic, let's not forget it's a 22-year-old product.

Vikram Ramalingam: Hi, Vikram from Quantum Advisors. My question is, whenever you see any kind of downturn or lack of buoyancy in the auto sector, the buyers tend to down trade. So, are we seeing such a trend that, although your numbers or volumes are still going pretty strong, are people still going for the top variant or are we seeing a trend where they are slowly going down for slightly lower variant?

Rajesh Jejurikar: It's a good question, XUV700 case is actually the best way to explain this, because at a certain stage in the environment, customers will start feeling uncomfortable about certain price points, and then will start trading down. And sometimes the right action is to still keep them at the top at a reasonable price rather than let them trade down and reduce the overall weighted margin on the portfolio. So, these are calls that we would have to take, but as a direction and an approach, what you are seeing is what one, we do tend to see that.

Vikram Ramalingam: My second and last question is, on this cost reduction measures which have ensured you are able to take some sort of a cut in XUV700 and still maintain the margins. But those measures should be applicable for all the models, it can't be model specific. So, any reading that we can have that such an action will continue or anything that you want to explain on that front?

Rajesh Jejurikar: So, just taking one very specific example to explain why it is not applicable to all models, the number of chips that we have on XUV700 is 230 or 250, on a Bolero that may be like 20. So, the same benefit is not available on all the products. Different products have totally different levels of technology. And not all costs have come down, steel cost are benign but do not come down. So, the benefit that we got XUV700 is because we were paying a huge premium to get chips to be able to produce XUV700 has a very large number of chips so it got a disproportionate share of the benefit of that, that doesn't go through to all the products. So, I am just taking this as one example that not everything, cost reduction doesn't equally apply everywhere. The second thing is, of course, we run our business as a portfolio. So, there are areas where we will say that, we don't mind trading off a little bit of margin for growth and areas where we will say no, we don't want to do that and we want to keep the margin and be moderate about the growth, the decision is based on our understanding of what is the price, the sense of volume sensitivity to any price action. So, in some products that may be high and some products that may not be so high, so you may not do anything, the same thing across all parts of your portfolio. Does that kind of answer your question?

Divya Gulati: I will just come back to you with a couple of questions more. On the Farm segment, this question is from Ambit. Why did FES realization declined 8% quarter-on-quarter, is it that we had any one-off item in Quarter 4. And the second question is, that do we see any upside to the 5% growth for FY25 considering the favorable factors?

Rajesh Jejurikar: The second one we have discussed, so I am not responding to that. On the quarter-on-quarter it is a function of state and model mix. So, when state and model mix changes, quarter one is very different from Quarter 4. And the horsepower category as those of you track the business is very different in different parts of the country. So, the model mix and the geography mix both together have contributed to that it's not due to pricing.

Ankur Poddar: My question is regarding your MHCV business, so in the current quarter we had a market share of approximately 2%. Where do we see this business five years from now, what market share are we targeting and what's the plan to grow this business, if you would share if there are any product launches in this space?

Rajesh Jejurikar: So, we measure our market share on the segments in which we play which is roughly 80% of the total. So, in that 80% of the total, just going back to three years back we were at about 2.5% market share which actually has gone up to 3.9 in that 80% of the segment, in this particular quarter the balance 20% had a disproportionately high growth. The segment in which we don't play, segment in which we play has been actually minus one, which is 80% of the industry and the other 20% has had like some 50%, 60% growth, which is what has taken the average Industry growth up. But, in the 80% of the industry we have seen our market share move up from 2.5 to 3.9, which used to be 5 in 2019. So, really the direction and we have a good portfolio, we now have ICV portfolio, and our products are well established, and regarded. So, we would like to see 3.9, get back to 5, and then the 5 to 7, over a three-to-four-year period. So, if you kind of

think about 3% odd being 3500 crore revenue is roughly what we are doing in the trucks business. As we get to 7%, 8% market share, it can actually be a 10,000-crore portfolio. At our current level of business we do, we have now reached cash breakeven, the profit pool in the industry is really strong. So, once we get to a scale volume beyond where we are, we think this will be a very profitable business. So, we are now invested in it and we would like to see it as a key lever to growth.

Divya Gulati: Some few questions online, Anish and Rajesh, the first one is investment in the EV subsidiary of M&M. So, what is the valuation that we are seeing for our EV subsidiary, that's the first question. Second, we also mentioned we are open to acquisitions in the farm machinery segment. So, is the 5000-crore budget that have allocated for farm includes this acquisition and the third, one to two years back we have increased such stake in Swaraj Engine, what is the plan there for the company?

Anish Shah: So, I saw the third part first, which is Swaraj Engine, we increase share because our partner that time Kirloskar wanted to exit and it was a business we in fact, I would say we had a lot of faith and therefore we bought the stake. There's no further plan on that, it was more for the exit that gave us a controlling stake of 51% in the business. As it turns out, it was a wise investment. On the first question, you can just repeat.

Divya Gulati: The EV subsidiary valuation.

Rajesh Jejurikar: Was it for LMM, you said EV subsidiary.

Divya Gulati: EV subsidiary of M&M?

Rajesh Jejurikar: Okay. So, we have two subsidiaries on the EV side, one is the last mile mobility, and the other is one for electric SUVs, the electric SUV is called acronymed MEAL, which is Mahindra Electric Automotive Limited, we have two investors there BII and then Temasek. We had a valuation of the upper end of \$9 billion when the investment has come in, that conversion will happen post launching products in 2027 so that basically valuation conversion is pre-determined based on how the year 2027 goes based on certain milestones. On the last mile mobility it's 6,000 Crs plus and we have two investors there IFC and NIF Japan fund and together they have brought in about a 1000 crore. I don't know if that answers the question.

Divya Gulati: Another question on acquisition in farm machinery is it a part of the 5000 crore margin?

Rajesh Jejurikar: No.

Amarjyoti Barua: The 5000 is primary CAPEX for the farm business, which is regular CAPEX, remember this is a three-year cycle and the business does generate as we mentioned during the CAPEX plan, we don't specifically call out any inorganic in our investment profile that's always over and above.

Kumar Rakesh: My first question was, Rajesh you talked about that the buoyancy in the market has been really that great now but last three, four years have been perfect for the demand environment and in fact we have done very well from the product launches as well, so you had both the benefit of the IQ of the market as well as product launches and the products also done fantastically. But how do you move from here on the next level of your growth when the buoyancy is going to be relatively lower, bulk of your product launches, especially in the price points where the demand is going to be higher it is not going to be there from your side. Possibly if most of the launches will be happening at a price point above 20 lakh. So, beyond FY25, how do we see this growth momentum sustaining, what drives that?

Rajesh Jejurikar: So, actually when we launched a lot of the new products, there wasn't that much buoyancy in the market, buoyancy was low, supply chain was bad, but it wasn't that buoyancy was high, buoyancy actually came in much, much later, not in the time when we were launching these. At least the first two of them, when we launched Thar it was possibly the worst time in the world to launch, anything new, everything was shut down, we were making nothing. We were literally selling nothing. So, we launched Thar in a very difficult environment. When we launched XUV700 we couldn't even take all the media for the launch, it was still in COVID. And we didn't want more than 30, 40 people to gather and we took very little of our team. So, it wasn't easy circumstances in which we launched this. So, of course we did, the market did get into buoyancy, subsequently as well. So, it's a series of interventions that we have to do as marketers, and product creators to make sure the market stays excited with what we bring to the table, that's part of what our job is and we will keep trying to do better at that so that we don't let the mood of the market spoil our momentum.

Anish Shah: The other part is the uniqueness of products helps tremendously because the following that's therefore a Scorpio or Bolero or Thar, is something that is very different from a standard product, the XUV700 stands out in terms of quality even today versus any of the other competitors in the field, even versus a couple of segments or a segment higher than that. So, these are some of the things that give a lot of strength to the product in terms of the demand that we will see.

Kumar Rakesh: Thanks for that. My second question was your performance on the margin side have been quite phenomenal, you have consistently been delivering strong on that. So, what is holding you back on giving you the margin guidance on that side, you want to keep on some flexibility on hand in terms of price of products or you think it is partly coming by commodity and this is difficult to predict and that is why you don't want to give any band on the margins side.

Rajesh Jejurikar: I guess it is definitely both, maybe the third and the fourth reason as well but definitely these two would be on our mind.

Anish Shah: I think when there is a high level of predictability, it is easier to have a stake in the ground and say here is what it is. Otherwise, it has to be managed carefully and as Rajesh said various factors are going to manage it and that is the reason why in general we stay away from predictions

overall. We had done that at one point in time where we had said margins will go up 300 basis points over this time period. But based on where we are right now, our basic approach is let us just operate, to have a strong operating performance for our businesses and that means that we will manage margins well. Sometimes there is a favorable set of things that comes in place which is commodity cost in other areas as well. The cost actions will continue to happen. It happens on every product based on where the life cycle of the product is. So, all of these things come together to give that result.

Rajesh Jejurikar:

It is Rakesh. A continuous trade-off in our mind between how do we manage growth and margin and we do not want to, which was I think your first point, we do not want to get locked into a situation where because we have said if we are going to do this margin, we do not take the right actions that we need to take in the market, either be it marketing investment or a promotion or the right product or a variant at the right price, which ultimately will lead to margins coming down because if you do not do the right thing, we may get a good quarter, but ultimately that is not the right thing for the business. We do want to make sure we are doing “the right thing” so that we get sustainable growth in business, volumes and in margins, and for which sometimes you got to take some short-term action so that you do not lose the momentum of what you are trying to get to.

Anish Shah:

Can I just add one thing here Rajesh? What we avoid is giving quarterly views because then you just get into the short-term mentality, right? If you think about how the business has been operating they have always been showing you an F19 number, which is kind of aspiration one, right? So, every quarter you have been seeing that the team is working. The point that we do not want to get into is it is going to happen in this quarter. Because then that gets into short-term decisions which are not what we want to do, right? You want to create long-term sustainable businesses. in some ways is out there because of that reason.

Kumar Rakesh:

Is it any target that we should keep in mind that we should from outside be aware of on the profitability or how would you take price actions, decisions? Like in XUV700 you said that it is not going to have any impact on profitability that is an exercise which you did internally. Similarly, if at all in future you have to take any action to push demand further, any target from profitability perspective you keep in mind?

Rajesh Jejurikar:

I think I want to build on Amar's point to try and respond to this, which is there may be times that we will trade off a quarter for the long term, right? So, when we did a 3XO launch, I mean, this was a quarter of a 3XO launch. It was a big launch and when we launched it, everyone kind of said, how did you guys get this price? You are going to bleed, but we had a series of things that we had in mind. We have not taken a price increase since launch, and we will decide on the right time to take a price increase. We do not want to upset the momentum. We are getting a really, really good target segment coming in and we do not want to upset the momentum. So, we will then take actions based on the way some of these things play out like if we are going to launch the new Thar Roxx now then we have to promote it adequately and we will take all the

actions that we need to promote it. We are juggling and trading off some other things to make sure that we stay at a reasonable level of profit and margin in line with what your expectations are.

Kapil Singh:

Thanks. My question was on hybrids; we saw some regulatory action during the last quarter. So, there are two parts of the question. One, did you observe any impact on Mahindra & Mahindra and relevant segments after the tax on hybrids was reduced? The second and more important question is from a regulator point of view, is there still some uncertainty on how the policy direction is moving or is there a rethink as some of the media articles at that time were quoting or do you see there is enough certainty on driving that penetration in the country?

Rajesh Jejurikar:

Let me take the first part of the question Anish, maybe you want to comment on the second. No, we have not seen any significant impact post this. Because basically the break-even point even after the new registration tax needs the customer to run about 120,000 km over 3 years which is not that common for most personal segment users. So, even now with the premium that you pay post road tax registration going away and we will have to see where that ends up in UP right now. I mean that is a discussion that is on. As some of you know it was prompted by a customer case which was the court ruled that the government needed to do that but we will see what is the reaction finally we do not know about the government, but it is not going to be that easy to drive that because of exactly this. It is still a 2-3 lakh price premium though they are not necessarily like-to-like model but the breaking one is about a 100-120,000 kilometers to run to recover the extra premium. So, at least so far we are not seeing any impact on our ICE portfolio because of that.

Anish Shah:

I think to answer the other parts of your question Kapil, EV addresses a couple of very important things from a government perspective. First is on pollution because EV takes out emissions completely and especially in cities that becomes a very important part. Yes, there is an argument sometimes that if you are going to charge EVs with fossil fuel-based electricity then are you still keeping the same pollution. Two points to that, first is India is moving very rapidly to renewable energy and by 2030 we are going to be at 50% renewable energy, so that takes it down significantly. The numbers we have seen is a car in its lifetime, an average ICE car will have 35 tons of carbon that is generated. An EV similarly will have 27,000 tons of carbon that is generated. So, there is some saving, not a significant saving if you are powering EV with ICE generated or with fossil fuel generated electricity. If you go from fossil fuel to renewable energy, then the total carbon footprint of a vehicle is going to go down to 7 tons. So, that is a very significant difference that you start seeing. So, first it really meets that and also the vehicle emissions generate pollution in city centers. Generating energy somewhere far away from a city center does not generate pollution there. So, that is one big policy goal that the government achieves. The second is lowering the fuel import bill, and savings of foreign currency in that sense. So, these are the two big savings, which is why governments around the world have been incentivizing EVs and not hybrids. Now, at this point, we do not see any indication of a policy change. But if consumers want hybrid, if the technology develops further than where it is right

now, it is something that we can be a fast follower and move in fairly quickly. We also have a set of vehicles that are again fairly unique. So, if you are looking at the 3XO. Yes, it will compete with hybrids in future if the consumer wants a hybrid in future. If you look at a Thar or a Scorpio and for example not necessarily as much, so there it is going to be a different set of requirements, which is where we will have time on our hands to be able to react to it if that scenario changes and we may not need that much time so I will just leave it at that at this point.

Sonal Gupta:

Hi, this is Sonal Gupta from HSBC Asset Management. Sir just wanted to ask on the demand environment for the light commercial vehicles, the pickup space, and really because that has been sluggish for an extended period of time, and even for you, we are seeing a decline in volumes. So, just want to understand what is happening there and then related to the LCV space also wanted to understand, what are your plans on the CNG side in the LCV space as the CNG network is sort of increasing as we have seen in other categories, CNG penetration is sort of picking up quite well, right? So, where are you in terms of your LCV portfolio CNG penetration?

Rajesh Jejurikar:

I do not remember the exact number, but we have a decent CNG penetration on our pickups. Yeah, about 10 to 15%, but it depends a lot on what is the CNG price, the arbitrage is that the demand moves very quickly up and down depending on exactly what the environment is there, but we have a fully ready portfolio of CNG. The answer to the question why LCV industry is not growing at this point of time, honestly I am struggling with. What I am struggling to pick up right now is we are seeing tractor momentum and 65% of our pickups are in rural areas, why are we not yet seeing that segment pickup and maybe it will lag by a few months, but we would expect that with the pickup in rural economy. The pickup segment including LCV 3.5 tons should improve, less than 3.5 tons should pick up as an industry. We are not able to get the same level of granular understanding right now like we have picked up on tractors on why this segment is still lagging. Maybe it is May-June, elections, weather, all of that, possibly that, let us wait and see. But by this time, we would expect to start seeing some growth, especially as rural spending will go up and infrastructure spending starts. So, we should expect to see the segment grow and it has not grown for a while, so I think almost 18-20 months.

Divya Gulati:

I have a couple of online questions for you. What is the effective tax rate for FY25 that is the first question. Second question, what is the PLI benefit, how do we account for the same in our books and what is the amount?

Amarjyoti Barua:

For FY25, it is going to be roughly around 23% effective tax rate, could be 23-24%. On PLI, what we do is we have this very detailed approach to how you account for what is accruable that goes through an audit process at our end, it also goes through certain requirement checks from a body and basis that we make the accrual in our books and now there is a very detailed SOP which has also been received, so I think pretty much everything that is on our books today which is a relatively small amount around 90-100 crore should be very cashable as we make the claims to the government and receive the funds and in terms of accounting, it is actually booked as a contra to COGS, so it allows you to see at a gross margin level what the impact is.

- Divya Gulati:** Couple of questions from Chandramouli at Goldman for the first Quarter 2025, M&M Tractor wholesales were up mid-single digit at 6%, but the Vahan Retail shows it at -10%. So, how should we think about the same? Is there a high base effect in the retail picture? Are we missing anything? We see a contrast in these numbers.
- Rajesh Jejurikar:** Yes, honestly, I am not cross-tallied with Vahan and Vahan there is a lag in that, I mean there is a fair bit of lag in tractors in Vahan, the Telangana, I think a few other places do not get counted, but we have actually brought stock down in this quarter further. So, we have actually not built any stock. So, the implication is that we have delivered more than what we billed.
- Divya Gulati:** Sure. Two more questions from Goldman. The first one is that can you share with us the current channel stock in the domestic SUV business? The second one is there a particular reason why XUV400 electric car volumes have moderated in Quarter 1?
- Rajesh Jejurikar:** Yeah, so we are not going to give you an exact stock figure, but our current estimate is that, so we are about 4-5 days higher stock than our norm. So, we would want to bring the stock down more by improving the retail throughput, not necessarily by billing lesser and that is what we are endeavoring to do. So, that is where we are on the stock management and the second question was on 400. We are preparing for a new range of electric vehicles coming in. Right now we are directing 400 to some very specific segments like fleet and so on and so forth, but we have plans for later part of the year and then BEVs as we go into next year, so we are kind of also, in the process of managing their transition.
- Divya Gulati:** Another question from Ambit, Jinesh what drove the core tractor margins? How sustainable are they? By when do we expect farm machinery business to turn profitable?
- Rajesh Jejurikar:** The margins in core tractors, obviously Quarter 1 and Quarter 3 are always the volume quarter. So, we cannot compare Quarter 2 margins to Quarter 1 margins. So, there is a huge difference in operating leverage. So, the margins in tractors to go through seasonality based on the seasons, which is Quarter 1 and Quarter 3. So, we cannot expect the same margins to stay, but I think what we can take away out of this is the operating leverage will play back to a similar extent in Quarter 3 which is when we should expect similar kind of margins but not in Q2 and Q4 unless there is a huge volume up swing that happens compared to. So, typically I think what one has to see is what is the margin improvement over previous quarter and right now when you see, I mean the previous year, same quarter and right now what we see is a 1% improvement. There are some watch out signs here example rubber prices have been going up that commodity has a big effect on tractors because of tyre sizes. So, you know commodity prices and tractors are sensitive to rubber. So, that is the watch out at the moment. The farm machinery we would expect a couple of years for us to start making money.

- Divya Gulati:** There's another question from Incred Pramod Amthe. This is on tractor. How do you see financial NPA and repossessed vehicle inventory challenge to support tractor sales in context of state election with these trends is there a risk on farm loans and in turn tractor sales?
- Rajesh Jejurikar:** I do not think we are seeing any increase in NPA or any risks thereof and we have the same view from the Mahindra Finance side as well and no, we do not see any significant repossession risk in election story is over, so no impact.
- Anish Shah:** She referred to state elections.
- Rajesh Jejurikar:** No, it does not have the same effect as the Lok Sabha.
- Divya Gulati:** Just take a last couple of questions online. This is from Arvind from Citi. The recent price cut will they stay or could there be a reversal with a possible refresh in the XUV700 portfolio?
- Rajesh Jejurikar:** I think in a way we have answered this Divya, so we are not going to repeat that. We do not have a refresh in the immediate short run, so anyone is in the mindset that we have done this because the refresh is following immediately, no, it is not a part of that. The reasons for doing it are what we spoke about.
- Divya Gulati:** And I will take this last one is from JP Morgan, Aryn It is a question from him. Are you expecting any acceleration in the SUV retail due to price adjustments that you have made recently? Should we temper our volume vis-à-vis margin expectations, which I think we answered in a way and any initial sense of how many bookings for the 3XO are coming from first time buy?
- Rajesh Jejurikar:** I think XUV700 question is answered, so I am not repeating that. On 3XO roughly 25% first time buyers, 20-25% hatch and just 10 to 15% Mahindra. So, it is a totally new segment that we are attracting.
- Divya Gulati:** Great. I think we are on time. On behalf of Mahindra and Mahindra, I would like to thank all of you who have joined us today in person as well as online. There are refreshments and we welcome everyone to join us. Thank you very much.