

Mahindra Finance

Accelerating Growth

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Agenda

-
- Current Situation
 - Analysis
 - Alternatives Assessment
 - Implementation Plan
 - Financial Projections
 - Risks & Risk Mitigation
 - Q&A Session

“ How can we enable rural residents both to create and experience more value in their lives? ”

Anand Mahindra, Chairman, Mahindra Group

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Current Situation

Analysis

Alternatives

Implementation

Risks

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What's our Best Growth Strategy?

Current Situation

Analysis

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Implementation

Risks

Accept NO Limits

Alternate Thinking

Drive Positive Change

Current Situation

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Market

Balancing
our offer

Leverage on
external
opportunities

International
Expansion

Current Situation

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Recommendations

- ▶ Focus in rural and semi-urban market by:
 - Exploiting Home Finance
 - Exploiting L&H Insurance and include Crop's Insurance
 - Expand to International Market
 - Keeping assets financing

Meeting Our Strengths with Opportunities

- Know How in Rural India
- Experience in “Disruption”
- Geographic Penetration
- Fast Lead Time
- Brand Trust Worthiness
- Expanding Rural Markets
- Population with Avg. Age of <30
- International Markets
- Untapped Female Segment

Current Situation

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Risks

Identifying our Weak Points and Threats

- ▶ Depends on customers with variable income.
- ▶ Currently Restricted Market
- ▶ Customer Base Unstable
- ▶ High risk customers
- ▶ Public-Private banks entering rural
- ▶ International Financial Programs for target market
- ▶ Natural Disasters

It is essential for us to drive financial inclusion

Current Situation

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Political

- * proactive strategy
- * Financial Inclusion as Interest
- * Develop SME's and Rural Areas
- * Invest on Education



Economical

- * Slowdown in Rural Economy
- * Rapid expansion of financial Inst.
- * 53% account penetration
- * Decrease in agro activities



Social

- * High growth of rural population
- * Low level of women owned businesses



Current Situation

Analysis

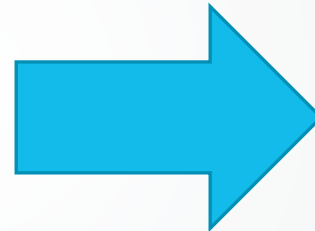
Alternatives

Implementation

Risks

Understanding Our Customer

- ▶ Rural
- ▶ Low income
- ▶ Low Free Cash
- ▶ Owner-Driver
- ▶ Sole Bread Winner in the House



These represent
incredible
opportunities for
expansion for
MAHINDRA

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Analysis of Competitors

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- **Non-Banking Financial Companies:**

- High Growth Rate (50% CAGR in 2015)
- Credit Base Growth from 13.1% (2015) to 17.1% (2019) of Total Financial Sector.

- Main Competitors:

- Bajaj Finance
- Sundaram Finance
- Shriram Transport
- Shriram City

	2009 - 2015 Growth	
	Assets	Net Worth
Mahindra Finance	12x	4.4x
Bajaj Finance	5.6x	4x

- **Large Public and Private Banks:**

- Capitalized and Well-Regulated
- Technology Savvy (Internet, Mobility, etc)
- International Platforms adoption (Paypal, Snapdeal, etc)
- Crowded Sector.

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Rural vs Urban Banking Scenes

Urban

- Highly Competitive (Hundreds of Participants)
- Low Profit Margins (0.5% RoA)
- Foreign, Private and Public presence
- High Density Population

Rural

- Effort Intensive
- Seasonal Incomes of Customers
- More Spread Population
- Higher Profit Margins (3% RoA)

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Assessment of Alternatives

Rejected

Alternatives	Relate to Corporate Strategy	Profitability	Revenues	Competition	Regulation
Keep and Develop Rural Market	Green	Green	Yellow	Green	Green
Emerge in Urban Market	Red	Red	Green	Red	Yellow
Emerge in International Market	Green	Yellow	Green	Yellow	Yellow

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Implementation Timeline

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	2016	2017	2018	2019	2020
HHRR					
Define HR Plan					
Hire Management Staff					
Hire Sales Executives					
International Expansion					
South Korea					
South Africa					
China					
Technology					
Analyze actual technology					
Increase servers capability					
Obtain more operational equipments					
Marketing					
Design Program for Women:					
Make survey for current situation					
Start with Pilot in 2 rural areas					
Implement women's program					
Define the marketing plan.					
Create strong ties with communities					

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Management Feasibility

□ Define HHR plan to complement our CS.*

- Hire Staff management with experience in NBFC and with expertise in rural market.
- Leverage on separate teams for expansion. (Sales, Legal, Technical and credit personnel.
- Hire people of the communities for the sales process.

***base on average employees motivation in each country)**

Technical Feasibility

- ▶ Validate our actual technology structure.
- ▶ Increase servers capabilities.
- ▶ Look for operational equipment's that allows mobility, intranet communication and a strong database.

How to straddle being an asset financing company and payment bank?

- ▶ By focusing in the common needs of our targeted market

“

Investing in women is not only a good social decision, it is an economically smart decision

”

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Hillary Clinton

Reasons for Program

Untapped Market

Increase our Customer base

Decrease no-payment risk

Increase Financial Confidence in Families

Increase potential customers for other products

Financial Empowerment For Women



Gradual Inclusion

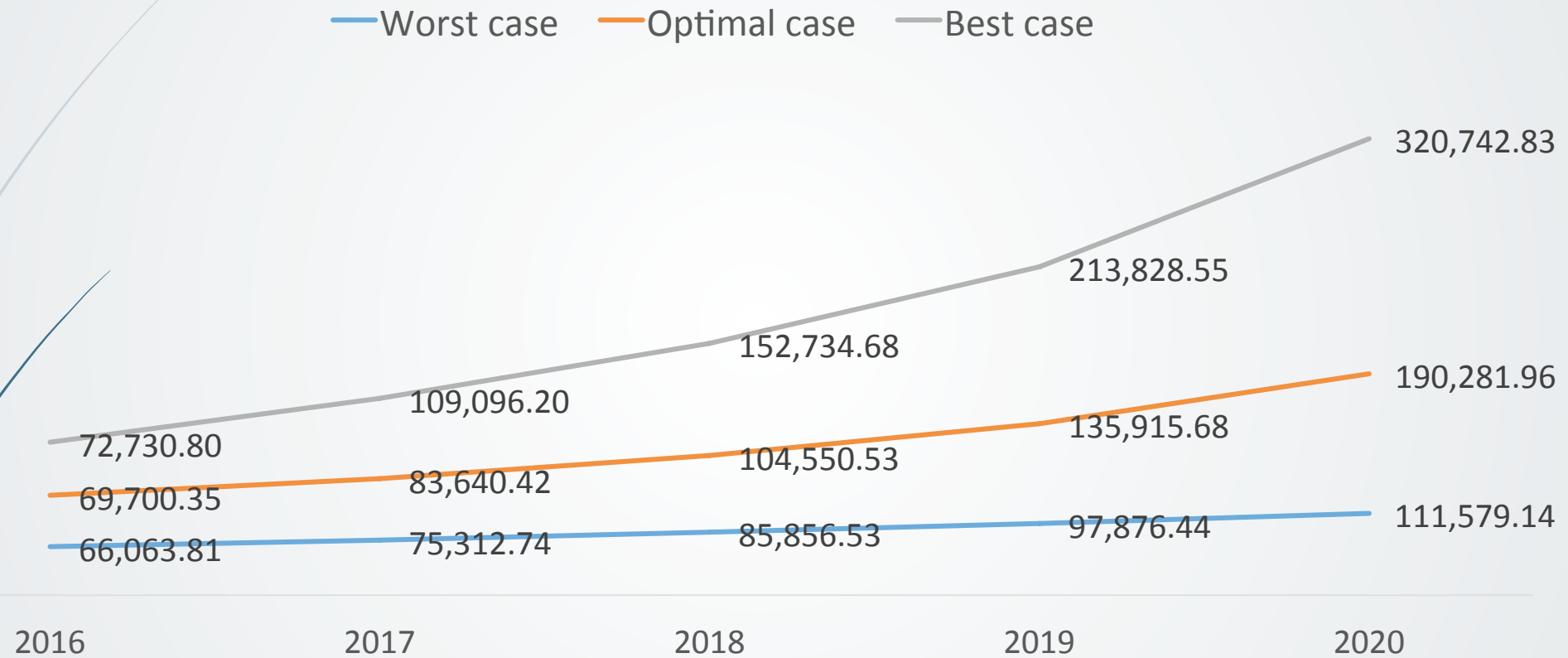
Training

Understanding the
segment as a new
market

Financial Assumptions

- ▶ Home finance 6-times growth in revenues
- ▶ L&H Insurance 70% growth in revenues
- ▶ Maintain Operational Expenses structure
- ▶ International expansion since 2017

Revenue Growth Projections



Current Situation

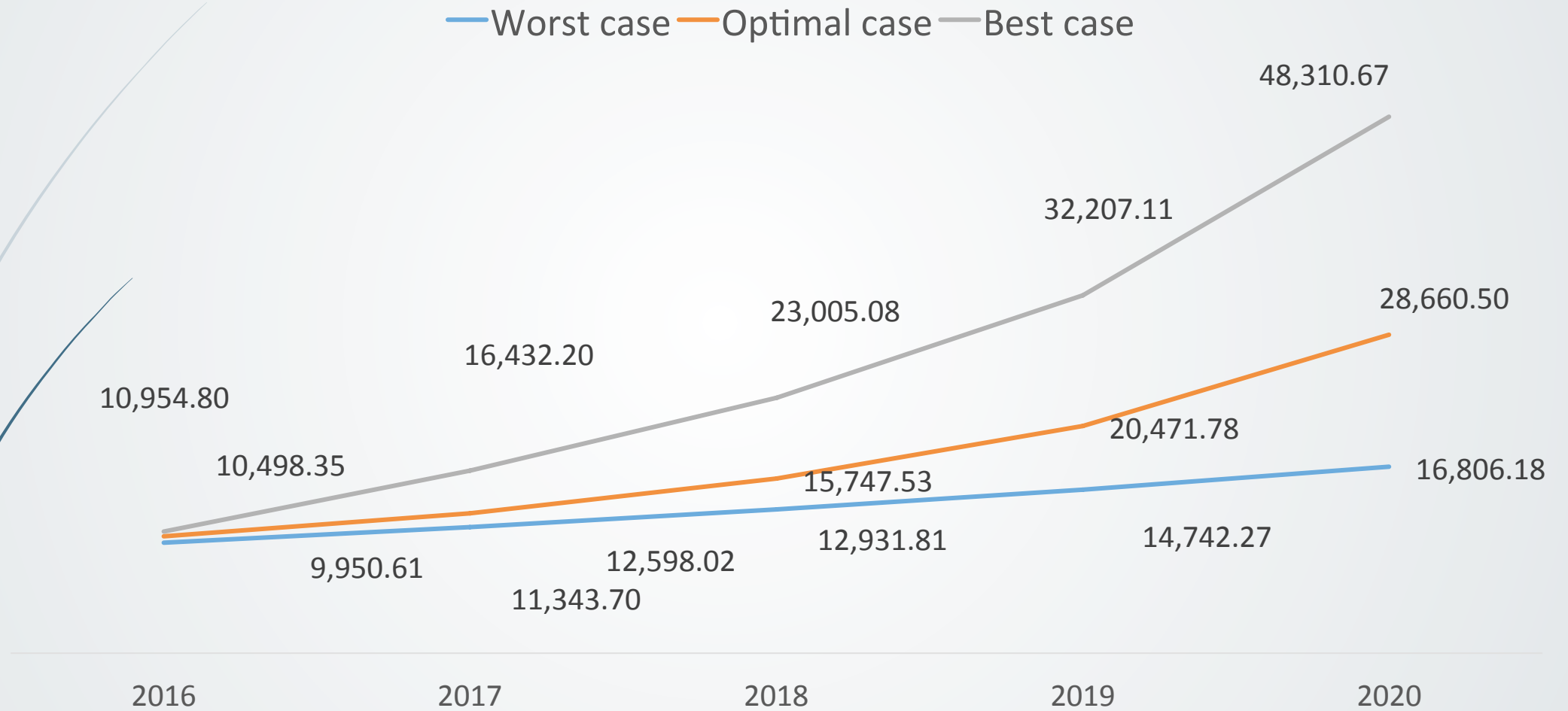
Analysis

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Net Profit Growth Projections



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How to measure success?

Maintain most important KPI's:

- ▶ ROA
- ▶ ROE
- ▶ Assets/Liabilities ratio

Risk Assessment

Instability:

- High volatility in payment
- Late payment and No payment

Market:

- Slowdown in Rural Economy
- Resistance of family with women program
- Entering of faster competitors

Economy:

- Slowdown of Indian economy
- Migration to urban areas

- Training of customers and payment reminder tools
- Leverage on good relationship with customers.
- Leverage on rural community leaders
- Expansion to international markets
- Disruption strategy
- Participation on political and economical committees

Q&A Session

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	2011	2012	2013	2014	2015
Liquidity	1.63	1.55	1.50	1.56	1.15
Net working capital	26,730	33,131	40,453	54,947	22,914
Change in net working capital	(40,340)	6,401	7,322	14,494	(32,033)

(in INR millions)

	2011	2012	2013	2014	2015	Market situation
EBITDA/Revenues	37%	34%	33%	28%	24%	
ROA	3.6%	3.3%	3.4%	2.8%	2.4%	2.84%
ROE	19.4%	21.2%	20.2%	18.0%	15.4%	15.33%

	2011	2012	2013	2014	2015
Total Assets	138,685	194,208	270,708	340,575	386,331
Increase in Assets (%)	67%	40%	39%	26%	13%
Net Profits	4,927	6,434	9,270	9,544	9,129
Increase in Profits (%)	38%	31%	44%	3%	-4%

(in INR millions)