



“Mahindra & Mahindra Limited Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Mahindra & Mahindra conference call hosted by Dr. Pawan Goenka – Managing Director, Mahindra & Mahindra Limited and Mr. V. S. Parthasarathy – Group CFO & Group CIO, Mahindra & Mahindra Limited. The safe harbour statement stands as follows. Certain statements on this conference call with regard to the 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 and such forward-looking statements. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the opening remarks concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I am now glad to hand the conference over to Mr. V. S. Parthasarathy. Thank you and over to you sir.

V. S. Parthasarathy: Thank you everyone and welcome to this momentous and very important conference call. I will first hand over the mike to Dr. Goenka so that he can make his opening comments and then I will come and give some added financial inputs and insights.

Dr. Pawan Goenka: Good evening everyone and sorry for this late call, but we thought it is better to communicate with you today after announcement rather than doing it tomorrow. I will make a very brief presentation, same presentation that we made earlier in the media interaction that we had and after that Parthasarathy, as he said will add few more comments and then we will go for Q&A.

The headline, the main point here is that it is a joint venture that we have formed to drive profitable growth in India and emerging markets both for Mahindra and Ford and in a sense the joint venture is our effort to bring the best of both of Ford and Mahindra into the joint venture. In terms of areas where we think Ford brings in tremendous value to the joint venture is the advanced technology capability that they have; maturity in product development, obviously they have been doing it globally for many-many years, many more than Mahindra; global sourcing as they source across the world where Mahindra is primary sourcing in India and global market reach and know-how in terms of emerging markets reach that they have.

From Mahindra side, the four sort of important points/strengths that we bring to JV is emerging market business model which has worked quite well for us in India and in other markets, integrated product development infrastructure and that we have in India through MRV and many other nodes that we have for product development, very strong India sourcing and more specifically today Mahindra is sourcing about \$5.6 billion worth of material in India and with this JV forming, it will be sourcing \$7 billion worth of material in India. And obviously the Indian market know-how that we have which allows us to be successful in India.

Now in terms of driving profitable growth while we are saying this are I will like to put it in the six bullets:

- Strengthening the product portfolio – We have already announced a product C-SUV that we are working on based on Mahindra platform which will have both Mahindra and Ford versions on it.

- As a rule of thumb, I could say that when we are doing 2 different products in the same platform, we save 35% to 40% of product development cost for both the companies. So, that synergy is very important and cost reduction is very important.
- Synergy in sourcing – because now JV being part of Mahindra group company would have the same SSU that we have with sources for all Mahindra businesses, automotive tractor will also now source with the JV, so that synergy comes in.
- Synergy in manufacturing – and they are best practices that we have from Mahindra and best practices from Ford that we can bring together in all Mahindra plants and all Ford plants to bring synergy and that will all lead to operational efficiency for the joint venture.
- We will help Ford strengthen the channel in India. We already started that. We have about 15 dealers of Mahindra that have also taken Ford dealership now and growing export from India both for a joint venture as well as for Mahindra using Ford's vast network that they have in emerging markets.

Now just to take you through the mechanisms of the deal or the JV that we have. I am sure that you are familiar with how Ford is set up in India. Ford has two separate entities, one is Ford India Private Limited which is the automotive product and marketing entity and second is GBS which is global business services which provides service not only to FIPL but also to Ford globally in terms of engineering sourcing, IT, back office so on and so forth and has a fairly large number of employees in GBS. A lot of FIPL functions actually reside in GBS today and provide service to FIPL. What we are doing is taking out the full auto business of FIPL into the new company that we are forming. What gets left behind is Sanand Powertrain. Sanand Powertrain caters mostly to export to other Ford entities globally and therefore there was no sort of India synergy in the Sanand Powertrain it is being left behind and as per GBS is concerned as I said that GBS continues to be 100% owned Ford and so does the remaining FIPL and many of the employees will get transferred to NewCo that serve the NewCo business. What we are not transferring right now is product development because there are many programs that are currently work in progress and it will be disruptive to make the change right now, but going forward NewCo will use the PD capabilities of both the parents Mahindra & Ford to develop product for itself. The joint venture of course is 51% owned by Mahindra and 49% by Ford. The overall enterprise value that we have agreed to is 1925 crores, out of which approximately 636 crores will be debt transferred by FIPL to the JV which leaves 1289 crores as a likely equity value, out of which 51% contribution for Mahindra is 657 crores and 632 crores by Ford which is 49% of 1289. So, in short, 636 crores debt, 656 crores equity by Mahindra and 632 crores equity by Ford that might change somewhat depending on how the debt number finally comes out.

The ownership 51-49, the Board is 50:50, Mahindra will nominate the Chairman and also will have casting vote. Management will be appointed by Mahindra; all the key positions, CEO, CFO but with Ford consent and there will be many positions that will be neutral positions which will be appointed based on where we have the best resources. In terms of closing, as you know many steps that we have to do. The very first step is CCI approval which we think will take 2-2.5 months and after that go through the remaining process, which probably should come to a close

around middle of 2020 and that is when we expect the closing will happen. So, that is the overall sort of conclude for you for the joint venture. Of course, you will have many questions which will be happy to answer, but before that request Parthasarathy to add some more color to what I have presented to you.

V. S. Parthasarathy: That is a very difficult task. I will end up repeating what he said, but hopefully with the financial angle lensed to it, so that we understand this clearly Mahindra and Ford are forming a joint venture by transferring assets and current liabilities of Ford India's automotive business with some debt as Pawan mentioned with a 51:49 stake and the enterprise value is 1925 crores and the equity value could be little less than 1300 crores, broadly. So, this is the one.

Now let me move onto say, I see a lot of positives for both shareholders in this case. What we are having is a profitable business which the JV adopts best practices from both the parties enabling robust operating margins going forward. It focuses on India cost for India operations for the JV and that will borrow from the best practices of both the partners and more so from M&M because it operates in the Indian environment. Synergy benefits has been talked about by Pawan. Sourcing, product development, engineering technology, access to global network and frugal mindset, all of them should further add to the profitability of the joint venture and the profitability of the parents. Apart from India, the JV business will focus on emerging markets to create an emerging market powerhouse. So, I think this is what Pawan has said, so I am just kind of bringing some facets which appeared important to make a repeat. Now I will stop and open this up for question and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: First, just one account keeping question. By what date do you expect this to be effective in terms of when it becomes part of Mahindra's consolidated operation before I move onto the operational, other questions?

Dr. Pawan Goenka: So, first of all let me just inform everyone that we had press conference just before starting this conference and we had Bill Ford and Jim Hackett attending from Dearborn, USA on very nice video link and we had Jim Farley, President of New Markets and Strategy of Ford who had travelled to Mumbai and Anand Mahindra also was part of the presentation. The reason I am saying this is that kind of shows the importance that both Ford and Mahindra are giving to this joint venture announcement that we have made today. As far as when does it become part of Mahindra Group consolidation wise, the closing, the time when it becomes part of the Group and that is about middle of 2020 give or take a month this side or that side.

V. S. Parthasarathy: And I hope Pramod you appreciated the sequence Pawan outlined, CCI approval and then the closing.

Dr. Pawan Goenka: Maybe you can repeat all the steps that happened before....

V. S. Parthasarathy: So, the first step now is to apply for CCI approval and we hope that the first hurdle we cross and then the transaction then starts too, kind of gets closed, it is a business slump sale and therefore all the business and all operations get transferred to the NewCo and that takes some time. We hope all this will get completed by middle of 2020. Obviously, we are hoping it will get sooner, but I think in knowing everything that goes including the permission, everything to be transferred, we think by mid-2020 this should happen.

Pramod Kumar: But till then the work which you guys are doing together in terms of new product development, joint sourcing all that will continue?

Dr. Pawan Goenka: That will continue.

V. S. Parthasarathy: So, that is one of the great things, Pramod. It was a very good question. What we did not do is to kind of start cold, we are not starting as a JV, we were starting with alliance which therefore, had 24 months to continue. So, many of the things benefit which could accrue to JV are to the parent did not start today. It started long time back, okay and therefore your question is pertinent even from the point of view how fast benefits could accrue.

Pramod Kumar: That is my first question actually is that when do you expect the first fruits of the joint work to come in? We understand you are supplying an engine to Ford for the EcoSport that is already what you had done even before Ford came into the picture, but since they have come in, I believe you talked about the C platform product and the work has been on for some time already. So, if you can just throw some light as to when should one expect the first product to come out from the alliance and how many products are you planning which will have joint development work put in by both Ford and Mahindra and if you can just talk about the potential volume of the addressable market or the segment size what you are exploring together?

Dr. Pawan Goenka: So, many of these Pramod are forward-looking statements that we will not talk about, but let me kind of share with you what we can share with you. As you are aware that C-SUV work as you said had started already some time ago and therefore in terms of full product that will be the first product that will come out from the alliance and that really actually has nothing to do with the JV that had started even before JV as part of the alliance that we had. And the second thing that we are doing which will happen before the new product comes out is the engine of Mahindra being used in EcoSport that will happen not at the time of BS-VI launch, sometime later but before the launch of the C-SUV platform. The third thing that we are doing which is yet to be formally approved by Mahindra and Ford management is battery electric vehicle built on the Aspire platform of Ford, not the Aspire that they sell in India but different version of Aspire that they do not sell in India, it will be based on that and that will be the one other product. Timeline of that I cannot yet give you because we do not have the formal approval yet. The next one is where Ford will have two products on this platform coming out of a B-SUV of Ford which will again be some time after C-SUV and on the same platform Mahindra will do at least one maybe two products, again this is not yet approved formally by Mahindra and Ford. It is work in progress. So, that is one and then we are looking at a potential MPV coming out of Mahindra platform. Again, right now work in progress, yet to be approved. Coming out on existing

Mahindra platform that will be used for Ford not just India but globally. So, that is kind of the plan that we have right now. Two vehicles on B platform of Ford, one electric vehicle on Aspire platform of Ford, one C-SUV on Mahindra platform and one MPV on Mahindra platform. The only project that is approved so far is the C-SUV, others are some are towards the end of approval, some are in the middle of approval.

Pramod Kumar: Okay, great, I think Pawan that is a great color and one question then again back in the queue is does this JV include in the scope your SsangYong operations and also is hybrid as a technology part of the scope of the joint venture?

Dr. Pawan Goenka: JV has nothing to do with SsangYong; however, as we look at our future products, there is a possibility that in some cases, the product will be relevant for SsangYong also and in that case, we may end up developing 3 products, one for Mahindra, one for Ford and one for SsangYong using the same platform. You have to appreciate however that manufacturing location of SsangYong is in Korea and Mahindra and Ford will be in India and therefore the tooling benefit that we get from Mahindra and Ford as a common tool that will not accrue for SsangYong because they will have to replicate the tool so it will be less expensive if it is a same tool, but it is not same tool. It will have to be replicated. What is the other part, Pramod, you said one more thing?

Pramod Kumar: Hybrid technology.

Dr. Pawan Goenka: Hybrid technology is not a focus right now for Mahindra and neither it is for Ford in India. Ford may have things otherwise in other parts of the world, but not in India. We are kind of keeping the plate warm and if there is a change in the government regulation in India or the government preference for hybrid, then of course we will jump into the fray but right now we are not doing much on hybrid.

Moderator: Thank you. The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Firstly, just to understand when you said technology gains from Ford, does include technology that is already there in the India business plus the technology that will get developed in the coming years. Is that correct? The coming years also whatever technology is developed.

Dr. Pawan Goenka: That is correct.

Binay Singh: And secondly, sir just a clarification like you talked about 4 platforms that the Group would jointly work around, so will Mahindra on the SUV side do anything beyond this also or largely the product planning on Mahindra of SUV will be pretty much in sync with Ford in the coming few years?

Dr. Pawan Goenka: Mahindra will have additional products that are not relevant for the JV.

Binay Singh: And thirdly, if you were to make this investment on your own, what will be the book value of this kind of investments or just to get an idea about if Mahindra was to do it on its own like what will be the book value of these assets for any EBIT margins or cash flow that you could share on the Ford venture?

Dr. Pawan Goenka: It will not be appropriate for me to talk about the book value of the current assets because that only Ford should answer, but what I can tell you in terms of assets what we are getting are two plants. The Chennai plant, complete plant including powertrain. One Sanand plant, powertrain is left out, rest of the plant we are getting. We are getting supplier part that we have in Chennai and all the land and everything that is associated with this plant. So, all the assets are being transferred completely except Sanand powertrain.

Dr. Pawan Goenka: . So, those are in terms of assets which is one can value in terms of book value, but we are getting the license for all the products that are currently being sold by FIPL in India under the same terms and conditions as they are currently being accessed from Ford to FIPL and we are getting the contract of all the dealers being transferred to the NewCo on the same terms and conditions as Ford has today. From the market point of view, but the way Ford works is that the NewCo or the FIPL today does not sell in the other markets. They basically manufacture and ship vehicles out. The selling is being done by another entity, the trend will continue in the joint venture also.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Firstly, I wanted to check when we look at some of the broad areas of benefit that you talked about in terms of synergy benefits, then model cycle and then this JV itself. Where should we expect the biggest contribution to come in next 2 to 3 years? Do you think that this model cycle will become much faster than what it is today or you will have to spend a lot lesser for that and from this JV perspective, do you expect it to be profitable from year one itself and contribute to earnings?

Dr. Pawan Goenka: So, I will let Parthasarathy answer the last question if he wants to answer or he may not want to answer, but the other question basically there are some low-hanging fruits which are not of very large value and large value fruits which will take longer. So, what is immediate is less value, what is little bit longer is more value. The lowest hanging fruit is the operational efficiency and the manufacturing plant in the way Mahindra operates their plant in the way Ford is operating today. As we get more into the detail of it, we will find opportunities just not from Ford to learn from Mahindra but also reverse where there will be areas where Ford today in India is doing a more efficient operation than Mahindra is doing so that will be immediate benefit that will get that could accrue in the next 6 to 9 months to a year, maybe even before the actual closing happens because there could be somewhere low-hanging fruits. The second one in sequence of timing will be sourcing benefit because Ford will be able to take advantage of the total sourcing that we are doing in India of 5.6 plus 1.4 now \$7 billion and that will apply to existing products also, but the big advantage will come when we launch the new products, where the advantage is coming both in product development where as I said earlier that may be 35%-40% of the development cost will be saved and there also since the sourcing is ground up sourcing, the

benefit of joint sourcing will be higher than resourcing what is already being sourced for the existing products. So, three parts, operational efficiency, sourcing for existing products and sourcing for new products and then new products.

Kapil Singh: On the profitability?

V. S. Parthasarathy: So, fundamentally, if you saw the press conference and some of you did, you saw Jim Farley mention that last year they were profitable at a bottomline level, okay and now even for a minute even over and above that I mentioned something which I want to repeat for example that M&M comes and gives its ability to kind of have an operating business model which is even bettering what it was earlier doing. Third one is just remember that the new JV also comes with some benefit that it starts with low debt or very preferential debt which it can get and therefore the interest cost and the depreciation costs both are reasonably proportioned for the volumes and business that they offer. So, if you put all that together and I do not have to do the maths, you are the analyst, so you can do the maths. So, that is what he said and over and above the synergy benefits, our sourcing should benefit the JV as well.

Kapil Singh: Also if you can talk just as CAPEX numbers of the JV if you have envisioned anything?

Dr. Pawan Goenka: All I can say right now is that the two partners have a commitment of investing money in the company beyond the initial purchase and the products that we have talked about if all of them get approved, then we have commitment of partners to support that investment either through further equity or debt as maybe right.

V. S. Parthasarathy: And in terms of the stock exchange report you will get, it is mentioned that including the initial investment M&M is committed to fund the maximum of 1400 crores. So, if you add 200 million let us say, if 100 million is the initial purchase price roughly, so then what you are saying is that we have further commitment of 100 million for all the products that need to be produced. And remember that all of it need not be one method of funding.

Moderator: Thank you. The next question is from the line of Joseph George from IIFL. Please go ahead.

Joseph George: So, my first question was to understand whether this JV entity would have a lot of R&D functions or will it mostly be taking existing platforms or future developed platforms from Ford and Mahindra and manufacturing and selling. So, will it be more of manufacturing and selling or will there be a lot of R&D functions?

Dr. Pawan Goenka: We are going to be transferring many functions from GBS which are not in the JV today. So, JV today is by and large sales and marketing, by and large. Obviously it has plants and all that, but many of the resources sit in GBS. So, all of them will get transferred to the JV and JV will be a complete entity. Now what it will not have immediately is full product development capability because frankly if you have to do that, it will be probably dysfunctional because when we have

Mahindra with its whole development center in MRV and when Ford has a development center in Chennai itself GBS, it will be probably a foolhardy for the JV to have a complete development center. Having said that, it is not that the JV will basically be riding on Mahindra and Ford for access to platforms, they will develop new platforms as a case may be based on product planning and the platforms may not be developed by engineers who are physically part of JV, but engineers who reside in Mahindra or engineers who reside in GBS, but it will be developed for the JV and not just a piggybacking on something else that is existing somewhere else and therefore the JV will have its own product planning and do products accordingly. As far as sourcing is concerned, it will be like what we do today in our Mahindra Automotive and Tractor business where the day-to-day sourcing is done by the business and the strategic sourcing is done by common entity that we call SSU. So, in the JV also now the SSU will have responsibility for overall sourcing including the JV sourcing and in fact if we did not do that, we do not get the synergy benefit because in that two separate arms doing the strategic sourcing, but the day-to-day procurement responsibility will be with JV and JV will do the procurement day to day. Sales and marketing will be totally independent. There will be nothing common between Mahindra and the JV for sales and marketing. This (Mahindra) dealer channel will be completely independent, that (JV) channel will be completely independent and work accordingly. Does that answer your question?

Joseph George:

Yes sir, that does. The second question I had was now will this JV really result in Mahindra having to spend less on physical capacity going forward as in is there a clause wherein the JV given that it has so much surplus capacity, would be able to manufacture for Mahindra standalone or how will you look at it and hence result in lower CAPEX for M&M going forward, physical capacity, CAPEX?

Dr. Pawan Goenka:

So, definitely the capacity that we have in Mahindra and that we have in Ford will be used sort of interchangeably as required and if there is justification for making the Mahindra product which is not a JV product in the JV plant, we will do that. It will be arm's-length manufacturing contract and vice versa. Currently, the plan that we have the C-SUV that we talked about will be made in Mahindra plant both for Mahindra and Ford and the B-SUV as we are planning right now as I said earlier just to clarify that this is not yet approved, the B-SUV will be made in a Ford plant both for Mahindra and Ford. What you asked was more specifically is it possible that a Mahindra product that is not a JV product can be made in a JV plant, the answer is yes.

V. S. Parthasarathy:

Just to give on this one, one of the things I was looking at the two Cs can be used very well in the JV both capacity and capabilities and that is a winning combination if you use it the right way.

Dr. Pawan Goenka:

And be more specific the CAPEX requirement simply for capacity will not be there for quite some time because together we have equipment capacity of 1.2 million vehicles and today the utilization is about 65%. So, we have 35% capacity available for expansion and as you know that we have the Phase II expansion of Chakan Plant which is already mid-way and therefore we are covered in terms of capacity for quite some time, but of course product development

investment will happen which will be lower for a platform which is shared between Mahindra and Ford.

Joseph George:

Got sir. So, the last question that I had was if you look at Mahindra's presence in the PV business, it is primarily in UVs and if you look at what Ford is doing today, their success is primarily in UVs especially with the EcoSport, they have not done much in terms of success with the small cars or Sedans. Now when you think about the partnership maybe 5 years down the line or do you think this JV will help you go into the other segments or become stronger in the other segments because right now if I look at the scenario both of you do UVs and to some extent with common platforms and common models you might compete with each other. So, do you see a big expansion in the addressable market with this?

Dr. Pawan Goenka:

As you know very well that the current wave in India and globally is to focus in UVs and if you look at the product launches that are happening in the industry, almost everybody is launching a UV and I have hardly seen a launch of a Sedan in the sort of mass segment. Therefore, currently the planning that we have primarily is on Crossover and UVs; however, if the market demands a Sedan, then the Ford JV could get into Sedans. Mahindra has a stated sort of objective that we will continue to focus on UVs alone and that is where we will be focusing, that is the current plan. Now plan can change one year from now, two years from now, 5 years from now but currently we have plans to focus on UV.

V. S. Parthasarathy:

New technology is another thing that we have to keep.

Moderator:

Thank you. We will take the next question from the line of Sonal Gupta from UBS Securities.

Sonal Gupta:

Just to put this, I am taking a slightly contrarian view here, I mean the way I see it is, one, do we have any, because exports have been a big factor, but is major portion of the JV I think and do we have any visibility on the tenure of export contracts etc. and whether in the new products also these will continue. The second thing is, like just to clarify the India marketing stuff moves into the JV from FIPL, right?

V. S. Parthasarathy:

Yes. The second question answer is giving first.

Sonal Gupta:

Sorry, I am yet to complete this. So, the way I see it, I mean you were not really running short of capacity and earlier you already had this alliance whereby you were collaborating and you were getting all those benefits anyways. So, I mean, by just, the way I see it just ending up buying these manufacturing assets and putting them in a JV, I mean I don't really see what is the advantage here for M&M?

Dr. Pawan Goenka:

Okay, alright. I think we will have to spend a little bit more time with you separately to spell out the advantages. But see, when we do things as two different companies and when we do things as equity partnership, these are very different level of cooperation, collaboration that can happen. When you talked about, what is the first thing?

Sonal Gupta: Export contract.

Dr. Pawan Goenka: So, let me talk about export first. Ford is the largest exporter of passenger vehicles from India and if you look at the manufacturing that various auto companies do, Ford is number 4 in India, not number 7 as most people think about because of the domestic market share and the 1-2-3 still remain the same, but number 4 becomes Ford, so Ford has a really large export base today and continue to export well. Our contract on export has no sunset. That means we will continue to export from India into the Ford emerging markets for eternity. I mean, it is like a going concern or whatever the technical word maybe, I don't know and what happens is that because of the JV formation, because of Mahindra managing and that is what is changing, when you say what changes. What is changing is that today FIPL is managed by Ford. We may have collaboration, we may do some projects together, but we cannot be running FIPL, that is managed by Ford. We cannot be selling, we cannot be manufacturing, we cannot be buying, all of that is being done by Ford. In the JV, the management control is with Mahindra. So, there is a full change of management that happens from the FIPL management today, which is done by Ford employees to M&M management which is done by people nominated by M&M, the CEO, the CFO all the key positions will be nominated by M&M, okay? So, that is the major difference that happens and because of that we expect that the cost will come down and that will therefore reduce export pricing and therefore that will increase export volume. And in fact from Ford's view point that is one of the very big advantages they see, it is able to sell export vehicles without compromising with the profitability of the JV at a lower price than what we are able to do today, then they can take the export volumes higher. So, export volume is a big opportunity and Mahindra being able to manage and what Ford has said very clearly in public domain is that, they want Mahindra who have "perfected the emerging market business model" to be managing this JV so that they can bring that advantage into the JV. Now overall financial performance, efficiency and so on.

V. S. Parthasarathy: Yes. So, I just want to give a kind of example so that you know for example Punjab Tractors and Mahindra that we got. When we got Punjab Tractors, I mean it was kind of inducing the same kind of principles. What happened to M&M is that M&M's overall profitability improved and Punjab Tractors profitability quadrupled or whatever it is and when we put together you could not get the breakup but you remember for the last 12 or 14 years, it has been a 100% plus ROCE business. So, I think there is lot of benefits that can come from if we do operational efficiency management and sharing of platform cost. And I think all of the above are envisaged in this case, okay?

Moderator: Thank you. We will take the last question from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Sir, just wanted to understand the capital allocation strategy here because earlier we had bought SsangYong Motors and we have invested in SsangYong as well and we were talking about joint development in SsangYong and bringing our products in India with SsangYong Motors. So, now this another JV that you have done with Ford, I understand the export angle that you get more visibility in export but in India I don't see Ford has any major reckoning in India to really go and buy assets of Ford where the utilization levels are much lower, the cost is much higher, it

will take years before you can even bring it to the M&M level. So, just wanted to understand how the CAPEX allocation changes here? Does your standalone CAPEX come down with respect to what you are investing in Ford? So, just give us some sense on how much you are investing in standalone SsangYong and Ford JV, for us to understand that.

Dr. Pawan Goenka:

So, I think again you have asked many sort of embedded questions in one question that you have asked and in some sense is the key, the justification of why we are doing what we are doing. So, let me talk about SsangYong for a minute first. When we talked about SsangYong, we talked about synergy benefit that we will get. We have already sort of talked in this forum that we now have developed common engines between Mahindra and SsangYong, both petrol and diesel and in fact one engine is identical and other engines are variants of the same engine where we have achieved 2% to 3% material cost saving because we have a common sourcing for Mahindra and SsangYong of that engine. XUV300 product is based on Tivoli of SsangYong and as you will agree with me that this is a product that has really Korean engineering and Korean fit and finish compared to the previous products of Mahindra and Alturas G4 which is again taken from SsangYong into Mahindra allows us an entry into a premium segment in SUV. So, the synergy benefit that we have talked about in terms of sourcing and in terms of product development are very much in tact with SsangYong, in fact sometimes it doesn't get counted when you talk about the value that we have derived from SsangYong, but it is a fairly significant value that has come to Mahindra because of this. Now when we come to Ford, the benefits that we can get with Ford are higher than what we can get for SsangYong because the location is same. In SsangYong, we are still constrained because one is Korea centric and one is India centric, here both are India centric businesses and that allows us lot more synergy in product development, lot more synergy in tooling and fixtures, lot more synergy into sourcing because the sourcing can be literally from the same source both for Mahindra and Ford. So, as you said that it will take you years to get the benefit of bringing the cost down to Mahindra level, I will have to disagree with that statement because it will take one product cycle to get there. In one product cycle we would have done the manufacturing improvement, we would have done the sourcing the Mahindra way and we have done the product CAPEX the Mahindra way. So, C-SUV which is one product cycle that is happening right now would probably by the time we get done with C-SUV we would have harnessed most of the synergy benefit and as we go into more and more products, we will harness more benefit. And again, going back to what Parthasarathy said earlier that FIPL is already PAT positive in the last year. So, it is not like there is a general perception somehow that Ford is a money losing business. The fact that they are PAT positive for last year and it was mentioned earlier by Jim Farley in the press conference that they were EBIT positive for 3 years, last 3 years. So, this is obviously a data that only Ford can talk about, only repeating what Jim Farley said in the press conference, 3 years EBIT positive last year, PBT positive or PAT positive is what the business is today. So, it is not like we are taking a business that is in crisis and it is going to take us many years to convert it to a profitable business.

V. S. Parthasarathy:

So, can we end with a thanks. We understand it is very late in the evening for many of you. But thank you very much for joining the conference. Hand it back to the convener.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Mahindra and Mahindra, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.