"Mahindra & Mahindra Limited Q1 FY27 Analyst Meet"

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Ms. Divya Gulati: Welcome to the quarter 1 FY27 analyst meet of Mahindra & Mahindra Limited. For the main presentation today, we have with us our Group CEO and MD - Dr. Dr. Anish Shah, ED and CEO of our Auto and Farm Business - Mr. Rajesh Jejurikar, and our Group CFO - Mr. Amarjyoti Barua. Once the presentation concludes, we will start with the Q&A session.

I would just like to read this disclaimer. 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 the actual results to differ materially from those in such forward-looking statements.

With that, I now hand over to Dr. Shah for the group overview. Thank you.

Dr. Anish Shah: Hi, good evening everyone. And for those joining online, good afternoon, good morning, depending on where you are. Pleasure having you here today to discuss our results. As you have seen, a quarter marked by various uncertainties across the world translating into a number of challenges in India, but despite that, happy to say that our team has actually delivered some very strong results and across multiple businesses.

So, the key messages for this quarter are consolidated profit up 34%, ROE at 23%. Auto and Farm resilience in a strong quarter despite commodity price impact of 400 to 500 basis points. Auto profits up 21%, Farm up 15%. Rajesh will talk more about the margins as well. Some impact on that but not as much as could have been the case. A lot of good actions taken by the team.

Mahindra Finance and Tech Mahindra, on a very strong journey now. We have been talking about both saying that they have been turning around, they are on a good track. What you can see from results is we can show proof around the turnaround now. Mahindra Finance has had 2 or 3 very good quarters. This time profits up 78% and driven by a lot of things that we wanted to have in place, especially around asset quality, a lot of work done on technology and data and we are starting to see results being delivered. Tech Mahindra up 28%, again a very strong quarter on track for all the commitments that the business has made.

And our Growth Gems, we have been talking about them. They are starting to deliver meaningful results, profits up 3x for Growth Gems. So, as we look at all of these businesses together, we got multiple growth engines delivering value in tough times.

As we look at the overall results, revenue up 28%, PAT is up 34% and the key drivers, the summary of a few points I said earlier, growth gems driven by Real Estate, Accelo and Logistics. Mahindra Finance driven by NIMS, driven by asset quality and growth. The growth part is new. We talked about pivoting to growth last quarter and that pivot to growth is starting to drive asset under management being higher as well as maintaining GS3 at a reasonable level.

Tech Mahindra driven by margin expansion, EBIT margins up to 14.4% and the promise has been to get to 15% by the end of this fiscal year. On track for that.

Auto volumes offset by commodity prices. Farm volume again offset by commodities in Turkey. And investments we had a gain on sale from CIE that have contributed to investments. So, overall as we look across everything we do, very, very strong numbers.

Let's look at each business and this time we have added an element of future growth drivers. So, not just talking about what's happened for performance, but also what are we seeing for this business going forward. And as we look at Auto, well Rajesh will cover the details.

The key highlights are SUV volume up 15% despite some challenges from a production standpoint. Penetration for electric is at 12% now and that's a fairly significant number, on a good track there. Inflation I talked about. But more exciting is the future growth drivers. The NU_IQ platform will start delivering models fairly soon and we will have a number of new models coming out from there. That gives us a much stronger foothold into a segment we really haven't played in in a big way. Accelerating EV volume growth and for that we will need more capacity because as you know, we are strapped for capacity right now and there is a plan to double capacity from where we stand today. And Rajesh will walk through details of what that means when, in terms of specific questions that you may have. So, I am fairly hopeful we can answer all your specific questions on what capacity comes on board, at what point in time, over the next few years.

Farm, not just domestic volume, but exports up 15% as well. Again, commodity inflation slightly lower impact here. Erkunt Foundry problem that we had, we have now solved for and exited. And there the future growth drivers are around product launches, accelerating exports further and internationally we still have a certain set of weak spots. So, fixing those that gets Farm overall on a much better trajectory.

Mahindra Finance, the growth pivot is very clear now. So, AUM and disbursement growth is what you see as driving performance in Q1, along with the credit discipline and NIM expansion. As we look forward continuing on the same path that we have been talking about, technology and data, fixed asset quality in good place, need to continue maintaining that. Diversification have started, need to accelerate diversification into mortgage and SME and add more from a fee-based income standpoint. So, that is going to build a very strong stable business with good returns and something that will add significant value as we go forward. So that is the path that Mahindra Finance is on at this point.

Tech Mahindra, performance driven by large deal wins by margin expansion and free cash flow. As a result, is up 94%. Continued focus on large deals, geographically we are diversifying and looking at reducing the margin gap. We will come out with the next phase for Tech Mahindra as we close this phase that we talked about, which is by end of FY27 we get to 15% EBIT margin and then we talk about the next phase as we go from there.

But the one thing I would say for these businesses, as well as, for the next few I am going to talk about, an underlying theme is very strong execution across. That is one underlying theme that we have got and that is what is being able to deliver good results. Let us talk about some of the Growth Gems.

Real estate, this quarter has added ₹5,600 crores of GDV, up 60%. Free sales number ₹925 crores, up 2x. A number of OCs were delivered ahead of schedule, not something that happens very often and therefore strong execution here again. As you look at the future, GDV is up at ₹50,000 crores now, from ₹8,000 crores only 3 years ago. This is a fuel for future growth and that has been acquired already. So, the future growth is going to be driven by what we already have in place. This includes multiple large projects that will be multi-use, ₹5,000 crore, up to ₹10,000 to ₹12,000 crore projects. And that also gives us certainty as we look into the horizon. And we are looking at expanding our industrial portfolio. So, we are going to start seeing Lifespaces really move to the next gear and start accelerating.

Logistics has gone from reverse gear to a positive gear now. Logistics was a business that wasn't doing very well, we talked about it, execution was poor. And this has been turned around very well by the management team there with Hemant coming in as CEO, there has been a huge impact, huge focus on operational excellence. And you see the results here, for this quarter at the M&M level it's a ₹14 crore positive profit, at the business level it's a ₹25 crore positive profit. And this is the highest ever quarterly profit for this business coming out of a turnaround, not just through the turnaround, obviously but even before that. I usually don't like highest ever because I expect every business to be highest ever every quarter. So, which is why we say, "Why use this term? But in this case, it's worth using because it's a business coming out of turnaround and therefore, we wanted to portray that. Future growth drivers, growing logistics in India, E-commerce, Q-com, penetration is going to be much higher, express business is turning around well. That's a drag even today, but that's a drag that we hope to eliminate and have it start contributing. And then very strong operational efficiencies that the business is driving at this point. So, logistics is now coming back into territory that will start really creating a lot of value, which is the path we wanted when we changed management there and brought the business to a much different trajectory.

Truck and bus, you saw the combination yesterday of SML and our truck and bus division. And this only enhances the competitiveness, it creates more synergies for us, it allows us to do a lot of things in a business that is double its size now and it continues as strong trajectory we've seen in truck and bus from 3 or 4 years ago. I remember questions from 3 or 4 years ago which is, "Why do we have this business?" And I remember acknowledging saying, "Look, you're probably right. Let's decide whether we want this business or not. Let's see if the business can execute, if they cannot, we will exit." But the business executed really well and as we now brought SML on board, we feel even more confident that we can create very meaningful value in this business going forward and that's what you're seeing. The combination also very positive from an SML standpoint, very positive from an M&M standpoint as well. Because it is going to be accretive and the synergies that we get will add to it even further. So, from that perspective, we're looking at this as a big step forward.

Aerostructures, we talked about earlier, we're sharing some numbers now. $1.2 billion of cumulated contract wins, half of them in the last year alone at 600 million. Business that has continued deal wins, has a growing presence in what we call the ‘shell and skins panel’ and accelerating industrialization. The key to this business is very high quality. It's been recognized as among the top-quality players and therefore OEMs are giving this a lot more business and want to continue down that path. This is a business where we will move up the aero value chain as a result of the quality. We've got 2 large deals with Airbus recently, we're with a single source globally for the fuselage for 2 helicopters which is a very, very big deal. And that again is a testament to the quality this business can drive. And this is a business we will look at making a potential acquisition globally, based on the strength of this business and what the OEM partner customers that we have want us to do. And it's going to be something that we will look at them to underwrite as we go forward, in terms of making sure that this business can give us the returns that we would want.

So, these are some of the businesses that we have, again driven by strong execution, but more than that now, potential that is being realized. So, we're starting to see some of that potential in numbers, which is where we want to be. Let's come back to AI.

We spoke about it for the first-time last quarter, though we've been doing work on this for a while. And you remember this page from last quarter, our aspiration is to be a tech leader in every industry. In some industries we can say we are there; in some industries we need more work. We talked about deploy, transform and invent with 4 impact areas, quality, experience, reach and efficiency, with real outcomes for revenue, cost and customer satisfaction. We also talked about transform and for each of these 4 areas, what are businesses like Auto and Farm doing and Finance and we gave a few high-level view in terms of, here are kinds of things that we are working on.

For this quarter we now want to go deeper and give you specifics about some of those examples. We're not going to talk about all the transform projects, but we picked 4 in Auto and 4 in Finance. And here are some specifics.

Paint.ai, this is making a significant impact in the paint shop, in terms of, one creating a better vehicle that looks nicer, in terms of reducing the paint that's used and helping us reduce the rework required as well, which effectively is more capacity.

Service.ai for Auto, 2,600 workshop assistants are using AI today to help make it easier for the customer, give them faster solutions, be able to reduce the turnaround time in the workshop and therefore again create more capacity in the workshop.

Reach.ai, we've had 91,000 test drives done entirely by AI or getting customers to the test drive. AI is not doing the test drives as yet; we'll get there at some point in time. But we've got 91,000 customers to come for a test drive, leveraging the AI communication that has been done with the customer. And this is business we would not have got otherwise. So, this is direct addition to revenue as a result of that.

Simulation in the fun world of product development, this is one specific example where there's lots of simulations done to look at drag coefficient. It's something that really becomes the centerpiece for product development in many ways. Each simulation would typically take an average of 10 hours. With AI we can do that in two minutes. And think about the speed of product development as a result. Our goal is to cut down the product development timeline and this is one example, there are many others that the team is working on, to be able to do that and to be able to create better products as a result as well.

On the Finance side, Samurai is our model for loan file processing. 65% of our loan files today are processed by AI, 65%.

Service request, 5 lakhs plus service request fulfilled through AI.

Cross-sell, 30% lower cost of acquisition through the AI orchestrated channel that we have for cross-sell now.

And Voice.ai is something we're using in Mahindra Finance and across multiple businesses, in multiple solutions around collections, sales and other areas.

So here are some real numbers on what we are achieving in some of the projects that we showcase. And as we go through the next few quarters, we'll provide more information around what we're doing on AI on a broader basis as well. This is driven by a very strong foundation. We have 50 forward deployed engineers and AI experts that are working with our businesses. We have 19 proprietary models that we have built for AI for specific applications that are giving us very meaningful results. And these are applications that are built on GPUs we have. So, we don't need to pay for tokens for this, which is even better, we don't have to worry about the cost of tokens on these applications. We have 1900 of our leaders and teams trained in RM.ai academy and 15 transformation projects that we are driving through AI. These are large scale transformation projects. A number of other smaller projects as well, along with a group AI governance council, business governance council. So, a lot of focus on security and governance from an AI standpoint as well. So, these are a large number of activities that we are doing in AI with this foundation and we based on various conversations feel there are multiple areas we are leading in this space and we continue to be able to drive this and see results from it. That's the most important part. We are seeing meaningful results from AI at this point in time.

One other thing I'll mention here is, beyond the foundation, AI is really being driven by process owners. And I know some of you have been to our Chakan plant, if you go there again you will have people on the shop floor tell you about how they are using AI and ideas that they have come up with to use AI as well to create better processes. So, this is one area where process owners are the ones that are really driving this transformation and that's the power of AI and that's the power of being able to really leverage AI.

A chart you are familiar with, a number that you are not familiar with is 23%, which is for ROE. And I will stay with my standard approach which is, our target is 18%, so we will go slightly up and above 18%. But 23% is higher than what we expected as well. So, we are not resetting expectations, we will stay with 18% as a target there. On growth, we continue to grow faster, we are at 34% growth in EPS, at this point in time. So, ₹ 48 EPS and consistent delivery from that perspective.

We will share some thoughts on what are some of the factors driving this performance, but I will hold off on that. At this point in time, I am going to invite Rajesh up to talk about Auto and Farm and then Amar will come up to talk about numbers and I will come back to talk about some aspects of performance that we are driving.

Mr. Rajesh Jejurikar: Hi good evening and good morning to everyone, depending on where you are. I am going to go a little faster because you would have already picked up some of this from the earlier presentations, so I will go a little faster.

On the Farm equipment side, we had an 18% volume growth, a very strong market share. We did lose on a sequential basis a little bit of share compared to last year, same quarter. But on a sequential basis it is a very strong quarter as well. You can see that last year the 45.2 was the all-time high that we had on market share. Farm machinery had a very strong robust growth again. Its highest quarter, that is a business now which is getting into momentum. And in a way it connects with what we are seeing as increased level of mechanisation in rural India, both on the tractor side and the adoption of farm machines.

This is a new chart and I will spend a few minutes trying to walk you through it. There are 3 columns literally.

So, column one is what you have been seeing in the past, which is what we call core tractors. Core tractors is basically domestic plus exports of the tractor business.

What you are seeing in the middle is international subsidiaries and what you see on the other side is others.

The others are defined below, but mainly it is the Farm machinery business, the Powerol business and the Indian subsidiaries, like Swaraj Engines. So that is broadly the third column.

All of that totals to what we also put out as Farm consolidated. So, these are the 3 columns which help you understand the margin structure better. So, the 19.2 is the core tractor margin. You can see that we have taken a loss in international subs, reasonably large amount of that is the impairment that we have taken on Erkunt Foundry and one more company. And the third one as you can see has seen an improvement in the margin percentage and the growth. So, all of that together gets us to 14.2% Farm consolidated margin.

The 19.2 here is the chart that you have been seeing, which carries over to the column one of the previous charts. So basically, we are now building on this to give you a disaggregated view of how Farm consolidated breaks up into different sub-segments.

This is a chart we often show you more to kind of say that the band in which the tractor margins operate is 17 to 19%. There are periods where we do 20%. There are periods where we do 17%. We have rarely gone below 17%, except maybe one quarter. And that is the ability of the business to manage, either the up cycle that may happen for an industry or in spite of a down cycle or commodity cycles up or down. So irrespective of what is happening to these 2 key variables, we are able to manage margins mostly between 17 to 19%.

These are the Farm consolidated financials. You have already seen them. 9% PBIT growth after impairment, 12% before impairment and a 15% PAT growth after impairment.

I will spend a few minutes on this because I think it is in the mind of quite a few people. What is driving rural in spite of all the fears of El Nino? And we have kind of tried to capture here the positive enablers right now in the rural market. Not to say that there are no negatives and I will kind of call that out as I walk through this.

Clearly, we are seeing a farm labour shortage. It is not a new phenomenon, but it is an accelerating trend. We are seeing that labour is moving to industrial areas as they are getting paid better. There is a lot of labour shortage in industrial areas, specifically with small-medium enterprises and that is coming out of the movement of farm labour. So as farm labour is earning more, they are seeing greater value in going and working in the industrial enterprises, which is what is one of the factors driving mechanisation right now in rural area. So that is point one.

Point two is the Rabi cash flows have been healthy. There has been an improvement in wheat procurement by about 19%. So that is strengthening the cash flows in the rural economy.

The third is the deficit in rainfall was really bad as we were into June. It has come down significantly from then to what is now at a 15% deficit. If rains continue then we may be at a reasonable level of deficit. Of course, this is different in different parts of the country and we track that as well to see how that is impacting it. Because the rains have come in in most parts of the country, our feedback on the ground right now is the sentiment is actually non-negative. The data indicates a lot of negativity if you just look at the rainfall deficit, but because rains have actually come in, the sentiment is not negative.

Reservoir levels are 7% below LPA, but have recovered from where they were. There was a much greater deficit and it is lesser than the same period last year, but it was much worse a few weeks back. Kharif sowing has accelerated significantly after the rains have started over the last three, four weeks and at the moment the shortfall over last year is a little over 4%, which is not too bad for this time of the year.

The government spending has gone up by 16%. The state governments too are putting in money and that itself is an enabler for greater cash coming into the rural economy. So overall, we see many factors beyond the negatives that we may be hearing about El Nino, which makes us believe that the sentiment on the ground or the reality on the ground right now is not as bad. Of course, we need to see what happens to rainfall and other factors over the next two months, but at the moment the rural market and that has been playing out in the volumes that you have seen over the last three months and early signs of July as well is reasonably okay. So, that is on the farm business.

On the auto business, the SUV volumes grew, we had said, mid to high teens. We had a 15% growth in SUVs in spite of some production issues, especially in April and May and a 20% growth in LCV, which also had some production issues. We continue to be revenue number one market share and a strong growth in market share sequentially on LCVs as well.

This is just a chart which kind of shows you that last year Q1 was an exceptionally high revenue market share, but on a kind of linear line basis, we are by and large at the same level of 24%, 25%.

The electric penetration I spoke about, that was 12%, 9% for the industry, which some of you will remember, the industry penetration for EV just a few quarters back was 2%, 2.5%. So, the 2% has gone to 9%, we were of course 0 six quarters back, which now is for us 12%. And we continue to have a very strong performance on revenue market share. And we sold 77,000 vehicles cumulative till now. And interestingly, the XEV 9S is the single largest, even by volume selling EV across all passenger vehicles in spite of its price point, which has done very well. LCVs again, strong performance on volumes and market share.

Now, I'll explain the same auto margin chart, taking a column at a time. So, the first column is something that you are seeing for the first time. What we are showing you here is auto plus LCV, domestic plus exports. Okay, so that's really, in other words, we can be called the core business, which is without EVs.

The second column is the EVs, ESUVs, which has two components, what happens in Mahindra Electric and the conversion costs that we earn in M&M. So, that comes into the second column.

The third column of others is listed below, but is mainly trucks and buses and contract manufacturing that we are doing for Last Mile Mobility and some other domestic subsidiaries and international subsidiaries, plus the Last Mile Mobility Company. So, all of that comes in column three. So, if you look at column one, our margin at a PBIT level is 8.9 and that's what is also represented here as a trend. So, it was 10.2, 10.8 and 8.9. Now, of course, we have lost margin compared to last year and we can talk more about that in the Q&A, but we believe this is a reasonably good margin performance, which has been on the back of a very high commodity price increase, which we have seen over the last many months, but has got significantly escalated after February.

This is a chart we have shown you in the past. So, you basically see on the top, Mahindra Electric as a company, contract manufacturing of EVs and end-to-end of EVs. So, the 5.3% margin here that you saw is the same as in column two of the three-column chart.

Okay. So, we made a 288 crores PBIT in the EV business end-to-end, out of which 270 was in Mahindra Electric company.

So, this is the capacity planning chart. The chart has not changed fundamentally, but I'll just walk you through it. There are some updates. So, I'm on the first row, which is the ICE SUV capacity. We had said by September we'll be at 60,000 per month, which we should be ready with by September, which is the end of first half. We'd said we'd be operationally ready for 8,000 EVs, which we should be ready by 8,000 EVs, for 8,000 EVs. Of course, there's an issue of mix because there's one product out of the three which is doing disproportionately well, but from a capacity readiness, we are ready for 8,000. That takes the total September capacity to 68,000. By the end of the year, to the 60, we add 10,000, which is the capacity which will flow through into F28, which is really for the launch of the first of the NU_IQ platform products. Likewise, the 8 becomes 12. I'm on the last column, second row. The 8 becomes 12, which is really adding 4,000 of EV capacity for the new EV, which will get launched in F28. Okay, so 70 plus 12, you get 82. So basically by end of the year, 64 and a half would have moved to 82.

Then we are adding 10,000 more in Chakan, which will take 82 to 92. That's for the NU_IQ platform phase 2. So we would have 92, and then we add 20,000 per month, which is 250,000, and 250,000 in two phases in Nagpur. The first phase of Nagpur should be ready first half of calendar 2029. So that's what you see in the first bullet point there, which is 20,000, and then the second is a few months later, maybe 10, 12 months later. So that's really the 2x capacity increase between now and F31 in multiple phases as you see it.

We had 11% growth in the trucks and buses volume. Market share was at 7.8%. Market share is much higher for us in quarter one for this business because SML has a very strong bus queue, and the bus market is rallying in quarter one. So we see a much higher market share in quarter one than we see as an average for the year.

Last Mile Mobility had a very good quarter, very strong growth, total volume of 42,000, continued to be number one, and most interestingly, the L5 EV penetration now is 40%, which was about 27% same period last year. So significant acceleration in the EV penetration in this segment. The UDO has done very well and is enabling this kind of a volume growth.

These are the auto consolidated numbers, so profit PBIT grew by 28% and PAT by 21%. Thank you.

Mr. Amarjyoti Barua: Thank you, Rajesh. So we have talked a lot about the PAT performance, I am going to focus a little bit on the revenue performance. I just want to highlight outside of the auto 32% that you heard and farm 15%, Mahindra Finance had a very strong revenue quarter as well, and we had growth gems grow 39%. And when you consider what we have been saying that the growth gems are going to help drive the diversification of the group and help drive a lot of the future growth, that 39% far outpaces everything else, and so that momentum should help us tremendously in the years to come.

The other thing that I want to highlight in terms of the PAT performance, Rajesh spoke a lot about the inflation, but if you think about it, with a 450 bps pressure in auto and 300 plus bps pressure in farm, to come out with 160-170 bps reduction in auto is remarkable, happened because the team proactively took actions on pricing and also took a lot of actions on operating costs. So that continues, that mentality of kind being ahead of emerging risks has really helped the business come through this, and as we look towards the future as well, unless commodity prices significantly deteriorate, we expect that auto should be able to now get better from here on.

Farm will continue to have some pressure because of what we saw in steel and rubber, steel is up now 24% and rubber is up 30%, 53% from the beginning of the calendar year. So it is pretty remarkable, and both of these cannot be hedged.

So this is a chart which showcases what we have talked about, that every engine in our federation is right now firing, and you see remarkable performance from each of the pieces and contributing significantly to the growth in PAT. Even if you take out the CIE gain, it is a 22% increase year over year.

Dr. Anish Shah: As I mentioned, I wanted to come back and share some reflections on what are some of the key factors driving performance, because we are starting to see a few things we had planned for play out well, and what is that set of factors that we also call the Mahindra way now, that are driving performance across multiple businesses. It starts with purpose. It's about values that enable us to lead with purpose. Integrity, quality, care - that covers customers, that covers our associates, that covers the broader communities. And that is a very important element for us, because that is what enables trust. And trust is a very powerful factor for us across multiple businesses. Our Life Spaces businesses can price 15% higher in the market with very strong competitors because of trust. We have been able to close joint development partners in one particular case for a 12,000 crore GDP opportunity, because a partner said, I am just going to work with Mahindra, I don't care what other people give me. Across businesses, that's a very important factor for us. Talent - everything that we've done is driven by talent. And the ability to attract talent, the ability to have our best talent go into areas of highest opportunity is something that's unique to us as a group. And that's driving results across multiple businesses.

Technology - we talked about AI, but it's not just AI. It's across multiple different areas. And the ability for each group business to benefit from the experts we have across the group in technology to see best practices somewhere else, adopt them, is turning out to be a very powerful thing for us, because technology is central to almost everything that happens. Logistics is building a very strong business with technology as a backbone. Because if you have that, a customer is not going to go anywhere else. Not just logistics, that's something we are seeing across multiple businesses. And then with that, it's behaviors that drive meaningful outcomes. We are a large company that wants to operate and often operates like a startup. It's about collaboration, agility, being bold. And this is the reason why you see some of these results that you'd look at and say, how can this be consistently delivered over such a long time? And it's a combination of these things that create the synergies for growth and the synergies for resilience across the businesses. So I wanted to share some of those thoughts with you.

And what we're going to do today for question and answer is different from what we've done. Because we're actually going to have multiple leaders up here on stage, as all their businesses have contributed. And I want to go back to this chart that Amar presented. If you just look at the numbers here of the contribution of multiple businesses, you see very significant numbers. Growth Gem, year over year, is almost equal to TechM, and TechM has done well. And you see Mahindra Finance, is 213, greater than Farm. And Farm has also done well in a tough cycle. So that is why we're going to have a number of leaders come up on stage, and a format we will use going forward as well. So you can hear from some of those leaders directly, and yourself be able to assess the quality of talent that we have, right? So with that, we're going to have a large number of chairs and take up all the space that's available here.

And what we're going to do is, I would just want each of our leaders to just spend a minute giving you a highlight of what they've done. And then we open it up for questions and answers after that. So with that, Vinod, why don't we start with you? We'll just go around in this order.

Mr. Vinod Sahay: So we'll briefly talk about the two businesses which came on the slide. So on SML Mahindra, the big announcement which happened yesterday, poised, makes us very well poised for harnessing the full potential of what this industry promises. It's an industry with a very high revenue pool, very high profit pool. Of course, we have a mixed bag of products. We, by the way, in quarter two, we became number two player in LCV, LCV bus segment of less than 12 tonnes. We used to be number three. With a very thin margin, we hope to sustain and increase it. We are amongst the leaders when it comes to LCV trucks. ICV trucks, we have a limited rate, we are doing well. And heavy trucks is a long haul which we are continuing to commit. And with the two teams coming together, not just from the network and product point of view, but also a lot of synergy from the cost and value engineering, we have already started working. And now the company becoming one with both the brands and its product. It promises a lot of potential to harness both on revenue and the profit side.

On aerospace, Anish talked about it. We are very well poised for future growth, both organically and inorganically. Organically, we are getting a lot of business coming our way, because this is an industry where your reputation counts over everything else. And reputation gets built over a period of time based on your quality and time and the cost of the delivery which you do. And as Anish said, we are rated amongst the top five globally in terms of our quality and business excellence performance. And because of which, a lot of businesses are coming our way. We are in the process also trying to go up the value chain. We started with detailed parts player, and now going towards sub assemblies and making full fuselages. So from a manufacturer who is to make thousands of small parts, to moving towards making hundreds of high value parts is also a transition we are trying to do. And of course, inorganic is another opportunity we are looking at.

Dr. Anish Shah: So thank you, Vinod Sahay runs our aerospace advanced technology and truck and bus business. All have seen significant growth in his time at the helm. And with that, Hemant Sikka, CEO for Logistics.

Mr. Hemant Sikka: Yes, on logistics, we have put a lot of focus on operational execution. As a result, we took several actions. The significant one I will call out was the work that we did on white space reduction. Same time last year, we had 16 lakh square feet of white space. As I speak, we have only 2 lakh square feet of white space available. And that also we should be able to sell it by September. That was a big drag on our numbers, so that is out. And mind you, none of this white space has been surrendered. It is all sold. So these are all now revenue generating assets for us. Apart from that, a lot of focus on our customers. We are winning a lot of large deals. Very good growth on manufacturing and e-com site. This month itself, we have started on three very large e-com sites across the country. So that focus on customer continues. And with that, in quarter three of last year, after 11 straight quarters of losses, we got a little bit small profit in quarter three, but quarter four and quarter one again have been very strong. And we see that this kind of momentum will continue going ahead.

One of the big levers which Anish called out was our express logistics turnaround, which is the RIVIGO company. We have cut down the losses significantly in the last one year. However, still, it's a drag on our business. But we are very confident now that our EBITDA positive is just around the corner. I won't give you a month, but it is just around the corner. And that should then lead us to a PAT positive number at some point in time very soon. This kind of effort will obviously bring goodness in our financials. Apart from that, there is a lot of focus on, again, winning new businesses. And that effort, both in terms of consumer, pharma, telecom, manufacturing and e-com will continue. Thank you.

Dr. Anish Shah: Thank you, Hemant. Veeejay Nakra, CEO of Farm.

Mr. Veejay Nakra: Rajesh has covered quite a bit in detail, so I don't want to repeat what he's covered. But strong performance in quarter one, despite the headwinds that we've had because of the war and commodity prices. Actually, I'm actually delighted that we are having this conversation at the end of the month, when we've seen favorable monsoon turnaround in the last two weeks. So the sentiment on the ground is definitely a lot more positive as we are moving into quarter two. But no doubt, there are challenges still in front of us. Internationally also, we've had some headwinds, but in our core markets, we've performed very well. So yeah, with that, we'll be happy to answer questions as we go forward.

Dr. Anish Shah: Amit Sinha, CEO of Lifespaces.

Mr. Amit Sinha: So I think I'll just highlight four things that are shaping our performance and aspiration. Number one is, stick to the guns on strategy, and what we will do and what we will not do. What that means is focus on a few cities for residential Mumbai, Pune, Bangalore. We get a lot of land parcel requests, come to Indore, come to Hyderabad, come to Delhi. But you know, I think for us to scale, I think we'll stick to the guns. It also means what we will not do. Like affordable segment has not done well for us, so we decided to exit that and we'll continue to focus on doing mid-premium and premium segment.

The second is for us to secure a strong future for this business, it was important to lock in some key land deals. We were always looking for the right deals. And over the last three years, we have scaled that pipeline, which is locked in, in terms of greenfield, in terms of joint development, in terms of society redevelopment, roughly 50,000 crore of deals. And those deals have gone through a very rigorous process, so that we have more upside in those deals rather than downside.

Third is a focus towards customer experience, premiumization, making sure that customers want our product, they come in because of our brand, but they should stay there because of the experience they have. And I think that has been a key part of our effort over the last few months. We got a lot of OCs as Anishcover, 3,000 apartments. We've delivered 1,500 apartments till a few days ago, and 99% apartments have been zero snag apartment to the customer. That means customers are accepting those apartments as is. That means we've been able to do a good job in terms of quality side.

And then finally, making sure our execution stays on course. This is a business where price gets locked up front and the costs get covered over the next five years. So how do we ensure delivery of our projects as per the original plan? I think Amar covered a lot about the cost escalation, etc. We factored a lot of it, and we always have some surprises. So we want to make sure that whenever we execute, we are very prudent about cost escalations, surprises. Our IC business helps us quite well. It complements the residential business. And these four things have been quite good for us and we'll continue to have this. These shape the journey for us in the future years.

Dr. Anish Shah: Velusamy, CEO Auto.

Mr. Velusamy: So the auto team delivered in resilient quarter performance, following on an exceptional Q1 F26 performance of 22.1% growth. Their Q1 F27, the team delivered 14.9% growth on SUVs, and 20% growth on LCVs. All the three verticals are really doing well. The ICE-SUV, the EV-SUV, the LCV, they're really doing well. The ICE-SUV and EV put together putting 14.9%. In the EV-SUV space, we have grown 77% compared to last year. A combined XEV brand, it is 1,6500 in the quarter volume, 0. And as Rajesh pointed out, XEV-9S is the largest selling SUV, despite of its high selling price. The revenue of auto, 32% growth, and with a PAT of 21% growth. The resilient performance continues for the coming quarters, in spite of pressures on margins, as you have heard from all the presenters. The festive season is going to be a big one for us. As you have seen, the capacity increase is happening from 64.5 to 68. It will happen end of H1, that is an equation for us to upcoming quarters.

All the best for the auto team, and wish you all the best.

Dr. Anish Shah: Raul Rebello, Mahindra Finance, CEO.

Mr. Raul Rebello: Thank you, pleasure to be here at this forum. So, in our business we look at consistency being the real hallmark of directionally moving well and consistency in growth, margins and risk. When we reflect on the last two quarters actually that's played out quite well.

Starting with risk, and Anish alluded to it, in risk we look at stability in the GS2/GS3 and that's come in I think in a very formidable manner. For example, in our GS2 + GS3 for the last 7 quarters now we have been below 10%. And if I just look at last Q1 versus this Q1, GS2 which is 30+, early risk, that's 100 bps lower than last Q1. So that's on risk we think we have covered fairground there.

On margins we had dropped significantly to NIMs of 6.5 and now we have climbed back to a good 7.3. And overall ROAs which was quite elusive, we were below 2 and now is in a respectful range come to about 2.4.

Finally, growth, Anish has tasked us now to pivoting back to growth and I think off late on that metric also both the wheels business and the non-wheels business. The wheels business we benefit from a lot of gentlemen on the forum here. We feed off the auto, CV, tractor business so the wheels business has been growing well at just 20% in that vicinity. But what's really encouraging is the non-wheels business which grew at 79% which is the mortgage business, the SME business and the PL business.

So, yeah, we are starting to see a good balance between the growth margin risk, we keep balancing between all the three. It's been progressing well and it's early in the year Q1 and we have some curve balls which we have seen with fuel prices etc. So, we have to monitor the portfolio well and just make sure that we are on the path to being --- steady balancing between the growth risk margin equation.

Thank you.

Dr. Anish Shah: Thank you all. With that we open up for questions.

Ms. Divya Gulati: We begin with Chandru of Goldman. Chandru? Kapil, I will come to you.

Mr. Chandru: Good evening, thank you for taking up my questions. I have 3 questions I will ask them all at once.

First one is on the battery electric vehicle business, so it is good to see that it is now 12% on the vehicles mix is battery electric vehicles and meeting auto 10% EBITDA margin. So, I just wanted to clarify what is the PLI in the current EBITDA/EBIT margin contribution from PLI. And I just want to understand is there any discussion around PLI 2.0 and whether this might be extended beyond FY28.

Second question is on the tractor business. So, I just want to understand, I remember in FY24 when we had a rainfall shortfall, there was a lot of restocking in the back half of the year. So, I just want to understand where we are on channel inventory as well as in terms of horsepower mix. In the past have we seen improvement in tractor horsepower mix, that's I think a strategy which we had laid out at the investor meet in November last year.

And the last one is just on Mahindra Finance. So, I think most of Mahindra Finance on the wheels business is new vehicle sales but over a period of time is there a strategy to do more used vehicles where the yields might be much, much higher?

Dr. Anish Shah: I will just take the PLI question and then have Rajesh cover everything else and then let Raul cover the last question.

In terms of whether the subsidy continues or not, the objective of PLI has been to transition to EVs and ensure that we can maintain reasonable price parity with ICE and that has been done very well so far. With scale coming in, what you have seen in the numbers is the ability for us to be able to reduce cost and therefore get higher margins as well. Not as much as ICE right now but that will start happening.

So, our expectation would be that as we start showing higher margins with scale, PLI should reduce. That is part of how it should go because we would not want to make super normal profits based on subsidies and that is a conversation we have with government as well to say that that is only the fair thing to do. In terms of specific timelines, we don't have an answer on that as yet. That will depend on how the industry moves as well but we will have more clarity on that in the next maybe 6 to 12 months. We still have some time to go on this one.

Mr. Rajesh Jejurikar: Chandru, on the specifics of how much PLI, I don't think we want to share the absolute amount right now but one reassurance we can give is that we were EBITDA positive without PLI. So, we are not losing money without PLI at cash level. I just want to reinforce that part that we are EBITDA positive without PLI right now. So that is on the PLI.

Anish answered the second part of the PLI question. On the tractor, you had two questions. That was the only auto EV question, right?

Mr. Chandru: Inventory and…

Mr. Rajesh Jejurikar: Yeah, on the tractor, there was one question related to the inventory and you were relating that to 2024.

Mr. Chandru: And the horsepower mix.

Mr. Rajesh Jejurikar: And the horsepower mix. So, on the channel inventory, you know, I think this question had come up earlier as well on why we are seeing lesser volatility on industry growth in tractors. And a few quarters back I kind of reflected on that to say that I think there is much more discipline today by all OEMs which means that when there is a down cycle, the extent of down stocking that we need to do on channel is much lesser. Between our two brands we would be by and large in line with norms. Actually, Swaraj is below norm because they had some supply issues in the quarter. But in the region of 30 to 40 days which we think is fine and not much restocking needs to be done at this point of time.

You want to take the horsepower question?

Mr. Veejay Nakra: Yeah, on the horsepower mix, we can clearly see a shift towards higher horsepower. Rajesh spoke about mechanization. So, we are seeing that if you look at the first quarter of this year, already close to 69-70% of the horsepower mix has now moved towards 40 to 50 horsepower. A lot of that is being driven also by the kind of implements that the farmers have started seeing adoption towards. So, whether you talk about seeders, whether you talk about balers, some of these higher value, higher horsepower drawing implements is what they are looking at. And also, I think post-GST, they are able to sort of buy a product with a higher horsepower for a price that they would have paid for a lower horsepower earlier. So, I think all of these have helped move the mix towards about 70% for the 40 to 50 horsepower range.

Mr. Raul Rebello: On the question on the composition of the used vehicle business, so when I just look back 8 quarters, that number from a disbursement, hovers between 15 to 19% of our incremental disbursements. Last quarter was at 16. We did slide down a bit because post-GST actually we were ourselves getting firmed up to the new residual value because the GST prices caused a huge shift in the residual value. So, we were ourselves being a little conservative in the last two quarters. But from now on we will see us going up that scale, the 16 to 19 that I talked about.

And see, if you look at the leaderboard, we are always between number two and three in used car. We are number one in used tractor. In used CV, we are not a very big player, but these two are big categories for us. And you are right, it is margin accretive. So, it is an important business. It is not small in any capacity and we will see this business grow in the times to come.

Mr. Chandru: And just if I could clarify what the farm implement revenue was for the quarter?

Mr. Rajesh Jejurikar: 350 or 360 crores? 370 crores in the quarter. That was on the slide.

Mr. Chandru: Thanks and all the best.

Mr. Divya Gulati: Thanks, Chandru. Kapil, please proceed.

Mr. Kapil: First of all, thanks for getting the entire leadership team here. It is great to meet all of you. And I have a question which is relevant probably for everyone.

So, Anish, you talked about building AI based competencies. What I would like to understand is, these same AI models are available to everyone, right. So, where will the differentiation come from?

And if some of the business leaders can also share their experiences as you are building these things, where do you think we can differentiate? Because technically same things can be built by everyone, right.

Dr. Anish Shah: So first, Kapil, I am glad there is value in this. But this is not the entire leadership team. This is just a few folks. We still have other leaders and we will bring them on board as well. We just ran out of space on the stage so we have kept it at this level so far.

On AI, I will just take a quick answer to that and then we will have some of our leaders come in. We are building many of these models as proprietary models. So, if you look at simulation for product development and I will ask Velu to talk about that, that is something that is built proprietary. Almost everything that I spoke about is something that our teams have built. And it is the process owners that are coming in and saying this is how we should build these things.

So that to me is the biggest difference in AI. It is the process owners that have to be a part of it and have to build it in a way that makes sense for their process. Let me give you one example around welding in Chakan, which we had now put up there. There are 300 welding guns in Chakan. Welding quality is done from a destructive standpoint. So, every month typically you take the car apart, you take each model and take it apart. Now there are 20,000 welds done every hour in Chakan. Every single one can be validated with AI that this is a proper weld. That is a welding model that has been built by our team operating there. So, our AI engineers are the ones working with each of the businesses to be able to deliver that.

So, let me have Velu come in for that. Let me have Raul talk about some of the Mahindra Finance work that is being done. And then we can go to other leaders but we may go to other questions first and then come back to it.

Mr. Velusamy: The one key difference is that the AI model is an intelligence layer. So, you feed in 20 years of your simulation data into it. Then it becomes a different AI. That AI is known only to you and it is processed by you. So that is the differentiator.

Mr. Raul Rebello: Yeah, I think what is contextual to us is because we are such a distributed business, right, 3.8 lakh villages, so many dialects, there is a lot of unstructured data sitting in our system which was never harnessed before. And today we are using the power of vernacular bots, etc., to even acquire customers at a much lower cost. Anish talked about our proprietary SamurAI, which is the word play on Samurai.AI, which is basically helping us to cut down TAT by almost 40%. The time it took to basically process a loan because we are able to piece together a lot of these unstructured data and the time to years and time to money is now significantly short.

We have many more examples, but I am sure there will be.

Mr. Veejay Nakra: Anish, can I just say one thing?

Dr. Anish Shah: Yes, go ahead.

Mr. Veejay Nakra: It is not a very hi-fi use case of AI, but I am just stating this because you can find very simple use cases. And we have recently started experimenting with this in the farm business and we call it sentiment.ai. So, we have come up with a very simple tool where we can connect with our field force and that is where the power of FD, SD, board divisions, very large channel presence across the country and feet on the ground. So, through AI, we are able to collect sentiment on the ground in that village at that pocket and we can use layers of AI and data to collate that to see where there are patterns, where there are discrepancies that are coming up and that can feed into a lot of work that we do on the ground to proactively act. It is a very simple use case.

Mr. Kapil: So, there are a couple of questions on the auto sector as well. Firstly, because you have been slightly capacity constrained, so would like to know in terms of enquiry or booking growth, what kind of growth are you experiencing and if you were to cut the data by power trains, diesel, petrol and EVs, what is the kind of growth you are experiencing and is there any significant difference that you are observing over there?

And similarly, if you were to cut the data by GST, like 40% GST bracket and 18% GST bracket, is there a significant difference in the enquiry growth?

Mr. Rajesh Jejurikar: You really want to know everything about our business. I think it is a very, let us call it, information that we would not want to share because it kind of gives an indication of what is actually, you know, where demand momentum is but we will try and give you an overall sense rather than the level of detail. So, I will start and then hand over to Velu.

We have seen very strong demand momentum, urban and rural both. We are seeing some kind of a shift to diesel. Of course, you know, there is a segmental shift to CNG and especially the lower GST product category, less than 4 meters, that has happened very fast over the last few months. As the move, as one part of the segment has moved to EV, there is another part which is moving to CNG as the fuel prices and the fuel crisis has kicked in. But also, there are people who have looked at diesel because fuel efficiency has become, you know, that much more salient in a way. So, you are kind of seeing some of this play out in the fuel mix. Right now, I think all our brands are on very strong, very strong momentum and growth, EVs in particular and especially 9S. Velu, you want to add?

Mr. Velusamy: As you said, we said EV is 77% growth. And if you see overall industry, above 4 meters and below 4 meters, you can see wherever there is a new product, there is an equal growth that has come above 4 meters and below 4 meters. I am not sure it is segmentized rather where it is whether it is refreshers and new launches and every segment is growing, that's what we are seeing.

Mr. Kapil: Lastly, just on the electric vehicle business, how should we think about the profitability path ex of PLI? Is it going to be pricing led from here or most of it is going to be through cost efficiencies and what are you doing over there?

Mr. Rajesh Jejurikar: I think, Kapil, it will be a combination of both. You will remember that when we were launching EV, you all thought we will never make money. So, you know, we have come a long way since there in the last six quarters to now at least talk about what is the sustainability of the profit that we are making versus will you ever make money in this business.

I think what is the value of reaching an inflection point on penetration is that a very strong word-of-mouth starts building where customers who are EV users start talking about how much money they are saving. And, you know, once the proof of money being saved becomes real and not notional, then the acquisition price becomes less relevant because you have a very tangible 'yes' with this kind of a usage situation I can save five lakhs in three years if this is my driving situation or one and a half lakhs a year or whatever in a different driving situation or whatever. Then the ability of price to go up is something that customer is able to tangibly see the value that that's created, right?

But when the category adoption is low, then the customer is not able to anticipate what are the other barriers. So really what is happening is EV penetration is going up and better quality cars are coming in. Customer is confident on reliability, more confident on range, charging infrastructure is building up so the barriers are disappearing and the real savings are tangible.

At that point of time, we expect price sensitivity to be much lesser and that's why the inflection point probably will be after 20-25% EV penetration. And that's really the journey that, you know, the government also has in mind as Anish said that you get EV penetration to 20-25% then there's enough word of mouth and enough customers who are talking positively. Then the price equation need not be parity or close to parity. Today we are, our EVs are at close to parity twice. I mean there's very little on-road difference between a 9S and a 7XO. So once your savings are visible and tangible on all fronts, then a reasonable premium of 5-7% is possible.

Meanwhile there's a lot of work going on to continue localizing and bringing costs down. And as scale builds, then it's even more remunerative for the supply ecosystem to pass on the benefits of scale. So today most of them are operating at, well, quoted as on subscale because there was complete uncertainty on how EV will pick up in the country when, you know, this was done in 22-23-24. More like the VOBs were done, the orders were awarded in the year '22 where there was really no EV penetration in the country. Today it's a very different scenario of scale. So, you know, we would expect the cost curve to kick in as well on multiple technologies that we are following or have deployed, you know, which are being optimized from an engineering point of view but also from a scale point of view. So, I think both of these will kick in in the next 12 to 18 months.

Dr. Anish Shah: I would add two more things actually. One, I'll emphasize the scale part because we're effectively doing 9x in ICE as compared to EV right now. So even for that small 1x, we've got a reasonable level of profitability today without PLI. So, the minute you start scaling that up, that's going to start giving benefits.

The second aspect is today the platform has also been developed for a very small number of vehicles. The beauty of the EV platform, the INGLO platform that we've developed, is that it can be used across multiple top heads, and therefore the capex that goes into developing it also is lower. So that also enhances profitability. So, these are factors that come in.

If I go back to the point that Rajesh also made on consumers willing to pay more, over the years you've seen that for diesel, consumers have paid more. Because the cost of diesel is lower than the cost of petrol and you've got higher fuel efficiency. So, you're willing to pay that much more for diesel.

EV, we didn't start with that. We didn't say that you will save petrol or diesel cost. There is a significant saving in that. So, there will be some ability to price as well from that standpoint. So, all of these factors give us the confidence that we will be at par. It's not going to really make as much of a difference on ICE versus EV.

Mr. Kapil: Thank you so much.

Dr. Anish Shah: If it wasn't, we wouldn't be pushing EV so hard. We'd be pushing ICE harder.

Ms. Divya Gulati: Thanks, thanks. Binay and Raghu, I'll come back to you. Akash, you had questions from Nomura. I'll just come back to you.

Mr. Akash: Hi, Akash. I cover the real estate space at Nomura. Thank you everyone for taking my question.

My question is for Amit sir. I have two questions. One is bottom-up, one is top-down.

From a bottom-up strategy, I want to understand the vision that Mahindra Lifespaces has over the next five years. Obviously, we are growing very fast, but how do we see Mahindra Lifespaces after five years? That's my first question.

The second question is top-down. Where does the company fit in the group strategy? Where does Mahindra Lifespaces fit in the overall group strategy?

So, these are my two questions. Thank you.

Mr. Amit Sinha: How much time do you have? I'll let Anish answer the second question.

Dr. Anish Shah: I knew that was coming here.

Mr. Amit Sinha: I think, let me just give you a short answer and then probably you can give a longer answer. So, I think for Mahindra Lifespaces, the first step is to be relevant. I think we have a 32-year legacy. We started in 1994, but our scale does not reflect that. And I think for us, the first goal is to be relevant in the market. And to be relevant, we just don't want to chase growth, right. We want to chase profitable, good growth, right. And that's why when we codified our strategy three years ago, it was to say what does relevance mean in the market? And how should we actually achieve that? And we codified that we want to be a 10,000 crores company pre-sales by FY30. And in simple terms, that will be 14 times what we were in FY20. So, it's a FY30 to FY20 is a large amplifier in terms of the growth. Where we want to get the growth from is mostly from residential sector, which has been something we have played for a long time, but we also started to play in industrial side. So, we wanted to codify where we want to play. And within that, we said we'll go for depth over breadth. We'll go deeper in a few markets. And each market that we play, we want to be top five, top three. So, Mumbai, Pune, Bangalore are the three key cities we are consolidating our presence. And that's very counterintuitive because when you're trying to grow, you'll say that let's play in as many frontiers as we can. But we have defined our frontiers to be just three cities. These three cities make 55% of the overall national volume in terms of the unit sales. Value-wise, it's slightly more. And our goal is to be as deeper as possible. We look at our presence in terms of relative market share, RMS. So, it doesn't matter for us --- market share. What matters is how big you are compared to the biggest player. So, if I have 0.5 market share in Mumbai, Lodha has 5%, so I'm on 10. I want to reduce the gap to as little as possible. And that's why we will go for deepening our strategy.

The second part, I think I've covered that, is premiumization, not playing in the affordable segment. And I think Mahindra brands' strengths, we are inspired by what our auto team has done.

We want to reflect the same kind of customer trust and delivery in our apartments and our products. And then execution, choice of how we deliver those experiences in terms of the purchase, in terms of waiting, in terms of possession. Everything needs to be in line with what a premium brand can deliver, just like what Mahindra brands stands for.

So, I think, to come back to your question, I think we want to be relevant. And to be relevant, there are many things we have to get it right. Some of them we have gotten right so far. But it's a business where one mistake can derail the profits of many other projects that you're doing well. So, we want to make it very, very careful, deliberate in our ways of growing. Hopefully, you got some, and maybe we can talk more about it.

Dr. Anish Shah: To fit in the group of business needs, three things. High quality products. The customers say, I want this product.

We ideally want to reach a place where each of you would ask, when is the Mahindra Lifespaces property coming to the area I like? Because I'm going to wait for that to come, and that's where I'm going to buy. And today, we can say with confidence, we're starting to build products of that level of quality.

The second is scale. A business has to have meaningful scale.

And the third is profitability. There are profit standards we have. We need to be able to maintain ROA. We will give leeway to the businesses to grow.

We have a long-term view as well, and given the portfolio we have, we will take a long-term view for some businesses, and we'll say, it's fine. You can build profitability over five years or ten years. In Vinod's case, you might build it over ten or fifteen years as well.

In aerospace, it will require that time period, but it's a very profitable and solid business at that point with a very strong moat around it that no one can really come into. So, these are the kinds of businesses we like. With that, Lifespaces fits very well because of the products they have right now, because of the scale that has been achieved so far, and the path that's going for scale.

50,000 GDV, if you compare it with the large players as well, we're in a very good position right now, and we will continue to grow at a much faster rate than most others. And it's a very profitable business. We're monitoring it very, very closely, as you've seen from some of the things that Amit has shared in the past.

Mr. Akash: Thank you so much.

Ms. Divya Gulati: Thank you. Raghu?

Mr. Raghu: Thank you, sir, for the opportunity, and thank you so much for sharing the breakdown of auto and the farm profits.

My first question, Amar sir, basically, a temporary transient problem is the commodity part. So, on the commodity, in Q2, how do you see the impact coming through in auto and farm, and the price hikes which has been taken in auto, which is around 2% in July, and in farm, which is maybe 15,000 in August. So, would that be able to cover the commodity impact? How do you see the impact in terms of protecting the margins? And also because of the price hikes, is there any thought process how customers will accept it?

Mr. Amarjyoti Barua: The customer question I will really leave it to Rajesh and Velu to answer. We tried to give a framework in the media conversations, so I'll just lay that out for you all as well. We did see around 450 bps of pressure on Auto margins because of the commodity inflation. The team has taken, like you rightly pointed out, around 1.5 earlier and 2.7 on average in towards the mid of July. So, that will help offset some of it. And then there are other operating actions that have taken. The commodity prices since those decisions have again started going up. So, we will have to keep managing through that. The pricing decision is going to be the teams because they do a very good job of managing the right balance between demand and pricing and you cannot have too high prices either. So, that the team will manage. But as a framework right now we are expecting that Q1 in Auto was a low point and it should improve from here. That's how we are thinking about this.

Farm is a little different because farm does have a completely unhedgeable steel and rubber inflation and while there has been price increase it is not going to be sufficient given the prices have escalated even further since those increases. So, some temporary blip is likely in Farm and how long that extends will depend a lot on how long this rally in prices continues in these two items in particular.

Rajesh.

Mr. Rajesh Jejurikar: So, Raghu I will just build on what Amar said, take Auto first. So, sequentially if there is no further dramatic change in commodities from where we are, we think we should be able to maintain/slightly improve the Operating Profit margin between Q1 and Q2. We have consciously taken, what we may call a slightly aggressive price increase. We normally are more conservative but really the thinking was it's very disruptive to customers if we are taking price increases too often, you know, because that completely unsettles the whole prospecting process. Kapil was talking about inquiries and bookings and prospecting does, you know, from first inquiry to conversion does take a few weeks and then the cost like you've given a quotation to a customer and by the time they are ready to buy you have a different price which is very unsettling. So, we kind of took a conscious call that let's not kind of keep doing this incrementally with all the uncertainty and we took a conscious call to do a 2.7% average increase.

At the back of our mind we also had that, and we have mentioned this last quarter, that we had a headroom coming out of GST coming down. So, the prices still continue to be below what they were in September, October last year. So, that is what has given headroom which gives us kind of confidence that we can navigate this. But it's something we watch closely. And, of course, the new prices are just getting in but so far we are not seeing any significant impact that it is having on demand. So, hopefully, we should be able to see this through but we thought that is probably better than taking some price increase now and then having to take one more just before the season which would have probably caused more disruption.

I think the tractor side, as Amar said, is a little more complicated for two three reasons. We also have a season shift. So, this year, as you all know, festival has moved to 11th October whereas last year Q2 you had a peak volume in Q2 given that Navratri had already started in Q2. So, we have to factor in that there is a season shift and that makes a big difference in tractors because of operating leverage. So, over and above the issue of commodity, there is an operating leverage issue in the quarter as well. But, overall, I think as we get into Q3 we are hoping that there will be some softening on commodities plus we also get into season upcycle, which will help tractors certainly. So, tractor situation is different than the Auto situation.

Velu, you want to add anything on auto?

Dr. Anish Shah: Overall, I would say, that we are on balance cautiously optimistic as well. If you look at all the challenges we have seen over the last 3 months and if you had asked me 3-4 months ago saying, 'With all these challenges would you declare these kinds of results?', I would probably look at the person asking and saying 'Really, that is super optimistic'. But the team has delivered that. And given that, given the price increase that has been taken, it is not a small price increase; 1.5 plus 2.7.

With Farm, we are better off today than we had even thought of where we would be. So, all of those things I think put us in a much better position and, therefore, I would say cautiously optimistic. I think we should be able to ideally maintain margins, potentially improve them. And that is something we will see how that goes in the next quarter but at this point in time we feel pretty good.

Mr. Raghu: Thank you, Sir, and the results show that. And if I can take quickly on the group side. Raul Sir, if you can speak about moving towards the non-wheels business and diversifying over the medium term? And also how do you see that ROA of 2.5% or possibly higher, how do you go towards that?

And if I can add my last question. Vinod Sir, you have the exciting businesses, so on the Aerospace side obviously you have a strong order book of $1.2 billion, how do you see the ramp up of the orders into revenues? And how do you see the pipeline ahead? Thank you.

Mr. Raul Rebello: Yeah. So, see, the lending book is now touching about ₹1,50,000 crores. We mentioned that in the lending business always good to be diversified. So, for us today of that, close to ₹1,50,000 crores, 83% is wheels and the remaining 17% is non-wheels, right. In that 17%, it is largely mortgages, SME and some PL. Just to mention quickly, we benefit also now with if you are buying a property somewhere around please think of us, we give home loans too. So, in the diversified business we wanted to first clean up some of those business. If you see the housing finance company, the NPAs now are, the GS3 is below 2.5%. So, we have set that business in order before growing. It is grown now by 130% in the last quarter. So, the lending business, non-wheels, is starting to grow well after we have cleaned up some of the past baggage.

And the MSME business, the way we think about the franchise is, we are still a very, very heavy Bharat player and the adjacencies for the Bharat customer besides mobility included livelihood assets and so housing made sense. Even for the entrepreneurs in Bharat, micro small enterprise loans made sense. So, we have chosen diversification within adjacency. And in our mind we will very well trend towards that 70-30. We have said by 2031 - 70% of the book will still be mobility, 30% will be non-wheels. And we are targeting a ₹3 lakh crore book by 2031.

On ROA, first goal is to be between 2.2%-2.5%. We are at a higher range now at 2.4% but that's the range 2.2%-2.5%. If we are at that range, then we will be able to keep up to the Group aspirations of ROE. You know, the Group is much higher at now 20% ROE. Our first state of ROE was 15%. If you looked at last quarter's performance with the 2.4% ROA, we are very close to the 15% ROE.

Mr. Vinod Sahay: Okay, very quickly, just to give you the perspective. Our orderbook has grown quite healthy, as Anish said, in last 2 years, especially last year. And if you compare the Aero structure industry globally, from orderbook standpoint we are actually much bigger player than our revenue right now because in this industry it takes couple of years to industrialize. In fact, the largest player in Aero structure business right now would be sitting at orderbook of 4-4.5. So, from orderbook perspective, we are getting there pretty fast.

What happens in this industry is that because of the reliability criteria is very, very high and a part which we make, you know, the aircrafts fly for almost 40 years, even ones in service, a successful aircraft. 747s are still flying, some of them. So, the Aero structure part, which we build, has to last for that period. I mean, no one changes Aero structure part unless there is slight accident in the ground because if it happens in the air then nothing is left to repair. So, there the quality standard is very high and it normally takes us 2-3 years to industrialize.

During the Global Investor Day we are given an aspiration target that organic and inorganic put together we want to grow the business by almost 30 times in a decade, out of which organic was 10 times. I can assure you we will grow faster than that and we will share more numbers as we come closer to that.

Ms. Divya Gulati: Yeah, Binay, please go ahead.

Mr. Binay: Hi, team. My first question is, just going back to the Auto margins, in the past we've talked about hedging aluminium, precious metals and they've been quite volatile. So, when you look at Q1, was it a hedging gain or a hedging loss?

Mr. Amarjyoti Barua: It was a loss.

Mr. Binay: How sizable was that?

Mr. Amarjyoti Barua: It was around 85 bps impact on Auto margins.

Mr. Binay: On QoQ basis?

Mr. Amarjyoti Barua: Yeah.

Mr. Binay: And secondly, when I add up the comments, we are talking about 450 basis point of commodity headwind in Q1, we are saying that we've taken 2.7% price hike and yet margin will be neutral-ish, which means almost 650-700 basis point of commodity headwind. Is that understanding correct and that's the level of headwind we are facing on the Auto side?

Mr. Amarjyoti Barua: As of today. Because if you look at the June trend, there was a significant uptick after June. So, there is a there is a pressure from there but there is also operating leverage that the team will get. So, that's why we feel like it's the low point and from here we should be able to go up unless there's a significant increase in commodity prices.

Mr. Binay: Okay. So, in a way, so sequentially then?

Dr. Anish Shah: So, I wouldn't get to 600-700. I think 400-500 is what we saw in Q1, for most of Q1. June it started coming down but a number of things did not come down in Q1 as well. So, I'd sort of expect that part to continue. The price hike will help but we don't know what other things might come in, so which is where we are right now. So, as I said, we're cautiously optimistic at this point in time but I wouldn't say at this point that we'd get to 600-700 overall impact offset by prices.

Mr. Binay: And secondly, just on tractors, could you help us give some framework that we had a hit in Q1, what was the commodity hit? The incremental headwind, is it similar to Q1 or is it lesser than Q1?

Mr. Amarjyoti Barua: I think Rajesh has explained that one of the challenges we'll have in second quarter is the volume mix shifting from second to third quarter, just when you look at year over year. So, that puts some incremental pressure. And then, as I mentioned, as of today steel is up almost 24%, rubber is up 30%. This is just for the year. 53% since the beginning of the year. So, those are the impacts that we have to be able to absorb. Some price actions, like Raghu mentioned, have been taken. Let's see. Let's see through the quarter how it evolves. It's a little bit difficult in this kind of a dynamic environment to predict exactly where things are going to land, right.

Mr. Binay: And, lastly, just on electric vehicles. When we started on this journey, our ambition was, I remember, 12%-15% sales to meet CAFE-3 norms and we are pretty much there now already. So, when you look at FY28, FY29, will you then focus more on market share, you know, trying to maintain that EV market share or sort of rethink that maybe focus on profitability? Because you're already hitting your targets on EVs, right, what we've set out to do and what you need to do as per CAFE.

Dr. Anish Shah: Let me take one part of that because the transition to EV was not just for CAFE norms, that is the right place to be and that's a better product overall for the customer. And as per the earlier discussion, we can do that profitably as well. And to your question on market share or profitability, my answer is both. We want higher market share in EVs, we want a higher market share in ICE and we want more profitability as well. Given the track record of this team, this is one thing that they've been able to deliver over time as well.

So, we're going to go all out to transition to EV as quickly as possible, continue and as we build scale we will build greater profitability with it as well. We'll ensure that profitability matches longer term for ICE and EV also and shorter term, hopefully, subsidy helps us transition or bridge that. And as we deliver high quality vehicles, we want to take a higher share of the overall market as well in both. So, that's the approach that we're taking right now.

And back to commodity, at this point in time, yes, there is volatility right now, prices come down very quickly as well and we saw aluminum literally in a space of 8-10 days come down 20% as well. So, if you believe the war is going to continue for the next 6 months, then we may have bigger problems, the whole economy, the world economy will have bigger problems at that point in time. But indications are not that that will happen. And given that, yes, we'll have some volatility for some time but we feel pretty reasonable that things will settle down.

Mr. Binay: Thanks, team.

Ms. Divya Gulati: Thanks Vinay. Nishit, I'll just come to you, one online question I'll take. This is for Mahindra Logistics. You have highlighted LOGIONE as a key differentiator, can you elaborate how technology has improved productivity, pricing power and customer retention?

Mr. Hemant Sikka: The whole logistics space actually operates on the structure of tech. This is not an industry where you can throw people to solve a problem, it has to be done through tech. Logifreight is a new platform that we have recently launched. We are right now showcasing it to our customers. We already have almost 5 customers who have raised their hands that 'We want to implement that'. As we implement and go through the journey with the customer, we will be able to quantify the benefits for our customers in terms of productivity and lowering their cost. And that gives us advantage with those customers.

So, I would say, that it is a key or backbone of our working but we will have to work with our customers to see what kind of benefits that finally accrue on this.

Ms. Divya Gulati: Nishit, please go ahead.

Mr. Nishit: Yeah, hi. Two questions. One on the Autos, on production side where are we? Are the concerns behind? And, if yes, then should we be operating at close to the capacity that we have given that demand is strong and I'm assuming dealer inventory levels will be lower than normal?

And, secondly, just on the hedging side. Amar, there was 85 bps loss, so is it fair to understand that 7.1% reported margin, so the underlying margin was around 8%, if we add back the hedging loss. And if the hedging MTM doesn't come in the next quarter, so basically that is the underlying margin we should look at and then plus/minus the commodity and price increases.

Mr. Amarjyoti Barua: Let's start with the first question.

Mr. Rajesh Jejurikar: I was hoping you want to take this.

Mr. Amarjyoti Barua: Second one, that's a fair point. That is a fair point. The MTM this time was unfavorable and that did put pressure on the margins.

Dr. Anish Shah: And that gives us a buffer as well for the next quarter, which is back to my earlier point there, which is why we worry a little less about this.

Mr. Rajesh Jejurikar: Yeah but it depends on which way the commodities move, right. So, what happened in last quarter was really the effect of the last 10 days when post announcement of war stopping and you know some of the commodities crashed. So, you had a disproportionate loss in 10 days. So, this is really very hard to predict and bake into anything. So, I would kind of suggest right now, don't bake anything in because there's so much volatility, as we saw in the last quarter. We didn't see this coming. This happened in the last 10 days. Very sharp drop in commodities which were hedged. So, there was a gain till then.

So, you know, it's just very hard to predict. So, we are hoping there will be an upside but it's hard to bake in.

Dr. Anish Shah: Yeah. And as we were joking, we like the loss in this case because it meant the commodity prices came down sharply. So, that's also the counterpoint here.

Mr. Rajesh Jejurikar: On the production question, Nishit, it is a volatile work environment right now and it's very hard to say which supplier is getting disrupted when. So, while these capacities include our own capacity plus supplier capacity but we are dependent on multiple suppliers to meet their commitments. And that's not always happening. So, you know, while there is a stated capacity, there is a new black swan literally every other day. And the one of the past is not the same every other day. And that's why it is a challenging environment to navigate.

I mean, I was avoiding wanting to say this, but we lost 3 days in July because of the rains. We had very strong rains, as all of you know, in all over Maharashtra. We lost at least 2 days of production because of flooding in all the plants. You don't see that, you can't predict that, over and above plant shutdown that we already had in July. So, these are all things which are nature of the environment. Suppliers got impacted by that too. So, it didn't allow us to build inventory as well. So, you are right from, you know, here's a number and this is the capacity that should come but there are many things that are coming in between. All of you know that one of the very large supplier in South had a fire which caused disruption to us as well. We had a very critical part coming out of that supplier.

Mr. Nishit: One thing, where would we be in the dealer inventory level, on the Auto side?

Mr. Rajesh Jejurikar: Physical inventory is maybe like 15 days or something.

Mr. Nishit: Okay thank you.

Ms. Divya Gulati: We are above time on last question from your side.

Mr. Biplab: Hi, this is Biplab. Good evening to everyone. So, my question is on the slum rehab that we have seen in Mumbai. Lot of slum redevelopment, lots of big names are entering into the slum redevelopment; real estate players, non-real estate players. So, you are also one of the big names, so what's your view on this? Will we see Mahindra, maybe not today but tomorrow, entering to the fair? That is one question.

And related to that, I was just seeing the numbers. If they are successful in doing this slum redevelopment, then huge supply of real estate will be hitting the Mumbai market, then what would be the competitive positioning of incumbent real estate players? So, this is my second.

Mr. Amit Sinha: Let me take that, that's a real estate question. I think in our strategy, I think slum redevelopment is something we have not prioritized as of now. But given the way the market is shaping, we'll start looking at some of those deals. Those are huge deals, right, and some of them have been awarded to some of the other larger peers. I think the risk and rewards financially as well as brand are very different from what we have done in the past. I think we are right now not looking at any of those deals but in future as the whole policy gets stabilized and there are already actually like we met some of the decision makers, policy decision makers, they are very keen for Mahindra to participate. I think we'll evaluate them at the right point of time and we'll see how it affects financially but also from a brand perspective. We want to be very careful about that.

Second part of your question, I think about supply-demand. I think we'll look at that carefully. I'll just give you one stat. In Mumbai, 60% of the apartments are either owned or people living with their families, 40% are rented. So, 40% plus 30%, if you're living with your family, 70% of the apartments are potential target customers for us. So, there is huge demand just in Mumbai and similar stat applies to many other cities. Given the kind of infrastructure coming in, given the kind of job creation likely to happen, I think the demand for homes will continue to be healthy in Mumbai alone and we can talk each city separately. So, I think this supply coming in will only solve some of the problem that we see.

But let's see how Dharavi develops. I think it's been 3 years since it was announced. The development of such project takes a long, long time. So, the supply doesn't come in one big jump, it takes a while and it gets easily absorbed by the sustained organic demand that exists in the market.

And the competition is good, we'll find our own differentiation. We'll participate meaningfully.

Dr. Anish Shah: Perfect. So, with that, I just want to leave everyone with the thoughts that despite all the challenges and everything the team's outlined from commodity costs to supplier issues to plant issues, everything else, the team's delivered some very, very strong results. And that gives us confidence going forward. And that's the reason why we say we feel good about the future in that sense. Yes, challenges will come, and that's part of life at this point in time, but the resilience that's been built in is something that's very strong. And we're sitting in a good place right now in terms of where we are. So, we look forward to the future. Cautiously optimistic is where I would leave it at.

And I would want to thank each of you for spending the time today with us for quarter results.

Management: Thank you.

Ms. Divya Gulati: Thank you. Please join us for snacks in the adjoining room. Thanks.

(END OF TRANSCRIPT)