



“Mahindra & Mahindra Limited
Conference Call”

August 13, 2013



ANALYST: MR. AMBRISH MISHRA

**MANAGEMENT: MR. V.S. PARTHASARATHY
DR. PAWAN GOENKA
MR. K. CHANDRASEKAR**

Moderator: Ladies and gentlemen, good day and welcome to the Q1FY14 Earnings Conference Call of Mahindra & Mahindra Limited hosted by JM Financial Institutional Securities. As a reminder for the duration of the conference, all participant lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference has been recorded. I would now like to hand the floor over to Mr. Mishra. Thank you and over to you Sir!

Ambrish Mishra: Good evening everyone on behalf of JM Financial Institutional Securities. I welcome you all to the post results conference call of Mahindra & Mahindra Limited. I also take this opportunity to welcome the management team from Mahindra & Mahindra today. We have with us Dr. Pawan Goenka; President, Automotive & Farm Equipment Sector and member of the Group Executive Board, Mr. V.S. Parthasarathy, Group CIO, EVP Group Mergers and Acquisitions, Finance and Accounts and Member of the Group Executive Board, Mr. K. Chandrasekar, EVP Corporate Finance and Investor Relations, Mr. Venkatraman, Controller of Accounts and other senior management personnel from M&M including the IR team. Please note that this call, which is for one hour is to discuss M&M's Q1, FY'14 results. After completion of this call, there is an additional 15 minute 7 to 7.15 reserved exclusively for a brief discussion on the Agri Business vertical of the Company. There would not be any discussion about M&M's Q1 results during that time. Without wasting much time, I would now like to invite Mr. Parthasarathy for this opening remark. Over to you, Sir!

V. S. Parthasarathy: Thank you, Mishra Ji and a very warm welcome and good evening to all of you on the call. In what is a very slow manufacturing environment and hangover of the overall weak sentiment and corporate results, M&M's overall performance in this quarter, to say the least, is steady. The gross revenue of M&M at Rs.10802 Crores increased by 8%, while PBT at Rs.1214 Crores increased by 16%. So the profit grew double of that of revenue in a quarter, which was very challenging. The PAT grew at 17% at Rs.910 Crores. Segment wise, while I let Pawan talk a lot more, while auto faced headwinds; tractor segment provided tailwinds in the quarter.

On balance the Company navigated satisfactorily through the uncertain environment in Q1 from a financial and stakeholder point of view, but coming quarters has to be viewed with cautious optimism. In view of the difficult monetary and fiscal conditions evidenced by a fiscal and current account deficit, currency woes and rising interest rates. Overall, the Company retained its financial efficiency and flexibility in the quarter. The basic EPS stood at Rs.15.41 versus previous year of Rs.13.21.

The ROCE continued to be at 25%, debt equity ratio was 0.3% and if you take cash and cash equivalents, we are in almost debt-free cash-free position as of this quarter end and debt to EBITDA was 0.78%. In terms of capex, we have given this information often, so let me repeat it. Overall, for the next three years, the capex is Rs.7500 Crores for the next three years and investment in subsidiary

companies is Rs.2500 Crores. So if you take overall our investment is about Rs.10000 Crores on capex and investments in subsidiaries over the next three years. There was one important operation which is M&M created sort of an history in the last quarter in July by issuing an unsecured AA plus rated 50-year bullet maturity bond and listing it. The 50-year bullet bond is the first of its kind in the Indian bond market. The amount raised was Rs.500 Crores at a very attractive rate of 9.55% per annum.

This bond issue paves way for future benchmark for its capital raising and diversifying its investor base, not only for M&M, but also for the Group. This will for the first time discover yield curves beyond 15 years. That is the general category. The Group story is a story of turnaround. Overall the revenue of the Group grew by 10%. The profit grew by 23% and if you see both, both the revenue and profits are higher than M&M plus MVML standalone, which basically means the Group has started adding value, and adding profits, and revenue to the M&M plus MVML turnover. SsangYong is a turnaround story. I will let Dr. Goenka talk more about it, but for the first time we returned positive PAT.

MMFSL continues to be healthy profit growth story. They again posted 18% quarter-on-quarter profits. Tech Mahindra reported a 27% growth in profit after tax. The merger of TM, Tech Mahindra and Satyam created one of the top five ITES players in India. Now Tech M plus Satyam will be the one of the fifth largest IT companies in India. Mahindra CIE deal showed a commitment to value creation and it helps not only us to create value for stakeholders, but also improve its global reach. In an outlook, we generally do not give guidance, but our cost efforts, prudent financial management will be the key factors in the coming quarters, even as we focus on revenue and growth. Now over to Pawan Goenka!

Pawan Goenka:

Thank you Partha. I will not take too much time in giving an overview, because there will be lot of questions and you would have studied the results carefully already. Just very topline, for the automotive sector for the quarter, the volume degrew about 1.5%, whereas the industry degrowth was over 8% during the same year. We have degrown less than the industry. We did manage to increase operating margin slightly in the Automotive sector, about 0.4%, 0.5% and this I will talk more about that as to how that happened and therefore maintaining our PBIT level. For the Tractor segment, the volume grew about 26%, which is in line with the industry. The profit grew above 35% at the sector level and operating margin grew by more than 1% during this time. So overall, the performance of the Tractor, both volume and profit has been very good beyond expectation. In Automotive, the volume has been slightly low, but profit has been maintained and profit margin slightly improved.

When I go to Farm Equipment Sector, first of all, the biggest driver for the demand growth that we have seen in the Tractor industry clearly is the monsoon, but that is not the only reason. Also there has been a good minimum support price increase that has happened in the last year and also the sentiments are generally positive in the Agri economy, plus also there is little bit of base effect

because we have had one de-growth here and one sort of low growth here in the last two years. Right now, the monsoon is fairly uniform except in Northeast we are seeing normal to excess rain.

Our market share in tractor is about 41.4% which is same as what we had in Q1 of FY'13, but significantly higher than Q4 of FY'13. Overall for the industry, there is not much of a change in market share, which no player is more than about plus minus 0.5% and therefore industry has maintained more or less the share that the players had.

If I just go state wise, the only two states that have had an industry de-growth during this quarter are Gujarat, and Tamil Nadu, and that has happened because both of these states have had two years of failed crops and it is the effect of that. Right now we do see signs of revival in Gujarat and we expect that by end of this quarter, Gujarat will start working up and Tamil Nadu we are hoping will happen in the fourth quarter. As far as Mahindra is concerned, we have had a uniform growth in almost all the states barring these two states where there is degrowth and also MP and Rajasthan.

The industry growth has been more or less uniform in various tractor segments that is horsepower segments, not a significant shift from lower to higher horsepower. For overseas international operations we have seen a slight growth 5.5% growth in our export of tractors. We have already talked about the profit margins. The working capital is very well maintained in tractor side. We have very good inventory control both in factory inventory as well as design inventory and good control on debtors and creditors.

In terms of subsidiaries, Mahindra U.S.A., our U.S. tractor business has performed very well during this year with the industry growth of 11%. We have seen billing growth for us at 87%, revenue growth at 93% and we have turned profitable from being at a loss in that first quarter of last year.

Applitrac business that is implements business also had seen very significant increase in revenue during this quarter. It still remains a small business, only about Rs.36 Crore revenue in the quarter, but a good growth of 71% during this year. Powerol was bit of a difficult quarter for us because the DG set industry has degrown during this quarter. Thanks to good rains or availability. The demand for DG sets has been poor and therefore there was a 12% decline in the revenue of Powerol.

The agri business, which we have talked about a little bit that has now reached over Rs.100 Crores revenue in this quarter for the first time, with a growth of 26%.

Coming to automotive sector, as I said earlier, that this was a quarter of degrowth for the industry. Overall industry degrowth was about 7%, Mahindra's degrowth was about 2%. For the industry overall, if you exclude two-wheelers, we did increase our market share from 12.4% to 13.4%.

In terms of material costs, both for the automotive as well as for tractors, the commodity prices were well under control and we saw almost no change in commodity prices, just a marginal increase in commodity prices and as a result of that our selling price increase was also very marginal. We had about 0.5% increase both in automotive and tractor.

As far as the working capital is concerned, in the automotive side because there was significant drop in sales in the month of June and July, there is little bit of the inventory increase that we will see at the end of this quarter. We have corrected half of that in July and we expect to correct most of it by the end of this quarter.

Partha mentioned about SYMC. It has been a very good quarter for SYMC in terms of sales volume growth 26%, in terms of revenue growth 27%, and for the first time in 23 quarters, turning profitable from being KRW21 billion negative last year, which is approximately Rs.115 Crores through KRW8 billion positive this year, which is approximately Rs.50 Crores.

As far as truck industry is concerned there is yet no sign of a revival, and therefore Mahindra Trucks and Buses Company, which as we announced today will be demerged into Mahindra & Mahindra. That is still struggling in terms overall sales and therefore financial performance. So that is the overall view of the quarter that we had. We will now open up for questions.

Moderator: Thank you very much Sir. We will now begin the question-and-answer session. First question is from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: Good evening Sir. Just wanted you to give some more color on the rationale behind this merger of truck business and also what kind of impact should we expect on P&L because of this, because last year there was a loss of Rs.3.6 billion, so given that we are not expecting any major growth to come, should we expect similar kind of losses to continue?

Pawan Goenka: So first of all, it is a demerger not a merger. The MTBL Company continues and it will have the spares business of the truck and bus. First of all it was not a merger but a demerger where the truck and bus business is coming into Mahindra & Mahindra and the spares business of MTBL resides in MTBL. The primary reason for rationale for the demerger obviously is the fact that, now it is 100% owned subsidiary. The reason we had it as a separate company was because it was joint venture with Navistar, now it will be 100% subsidiary. It makes a lot of sense for it to be part of Mahindra & Mahindra, because it is a mainline of business for us. Clearly, it will bring some operational efficiencies by being part of M&M Limited and some of the transactional losses that we have because of various companies transacting business with MTBL within the Group those will get eliminated as a result of merger and there will be some manpower efficiencies also that will come. There also is a tax benefit that will happen because there is a fairly large accumulated losses in MTBL which we will be able to send off, so that is the rationale for it.

Kapil Singh:	Why the spares business is being kept separate?
V.S. Parthasarathy:	Let me just back off a little bit more and add color to what Pawan said. There will be a tax benefit, which will be because of the accumulated losses and the effective date of this transaction will be April 1, but this effect, all of them will come once the High Court actually approves this merger. Therefore, in terms of timing, it will depend on when that happens. You know, whether it happens in this financial year or next. We would assume normally it should happen by April, May, and June kind of timeframes. So it is, it depends on which financial year it will come also. So that is one input. Second about spare parts, the base if you remember, Kapil, even when we did MADPL, we left the spare part business and bought in the other manufacturing unit. So, we believe that manufacturing has a lot of synergy and operational efficiency. Spare part is a separate business, and at some point we can look at spare part as a profit center in a much broader way for the Group. So when therefore we are leaving the spare part businesses out where it happened to be already out, as in the case of MADPL and similarly we are doing the same in current transaction.
Kapil Singh:	Sir, what kind of impact should we expect on the P&L whenever this happens, because this year I understand there will be tax benefits, but next year those will not be available, so it could result in some earnings dilution for the M&M plus MVML entity?
V.S. Parthasarathy:	On the theoretical basis, yes, Kapil. I mean it is very simple equation that if you add loss which gets added, but life is not like that, right. You have seen the Renault come in and what is the impact you are seeing is also something you have noticed, and also, we have a product, we have everything in the market, and I would in terms of financial point of view, what we can clearly say is that next year, the business will decide what we do out of this. We have lot of history and time we have come through, from the time we started on this project.
Pawan Goenka:	Let me also add that even if its independent company, while in terms of reporting, that loss is outside the M&M Limited, but being 100% subsidiary, that loss really becomes in a way responsibility of M&M Limited. So it really is just more of the image that is created, but basically there is no benefit of it being outside M&M Limited.
V.S. Parthasarathy:	Next year is a totally different ball game with the market paradigms and M&M paradigms being quite different.
Kapil Singh:	Sir, just one more thing, there were some changes in companies act regarding treasury stock, do you expect any changes to M&M's treasury stock over the course of the year because of this?
V.S. Parthasarathy:	Yes. So, no I mean I do not expect any change, Kapil, to be very simple.
Kapil Singh:	Thank you.

- Moderator:** Thank you. Next question is from the line of Sahil Kedia from Barclays. Please go ahead.
- Sahil Kedia:** Sir, one related question about the merger, just to clarify, this merger is happening with Mahindra & Mahindra and not MVML and we will continue to have the manufacturing of trucks within MVML, is that correct?
- V.S. Parthasarathy:** That is correct.
- Sahil Kedia:** So, Sir, just wanting to understand what was the rationale of merging it within Mahindra & Mahindra and not MVML, because as I understand, under the current arrangement you would still have to pay a manufacturing cost or usage of facilities to MVML and again consolidate it back into M&M?
- V.S. Parthasarathy:** Currently the company is owned by M&M Limited and not by MVML. That M&M Limited is the main group, MVML as you know is a manufacturing company, so we could not have merged a selling and marketing company into a manufacturing company, MVML's charter is manufacturing.
- Sahil Kedia:** So, Sir, Mahindra trucks would continue to have some cost that it would have to bear towards MVML usage of MVML's facilities?
- Pawan Goenka:** But as you know that we always talk about M&M plus MVML result. In fact, if you ask me today what is M&M result I would not even know, because we only talk about M&M plus MVML and for all types of purposes, M&M plus MVML is one company.
- V.S. Parthasarathy:** So, I think that is the fundamental change that we need to look at. Over a period of time, we should not look at it, we will keep it as a separate unit, till it is necessary from a fiscal point of view. But we have suggested that for all practical purposes please look M&M plus MVML. I must also point out that I am very thankful that 11 analysts have now started giving us M&M plus MVML figure. So, thank you for that and I think that is a part to move. There is also another thing, please remember, you know MHCV has LCV on one side and then MHCV on the other side and LCV's are manufactured at Zaheerabad in M&M. So that is also another point to take into account. But what Pawan said is the most important point. M&M plus MVML, please treat it for all purposes as a single entity.
- Sahil Kedia:** One housekeeping question, there is other income number which in the standalone number is higher than Mahindra plus MVML. So, is this some money that Mahindra has got from MVML in the quarter, which has been netted off on consolidation?
- Pawan Goenka:** First and foremost, yes, there is other income, and that is very good news because our subsidiary companies, have started paying dividend. MVML paid a first maiden dividend of Rs.70 Crores to M&M, so that is first. Then, we have some other subsidiary companies which have paid and majorly auto companies which have paid dividend, which is why you see that figure of Rs.81 Crores, is the

dividend figure. So, when you do M&M plus MVML, obviously MVML dividend will not be counted and that is why it comes down. Yes, that Rs.70 Crores is the difference you will see.

Sahil Kedia: Alright. Sir, thank you. I will come back end of queue.

Moderator: Thank you. Next question is from the line of Arvind Sharma from Citigroup. Please go ahead.

Arvind Sharma: Good evening Sir. Sir, just one question from my side. What is the model pipeline in the UV segment? Are you planning more tweaking of existing models to comply with the new excise norms? That is part one. Secondly, similarly in tractors you had spoken about a new model launch. When can we expect that?

Pawan Goenka: So as you know that in the UV segment, which is our core segment we have the strongest lineup of products. We have six products in that segment from Quanto to Bolero to Xylo to Scorpio to XUV to Rexton and therefore we have very strong pipeline. We also have a very strong pipeline in the commercial vehicle segment, where we have the Gio, variants of Maxximo, including load and truck; and also in the pick-up segment where we have Bolero Pick up, the BMT and BMT Plus. So, in the segments that we are present in, we have a very strong pipeline. The excise duty that you talked about, many of our products do fall in 30% excise duty unfortunately. In XUV, we have managed to reduced ground clearance and got 27% excise but Bolero, Scorpio and most of Xylo models we still have 30% excise duty. So that certainly is affecting us adversely in terms of pricing and also in terms of profit. On the tractor side, again we have one of the most exhaustive product pipeline, product offering starting from sub 20 horsepower segment which is Yuvraj, going all the way up to about 60 horsepower segment, which is Arjun and being offered by Mahindra brand as well as Swaraj brand. So the number of tractors that are available, depend on what is available under Mahindra Swaraj brand is significantly higher than any other competitor. We would however be launching a brand new platform in tractor in the first quarter of FY'15 or end of FY'14 about that timeline, which would be significant improvement over any product that is available today in the Indian tractor industry.

Arvind Sharma: Sir, just wanted to know about your future models in the UV segment, are you planning more model or variant launches this year?

Pawan Goenka: Yes, of course, we will have more models and variants that we will be launching. We have launched very aggressively in FY'12 and FY'13 and the number of products that we are launched that time were far above other industry players of similar size. Right now in the FY'14 and FY'15 we will be depending mostly on variants and only in FY'16 would we start with new product launches. We do believe that we have available product line up and therefore there is no void that we need to fill in the immediate short-term.

Arvind Sharma: Thank you Sir. Thanks a lot.

- Moderator:** Thank you. Next question is from the line of Amin Pirani from Deutsche Bank. Please go ahead.
- Srinivas Rao:** Thank you here, Sir, Srinivas here. Could you throw some light on the increase in the capital employed, which has happened in your automotive segment this particular quarter over fourth quarter, but the increase is larger than what we have seen in the previous years that would be helpful, Sir?
- Pawan Goenka:** You see approximately Rs.1200 Crores increase in capital employed from year ago through this quarter. Is that what you are referring to?
- Srinivas Rao:** Yes, Sir. I know there is a seasonal increase always from fourth quarter to first quarter, but the increase is larger than what we normally have seen, so any particular reason for that?
- Pawan Goenka:** There is about I would say 50% to 55% increase in fixed assets and about 45% increase is in working capital and fixed asset increase is because of the various product launches that have come on board in the last 12 months, which have added to our capital employed and all the new product development that is happening, which has not yet come on board in terms of product launches. So, we are right now working on three or four new products and there is capital investment happening on those products as we had talked last year also that we have about Rs.5000 Crores worth of investment in three year timeframe and that is what is showing up here in fixed asset base. As far as working capital is concerned, as I said earlier, the automotive side, since there was a sudden drop in volume dropping from around 50,000 to around 40,000, there was a slight increase in inventory and that happened in the month of June. Half of that has been taken care of in the month of July and the remaining will be taken care of in the month of August and September.
- Srinivas Rao:** Thanks, this is very helpful.
- Moderator:** Thank you. Next question is from the line of Pramod Amte from CIMB. Please go ahead.
- Pramod Amte:** This is with regard to the MTBL merger or the truck business merger. One, what is the extent of tax benefit, will you quantify?
- Pawan Goenka:** MTBL demerger, not merger. We want to be very careful. About Rs.900 Crores.
- V.S. Parthasarathy:** It is about roughly Rs.1000 Crores of carry forward losses, so and then. So that will be the benefit which will be available from a tax point of view that is taxable profit. So, if you take roughly, and if you look at that balance sheet, you will also find that Rs.70 Crores asset deferred tax asset. So, whatever, 30% or so of Rs.1000 Crores is roughly Rs.300 Crores minus Rs.70 Crores, Rs.230 Crores to Rs.240 Crores is what you can estimate as the carry forward benefit. But you have to look at effective date and that the year in which the merger happens etc., for you to take an account. Closer to

the time when we are clear about when the merger will happen we can talk figures specifically. You are also aware that the appointed date for this merger will be April 1, 2013.

- Pramod Amte:** Would you be helping us out in terms of giving the 1Q performance for this division?
- V.S. Parthasarathy:** So that is a very interesting question. We normally do not give by individual companies. But let me take it under advisement. I will come back to you.
- Pramod Amte:** Because we need to build those numbers for the full year even though during this period?
- V.S. Parthasarathy:** I understood where you are coming from the question, which is why I said let me.
- Pramod Amte:** Related to the same, Sir, you have a supporting business, which is the engine business, which is still sitting on the separate entity. Any reason why you want to keep it separate? Or any plans to merge it to?
- V.S. Parthasarathy:** First and foremost and Pawan please feel free to jump in. So first and foremost, what the engine is a little bit different. While MNAL and now called MTBL is now 100% owned by us and all the IPs majorly belong to the unit etc. MNEPL our Mahindra Engines, now Engines Limited has a license, which comes from the Navistar, parent Navistar. Also it is for some technical reason also it is better to keep it out from it and from a fiscal reason also it is better to keep out. So that is why today, as of today it is a separate entity. So, but in future, we will take a call at how to play this depending on the fiscal benefit change, as well as with on all these things become very clear, okay? So as of now it is out, but not permanently.
- Pramod Amte:** Understood thanks and all the best Sir.
- Moderator:** Thank you. Next question is on the line of Sonal Gupta from UBS Securities. Please go ahead.
- Sonal Gupta:** Hi, good evening everyone thanks for taking my question. Sir, just a couple of question, one was, you mentioned that net you were almost net cash, so can you why is there an interest cost, I mean, significant interest cost, can you just clarify?
- V.S. Parthasarathy:** Sorry, just to get that clear. We earn interest and we pay interest, so we have about, so they are separate line items. Also when you get from mutual funds return, they may be in the form of dividends, which may be in other operating income. So, on a broader level, if I am saying I am almost debt less, it is from a debt equity point of view, which is correct. However, from a P&L point of view there will be both income and expenses and there could be even a net cost to the Company, because the interest at which you borrow and that income you earn are not necessarily the same. You need to

have flexibility and cash with you. You do not want to put all the cash and pay all the debts and then not have flexibility for it.

- Sonal Gupta:** So this number is not net interest?
- V.S. Parthasarathy:** Finance cost is gross. Gross finance cost Rs.70 Crores what is that the other income is Rs.97 Crores, but that includes some dividend and so on and finance cost is Rs.75.85 Crores.
- Sonal Gupta:** Sir, the other question on interest, I mean one was just a Powerol, could you give us the number for the revenue for this quarter?
- Pawan Goenka:** Powerol for this quarter, the revenue was approximately Rs.220 Crores.
- Sonal Gupta:** Just sir final question on interest rates, I mean the interest rate seem to be firming up in the economy, so could you just I mean, I think Mahindra & Mahindra Financial Services already increased interest rates for customers. So just wanted to get a sense of how do you see that interest rates going on an upward trajectory now, in terms of impact on demand both on the auto as well as the farm equipment side?
- K. Chandrasekar:** Pawan, he is asking about the effect of on the demand. We can talk about what the corporate interest rate which Mahindra we are managing by issuing bonds in the market?
- V.S. Parthasarathy:** Let me begin by saying and then you can all add on. See what you are referring to, I think is the new RBI inputs, which has come in the last announcement, wherein they have sucked money out of the system. And this could be depending on where it ends up could be Rs.30,000 Crores to Rs.60,000 Crores to Rs.70,000 Crores, which sucked out of the system. That is what is the concern that you are seeing, am I correct in understanding?
- Sonal Gupta:** Sir, what I am saying is that we are already seeing banks increasing deposit rates and some lenders also like even Mahindra & Mahindra Financial Services have increased lending rates as well?
- V.S. Parthasarathy:** Understood. So I just wanted to make sure that I understood your question correctly and therefore what is the impact.
- Sonal Gupta:** So what do you see as the impact over the next year six?
- V.S. Parthasarathy:** I think it is a short-term impact. The reason is that this has been done for a specific purpose of short-term speculation being stopped. But if say two more rounds of RBI and they do not come out of this, then certainly there is going to be an impact in terms of interest rate in a larger extent. So, we would see more impact as we go on, on that front. However, if you just back off a little bit and look at what

is the current thing, which is happening, while I am saying that some banks have raised their interest rates on a short end of the spectrum and others would probably raise it. So, for there will be a short-term impact, which will come; however, the short-term impact may not be seen in the retail side because by the time if the change happens, then there will be no impact. However, if it does not happen for two odd cycles of RBI announcement, then maybe we are into a little bit of strengthening scenario. So, I would say, next quarter medium to low impact, but we will have to watch this space. Chandra, you want to add anything?

K. Chandrasekar: Currently the retail loans average retail loans have stayed where they are, if you had noticed, particularly led by the largest incremental lender in the market. So therefore currently there is competition, there is under penetration at retail loans, but our wish would be that it goes down, not goes up. So, currently it shows no sign of going up; that is certainly a concern, but what we expect is for the Corporate, for the Group as a borrowing it may not significantly increase for us, but because of various reasons that we adopt to raise funds in the market, but at the retail loan level, yes, it would have as Partha said, if it continues to raise that is a concern certainly.

Sonal Gupta: The only I mean, to very simply put, what I was saying was that if the rates go up by say 1% in terms of the lending rates for the consumer for your customers really the tractor and the UV side. Do you see that as being a big negative for demand given the environment or do you think that it is manageable?

V.S. Parthasarathy: So I just am saying that, two things, that tractor is more a priority sector thing, so it is governed by other principles. So, you for a moment ignore tractor for this discussion then its auto we are talking about. And I said, let us wait and watch this space, because we will be making predictions on the short-term measure, which is being taken. So my thing would be do not worry too much and there were next quarter, but if nothing happens by the end of next quarter that maybe we will have to come back and talk about this in the next analyst call.

Sonal Gupta: Okay Sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Jinesh Gandhi: Sir, I have a couple of questions one pertains to the pricing action taken in both tractors and UVs in this quarter? Second question pertains to the demand trend on the UV side, are we seeing I mean, why are we seeing such a significant impact on demand? Is it just because of increase in diesel prices and increase in excise or it is also impact of competitive intensity and do we see that reversing in coming six to nine months?

Pawan Goenka: Well we have taken approximately 0.5% increase in price both in auto and tractor during this quarter, which reflects the fact that the commodity price increases have been very, very low and therefore we

could have only a small price increase and yet increase our OPM both for the auto and tractor business, as far as projecting growth for UV or any other segment in auto industry's concern for rest of this year. I think it is anybody's guess we really do not know what might happen in the next six to nine months. In the UV segment it is specifically, you asked a question why the growth has gone down or why it is degrowing. Two reason you've pointed out which are the excise duty increase that has happened. In fact if you were to break up the UV segment, into UVs with less than 30% excise and UVs with more than 30% excise or 30% excise. The degrowth has happened only in the UVs of 30% excise. The UVs below 30% excise have not de-grown, and therefore if there is by any chance a rethink by the government that perhaps they should remove the 3% excise duty that was put in, then it's quite possible that the UVs might come back into the growth area as it was pre-budget in the month of January and February. Now UV's have de-grown only one month. Only in the month of July and this is a first de-growth in over four years for UVs and therefore let us not sort of overreact and hope that this one month's de-growth was in abrasion and perhaps the UVs will come back to the strong position it had last year when the growth was 50% in the UV segment. UV segment has seen some very good launches in the last one year from various companies and which is clearly fuelling the growth in that segment. And we would have to wait and watch to see what happens for the remaining two months of this quarter before we can see whether the de-growth of UV was in abrasion in the month of July or whether it is UVs are also falling in line with rest of the industry.

Jinesh Gandhi: But are we seeing similar trend in rural market as well where impact of competitive intensity would be relatively lower?

Pawan Goenka: If you look at the de-growth of Scorpio and Bolero, at this actually if you look at in the month of April, May, June, the three months, and the Scorpio and Bolero have not de-grown. They had a small growth. The primary de-growth has happened in the XUV and XYLO segments which are the vehicles sold more in the urban areas than the rural areas, so in some sense what you are saying is correct that the de-growth is happening in the urban area and not so much in rural area.

Jinesh Gandhi: But even Scorpio and Bolero has seen moderation in growth, isn't it?

Pawan Goenka: They have seen moderation in growth but they are still growing in the first quarter. To point out that Scorpio had its best ever month since the time it was launch in 2002, in May 2013, crossing 5,000 vehicles.

Jinesh Gandhi: Just one clarification, the maiden dividend of MVML was Rs.70 Crores?

V.S. Parthasarathy: Rs.70 Crores yeah.

Jinesh Gandhi: So then why is the difference in impact between MVML and M&M plus MVML and M&M is just about Rs.30 Crores?

- V.S. Parthasarathy:** Intercompany eliminations, so when you do Rs.70 Crores, I am assuming you are asking about Rs.70 Crores different, yeah it is because of that MVML cannot give dividend and we consolidate, it has to knocked off, right.
- Jinesh Gandhi:** Sure that I understand. So, I believe...
- V.S. Parthasarathy:** What was your question then, sorry?
- Jinesh Gandhi:** So I believe your PAT the gap should have been even higher not just Rs.30 Crores?
- V.S. Parthasarathy:** So why do not, we kind of let me look at that figure, because we have shorter time and I also wanted to make a request to all of you. We had indeed talked about doing an agri segment after this, but we are just finding too much of you know not too much of attraction or questions. At the same time, we also have some time constraints. So, I am going to request all of you and your indulgence in not having that 15 minute session today, but we will, any questions that you ask in the next 10 minutes is fine, we will answer that. Otherwise we will take up in some other occasion or some other forum or even look at a separate session. Just one second, so why do not I, Jinesh, I will answer you. Let the next person ask, let me understand what you are saying and then I will answer you before we finish.
- Jinesh Gandhi:** Sure Thanks.
- Moderator:** Thank you. Next question is from the line of Pramod Kumar from IDFC Securities. Please go ahead.
- Pramod Kumar:** My first question pertains to the truck and bus business. I remember you had talked about deciding on a bus platform and probably even on a smaller tonnage platform. Just wanted to know what is your update because it has been I think close to six months now post the acquisition from Navistar. So, what would be the revised capex plan for this business?
- Pawan Goenka:** So we have now made a decision to the first phase of development for the LCV for ICV and the work has started on that, and therefore we have the first phase of capex approval, which is very small. So that is not something that is going to show up majorly in the overall capex. And the second phase that is after the initial work is done would be approved a year from now. Expect that long to the first phase, and if that is approved, then we expect to invest between Rs.300 Crores to Rs.400 crores in developing new range of LCV and ICV products. So, therefore from what we talked about six months ago to know, we have gotten approval to start development for LCVs and ICVs.
- Pramod Kumar:** And sir, buses, any development there?
- Pawan Goenka:** We have not yet decided. We are still working on it.

- Pramod Kumar:** And Sir my second question, apologies for this, but SsangYong, if you can just explain, because it has been a pretty good turnaround in the volume growth vis-à-vis what is happening in the Korean market, especially compared to Hyundai and Kia is pretty positive actually. So, if you can just explain how you do see the volume ramp up for the rest of the year, if you could put a range for FY?
- Pawan Goenka:** We had announced in SsangYong we do give volume guidance, unlike Mahindra. We had announced at the beginning of the year that we had a target of selling 149,000 vehicles. Right now we are at a phase of selling 147,000 to 147,500 vehicles. Actually the shortfall is only in the CKD dispatch to India because of the Indian market being slow. So, I would say that as per CBU export is concerned, we are pretty much on target with what we have given beginning of the year, and that would represent better second half than first half in terms of volume, overall volume growth for SsangYong, therefore we are looking for a positive second half. We have just launched last week Korando C refresh, which is I do not know if you have seen the picture.
- Pramod Kumar:** I have seen it, sir.
- Pawan Goenka:** And not like that product. And this is the second product that has come out which was approved by Mahindra after Mahindra's acquisition. The first one was the Korando Turismo and this is second one. So, we are very excited about that and we hope that we would be able to meet the target that we had talked about.
- Pramod Kumar:** And, any thoughts on FY'15 at this point of time in terms of volumes?
- Pawan Goenka:** We have internal targets, but since the board has not approved that budget yet, which will happen in December. I am constrained not to talk about that.
- Pramod Kumar:** Thanks a lot Sir and best of luck. Thank you.
- V.S. Parthasarathy:** January, Pawan generally they declare the next. Just before the next question. Two points actually, first is Mr. Gandhi's question. Jinesh, what is your M&M's PAT at Rs.938 Crores and whatever the difference is Rs.70 Crores, but it is also the difference is the profits of MVML, right. So, if you take the profits of MVML and the Rs.70 Crores difference that will be the difference between those two figures. So, you just can minus Rs.70 Crores that means you are assuming MVML makes no profit but that is not correct. MVML makes a reasonably good profit. So that is the difference. The second part is that we have time for two more questions please.
- Moderator:** Thank you Sir. Ladies and gentlemen we are going to take our last two questions. Our next question is from the line of Chirag Shah from Axis Capital. Please go ahead.

- Chirag Shah:** Sir a small question, there is a note where we have seen a lot of companies being created. Can you just throw some light over there it would be helpful? Like Telephonics, so it is a new business venture you are trying Mahindra Asset Managements and how should one understand, are there existing extensions of current businesses?
- V.S. Parthasarathy:** Yes.
- Chirag Shah:** In various subsidiaries, definitely there would be some subsidiary in which business that you have.
- V.S. Parthasarathy:** So the question is that there are five subsidiaries, which are now been floated this quarter and we are not proliferating too many subsidiary companies. That is the question, right?
- Chirag Shah:** Yeah, and also the thought process behind this?
- V.S. Parthasarathy:** Absolutely. So, just one second. Just hold on for a second. 10 minutes we will have. Sorry, Rajen is very persistent in telling that we have another 10 minutes, so we will at least spend the next 10 minutes on questions. So, if it is more than two questions, we will take it. Okay thanks Rajen. Now first is Telephonics. Telephonics, you remember in our defense sector, we talked about that we will have units in various thing which is land, sea. The one part is also in terms of radar and electronics. The Telephonics JV is a one, which has already been I mean it has been in the anvil for another last one year or so, which is finally fructified as a JV approved by the government and that is a defense JV that we have with Telephonic Company of USA. It is a 74-26 JV, okay. So, that is the one company, two companies out of this five is formed for giving shape to the CIE deal that we have announced. So, three out of that and the other two is one is I think for Mahindra Realty because they do every project that they do, they have to float a company. This is almost a need for this kind of business and therefore they do float SPVs where they get joint venture partners or something. And then, there is one company for what is an asset management company bought in Dubai, right property we bought it.
- K. Chandrasekar:** Asset management with Mahindra Finance as a prelude for our mutual fund license.
- V.S. Parthasarathy:** So, those are the kind of companies each we cannot give a one single answer for it. So, all we say that one of them is very, very justified and it has taken based on strategy of that company or that business, yeah.
- Chirag Shah:** So, one question is on this new compact UV segment M&M had always been able to identify the white spaces ahead of competition, now how should one look at your entry in the so-called compact UV space and when can we expect something over there?
- Pawan Goenka:** Let me say that yes, you are right and thank you for the compliment. We did identify the white space and did launch Quanto at this space. Unfortunately, the product did not take off the way we had

expected and other products were launched in that space which have done well. We have other products that we are working on in that segment and I would expect to launch those products in about two years, time.

Chirag Shah: And Sir just a clarification, you highlighted new products or new platforms would come from 2016 onwards?

Pawan Goenka: FY'16.

Chirag Shah: FY'16 and not FY'15 because...

Pawan Goenka: It is correct.

Moderator: Thank you. We are going to take our next question is from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Sir, can you share your outlook for the UV segment and the LCV segment for this year considering and also can you share the retail volumes for first quarter on the UV side versus the wholesale volume just to get a sense of the inventory?

Pawan Goenka: Well obviously, we cannot give any outlook for the year, neither can we talk about industry right now, nor can we give any outlook for M&M Limited for both UV and LCV segment. As you know very well that both, industry-wise both the segments are right now on de-growth space. And as I said earlier that it is right now we do not see a turnaround happening in these segments. But festive season is coming around and festive season can always throw some surprises, positive surprises at us. So, if some good news comes in, there is some kind of stimulus package that the government of India announces and then there could be very quick turnaround in these segments. So, all of us are hoping that something like that will happen which will some kind of growth in these segments. I should also point out as I said earlier that the UV segment de-growth is only one month old and let us not jump to conclusion that the UV segment is permanently going to be de-growth. Let us watch to see what happens in the months of August, September and then only we will be able to do next comment whether UV segment also is in the same de-growth space as rest of the passenger vehicle sector. So, that is all I can say on this right now, your guess is as good as mine as to how the segment will perform.

Hitesh Goel: And sir, can you just share the retail numbers or the deviation between retail and wholesale?

Pawan Goenka: We never talk about in fact nobody talks about retail numbers. All I have said earlier in the question of inventory that we had some excess inventory at the end of June because of fairly sharp drop in

industry volume. We have corrected half of that in July that means July the retail has been higher than billing and we will be correcting rest of it in the month of August and September.

- Hitesh Goel:** So, sir, the dealer inventory would be close to four weeks that is the normal inventory that you have?
- Pawan Goenka:** Normally the industry will maintain four to five weeks and that is where we would be at the end of this quarter.
- Hitesh Goel:** Because you had also commented that you may go for another production shutdown in August, is that?
- Pawan Goenka:** Yes, of course, we will not produce more vehicles than we are selling, the only reason we have excess inventory is because there was a sudden drop in volume in the months of May and June.
- Hitesh Goel:** Okay thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen we are going to take our last question from the line of Mihir Jhaveri from Religare Capital Markets. Please go ahead.
- Mihir Jhaveri:** Just one question sir, what is your outlook, is there any change in the outlook towards tractor volume growth for this year now, what kind of growth if you can throw some light? And secondly sir, if you can throw some light on the quarterly performance of the margins for tractor business if I see QoQ basis the realizations have gone down, so on a tractor side. So, what has caused this margin improvement if you can throw some light that is my two questions?
- Pawan Goenka:** What you mean by realization has gone down on a per tractor basis.
- V.S. Parthasarathy:** So, first is I always say this and let me again say, do not compare Q4 versus Q1, QoQ with so much seasonality, so much we have a festival here it changes increments, internal, external many factors. So, please compare YoY for the same quarter, that is my honest request. But just explain to me what is this realization you are talking about change YoY. I do not think it has gone down.
- Mihir Jhaveri:** No, I am saying on quarter-on-quarter basis sir, so.
- Pawan Goenka:** I do not know why you guys always do that, you cannot compare quarter-on-quarter and because tractor industry is so seasonal every quarter is different. In fact the size of tractors are gets sold in quarter four will be different than quarter one, the mix. You can only compare year-on-year you cannot compare quarter-on-quarter. And on a year-on-year basis our realization has gone up and also our operating margin has gone up, both of these are in the results that we have published.

- Mihir Jhaveri:** Sir, and second question with related to growth outlook if you can throw some light on the tractor business, if there is any change for this year, now?
- Pawan Goenka:** Well, our growth outlook for the tractor industry. We had said already that at the beginning of the year we were projecting 6% to 8% or rather 5% to 6% closer to 5% to 6% and 6% to 8%. Now we are reasonably confident in projecting at 10% to 12% growth for the industry, because already in four months the industry has grown about 52% and therefore even if the growth is in single digit in the remaining 8 months we will reach about 10% to 12% growth and therefore that is what we are saying. There are some players in the industry who are talking as high as 15% to 17% growth. It is possible that the growth could be that high but right now Mahindra is taking a more conservative view and projecting 10% to 12% growth for the industry this year. As I said that our market share as of end of first quarter is identical to last year.
- Mihir Jhaveri:** Sir, what about, I mean we will be growing in the similar lines or maybe higher.
- Pawan Goenka:** In what?
- Mihir Jhaveri:** In the tractor business.
- Pawan Goenka:** Well, I would always hope that the market share goes up and so will everybody else and it is impossible for everybody to grow market share, so there will be always some winners and some losers. But I will also point out that in tractor industry typically market shares remain pretty steady and you will not see a change more than plus minus one percentage point in market share.
- Mihir Jhaveri:** Fair enough Sir. Thanks a lot sir.
- Moderator:** Thank you Sir. My apology participants we are going to take our one last question from the line of Amin Pirani from Deutsche Bank. Please go ahead.
- Srinivas Rao:** Hi, Srinivas here again, thank you very much I kind of came back on the queue. Sir I just wanted to check with you your view on the competitive intensity on the UV side from your perspective, as you said there will be a product lull for you potentially over the next two years and we are likely to see more launches in the competition.
- Pawan Goenka:** I get this question so many times. I do not know how having six products in the UV range, is a product lull. Name me one company that has more than two products.
- Srinivas Rao:** Obviously you are the leader, so...

- V.S. Parthasarathy:** We do have, we are covering each and every sub-segment of the UV range, we will continue to do refreshes during this time. I did not say we will not do refreshes. I said that brand new product launch will happen in two years, and we are covering every segment. We are somewhat weak in the sub-compact for the compact UV segment, where we have the quality product in order we are doing very well. So to that extent yes we have weakness, other than that we have a pretty strong line of products and nobody is likely to be having a line up as strong as that. So we have launched new products in last two years XUV, the Quanto and other companies did not launch that kind of product in last two years and now there are some industry launches that will happen all the time. So it is part of our overall project plan nothing that comes as surprise that we do not have new product launches in FY'14 and FY'15.
- Srinivas Rao:** Fair enough Sir that kind of actually answers my question. Thank you so much.
- Moderator:** Thank you. Participants due to time constraints that was the last question; I would now like to hand the floor over to Mr. Mishra for closing comments.
- Ambrish Mishra:** Thank you everyone for joining and special thanks to Mahindra & Mahindra management for giving us the opportunity to host the call. Thanks everyone.
- Moderator:** Thank you. On behalf of JM Financial that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.