

Mahindra Finance 2020

Presentation to the Board by Corvinus Consulting

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‘ Mahindra Finance’s net income dropped down by 6%. The company has to turn it upward and make use of the current favorable changes in the Indian market.’

By 2020 Mahindra Finance will become the 3rd player in India based on market capitalization

Diversification of portfolio
by building on the
government's *Home for All*
program

Expand payment bank
services among new clients

Fulfill the vision of Mahindra Finance and reach 33895 million INR

Agenda



Analysis

Competition is fierce in the Indian banking sector

NEW ENTRANTS THREAT

Public and private banks increasing their presence in rural areas setting-up low cost branches

HIGH

SUPPLIERS BARGAINING POWER

Our AAA rating enables to finance ourselves at low interest rates

LOW

THREAT OF SUBSTITUTES

Option 1: low interest rate banks (10%) with stringent documentation requirements
Option 2: exorbitant interest rates (40-50%) with low documentation requirements
Other non-banking financial companies
Large public and private sector banks

HIGH

BUYERS BARGAINING POWER

High, as borrowers have several options to choose from
Low in negotiation position about borrowing conditions

MEDIUM

Competition is fierce in the Indian banking sector

NON-BANKING FINANCIAL COMPANIES

- Accounts for 13,1% of credits
- Heterogeneous group with wide range of services
- High yields
- Superior profit margins



MAHINDRA
FINANCE



PUBLIC AND PRIVATE SECTOR BANKS

- Fragmented market
- Better growth prospects than before

Mahindra's actual situation

4th largest bank in India based on market capitalization

Offering 14% interest rate to harvest the market

Fixed interest rate construction for better understanding

Small presence in international markets mainly in joint venture forms

Small presence in SME financing segment (60 branches)

Core competences of Mahindra Finance


Well-developed network thanks to vehicle finance segment

Trusted brand name

Local market knowledge

Strong in Word-of-mouth

Market trends in the Indian financial market

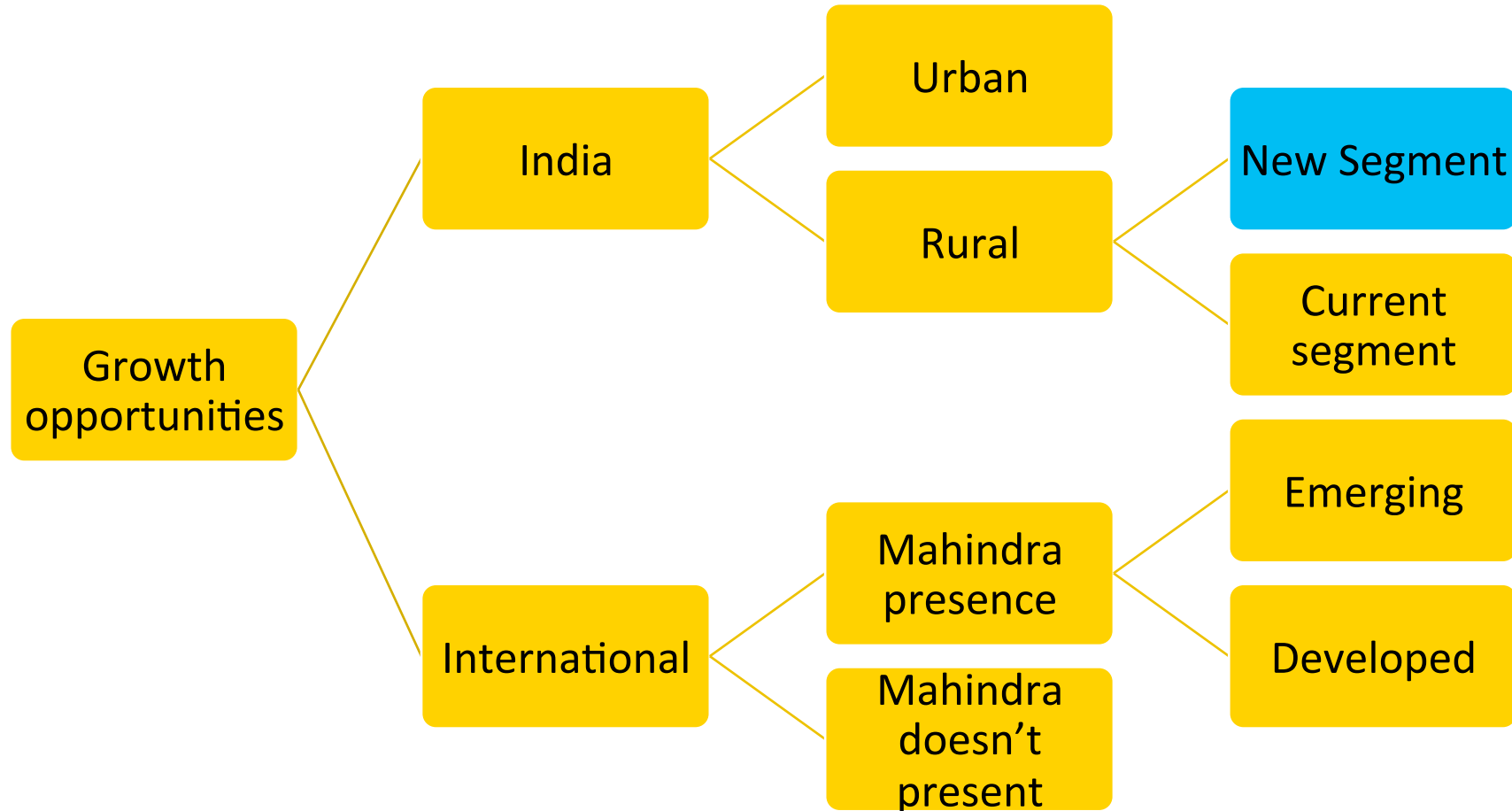
- Favorable regulatory environment  'Housing for All by 2022'
 - 21% of the world's unbanked population lives in India
- Government initiative: enhance access to formal banking services

- Ministry of Rural and Urban Development
- 6 million houses annually for the next 7 years

CAPITALIZE ON THIS GUARANTEED OPPORTUNITY AS HAVING THE CORE BUSINESS AND KNOWLEDGE IN THIS SECTOR

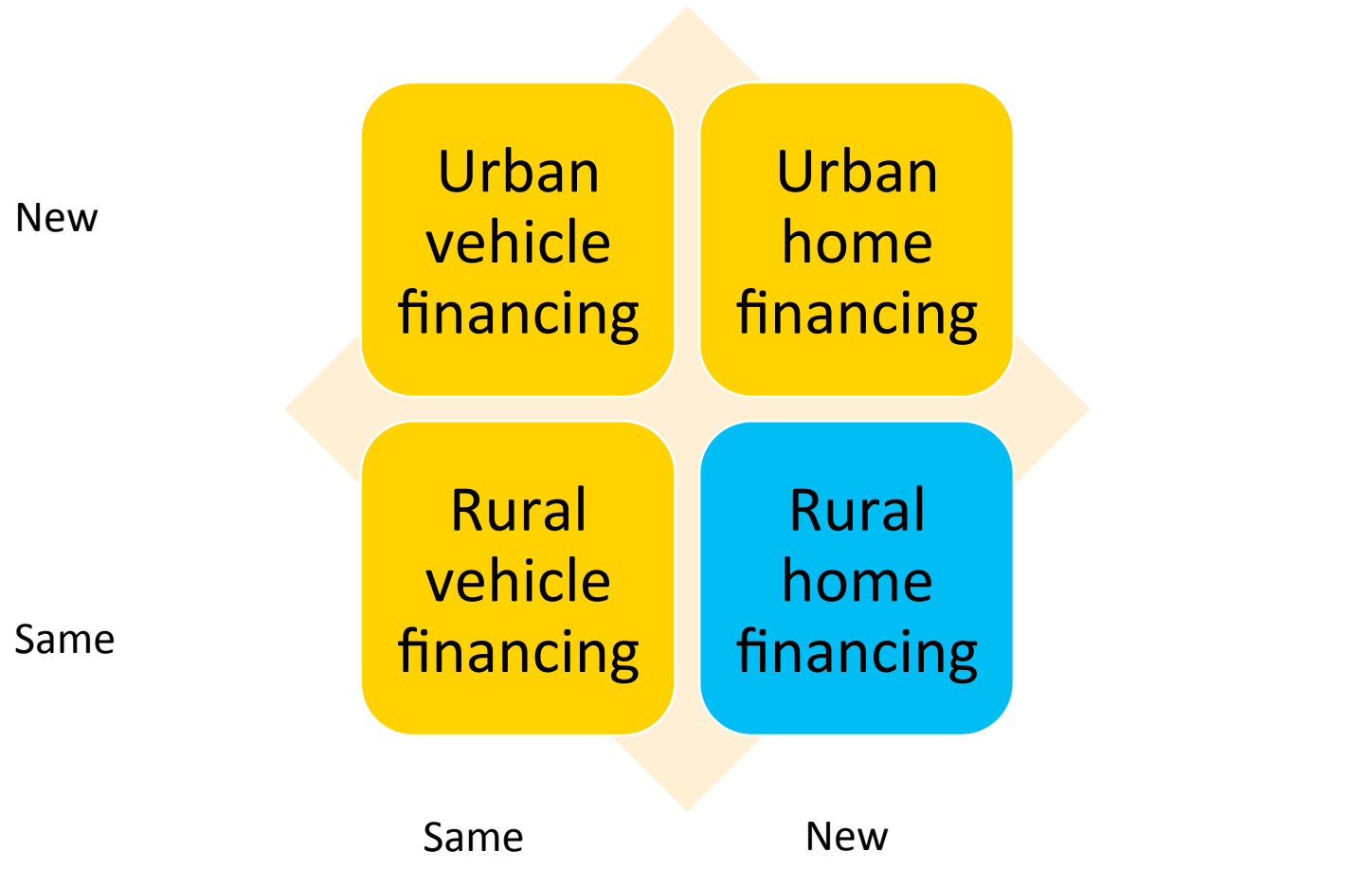
Alternatives

Alternatives for regaining growth for Mahindra



Potential options for future portfolio

Market



Product

Recommendations

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Expand payment bank
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Key to success to minimize fixed cost side and shorten the receiving time

Keeping fix costs low

Minimizing manpower by improving technology in branches

Credit scoring costs are high because of the lack of infrastructure

Cash based economy

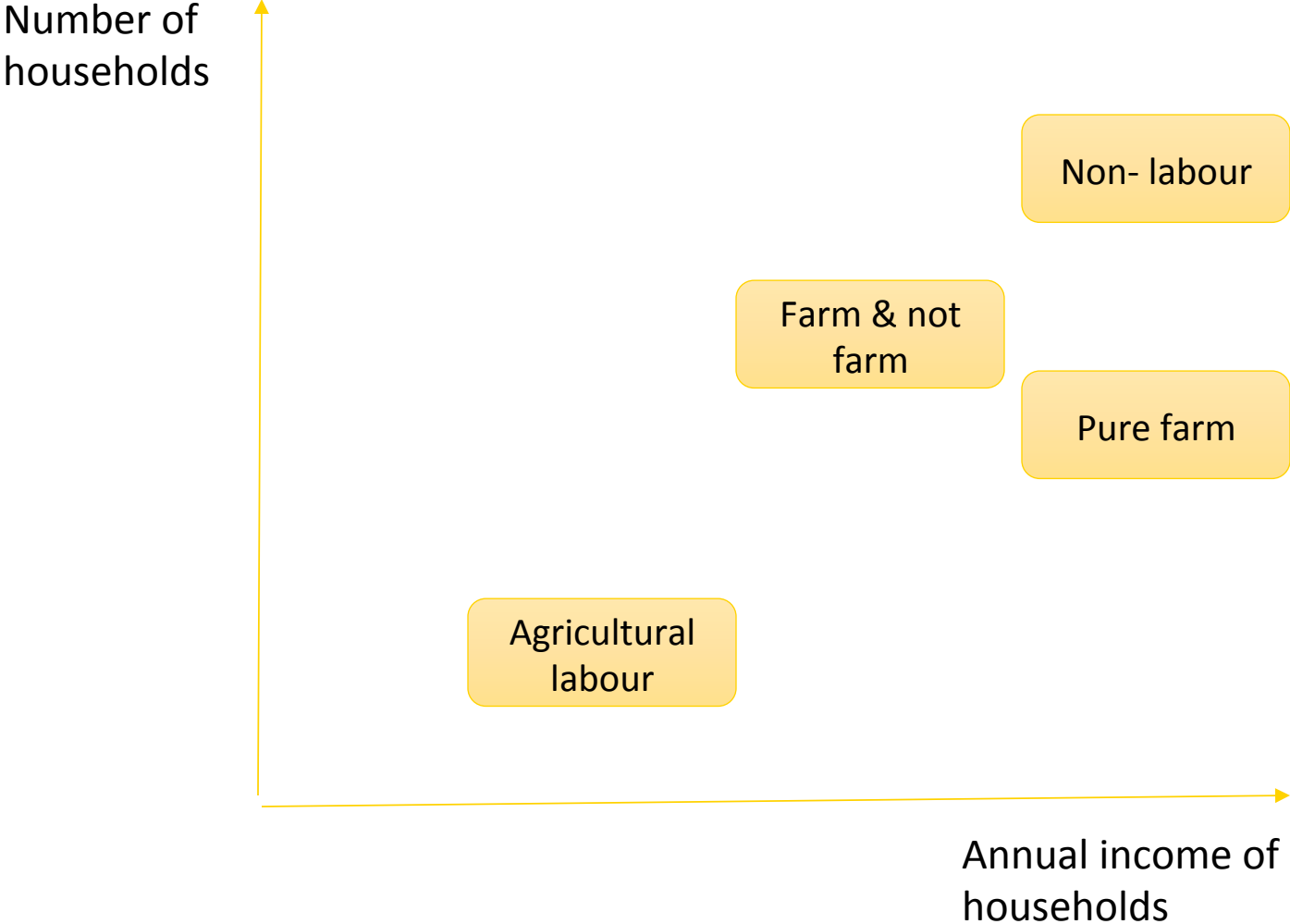
Short time wait to receiving credit is essential

Fierce competition between the immediate, high interest rate usury

Seasonal payment granting

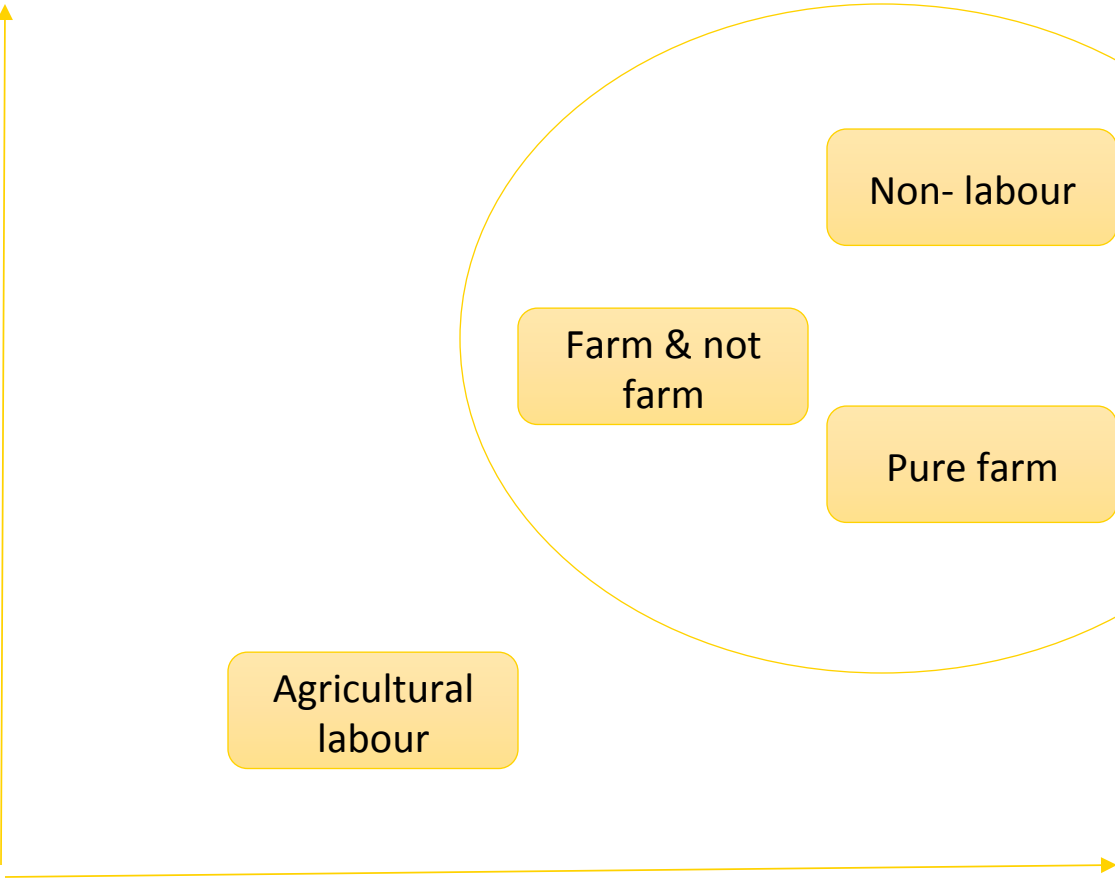
Decreasing the fix costs is essential in order to maintain the low interest rates in order to harvest the market and reach economies of scale.

Target Customers



Target Customers

Number of households



Annual income of households

160 million households
Annual income 160000-190000 INR
High seasonality

Diversified loans for Home to All program

50 000 – 90 000 INR loans

- 2 year
- 4 year
- 14-15% interest rates
- Annual payment

'Rooftop' loans for renovations

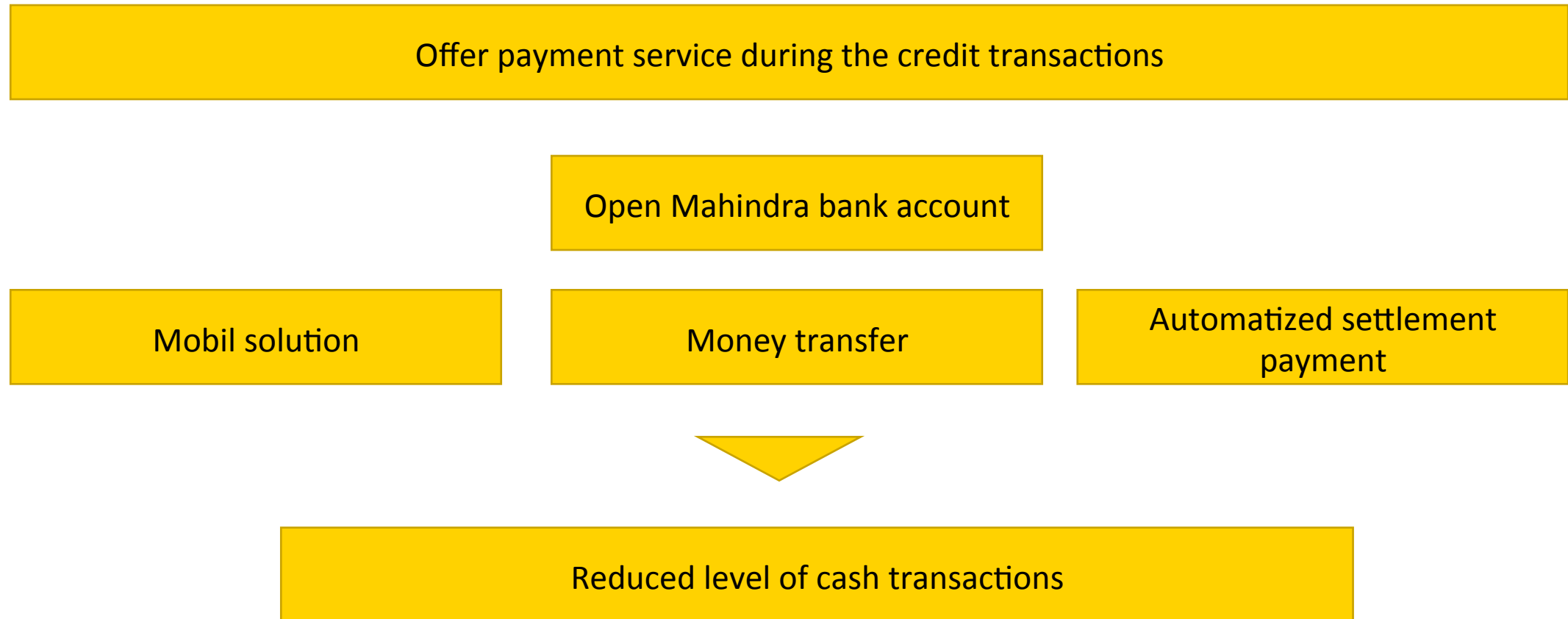
90 000 – 150 000 INR loans

- 3 year
- 5 year
- 12-13% interest rates
- Annual payment

'Room' loans for constructions

Assets: from average 29 to 35 months
Liabilities: from 30 to 36 months

Combine home loans with payment bank services



The Mahindra Finance unique selling points

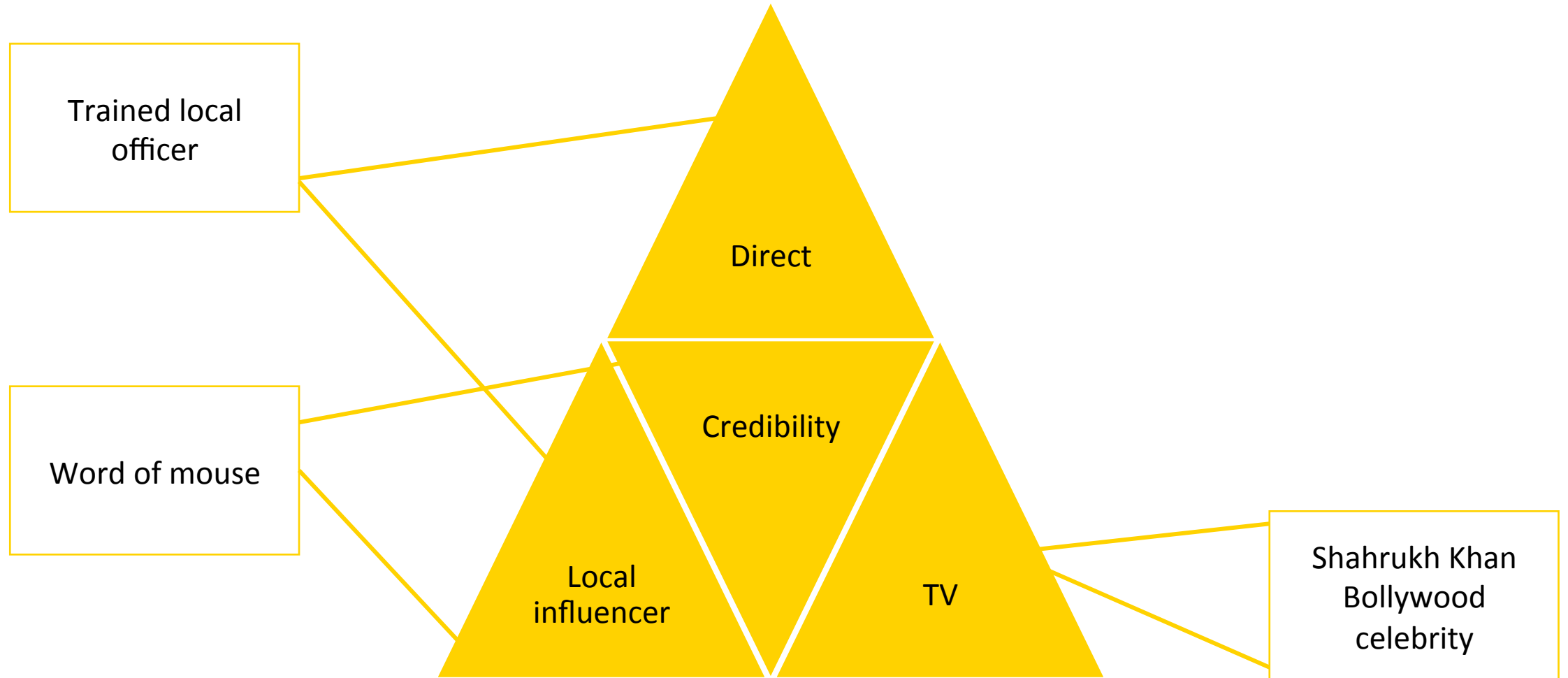
Affordable
interest rate

Customized
constructions

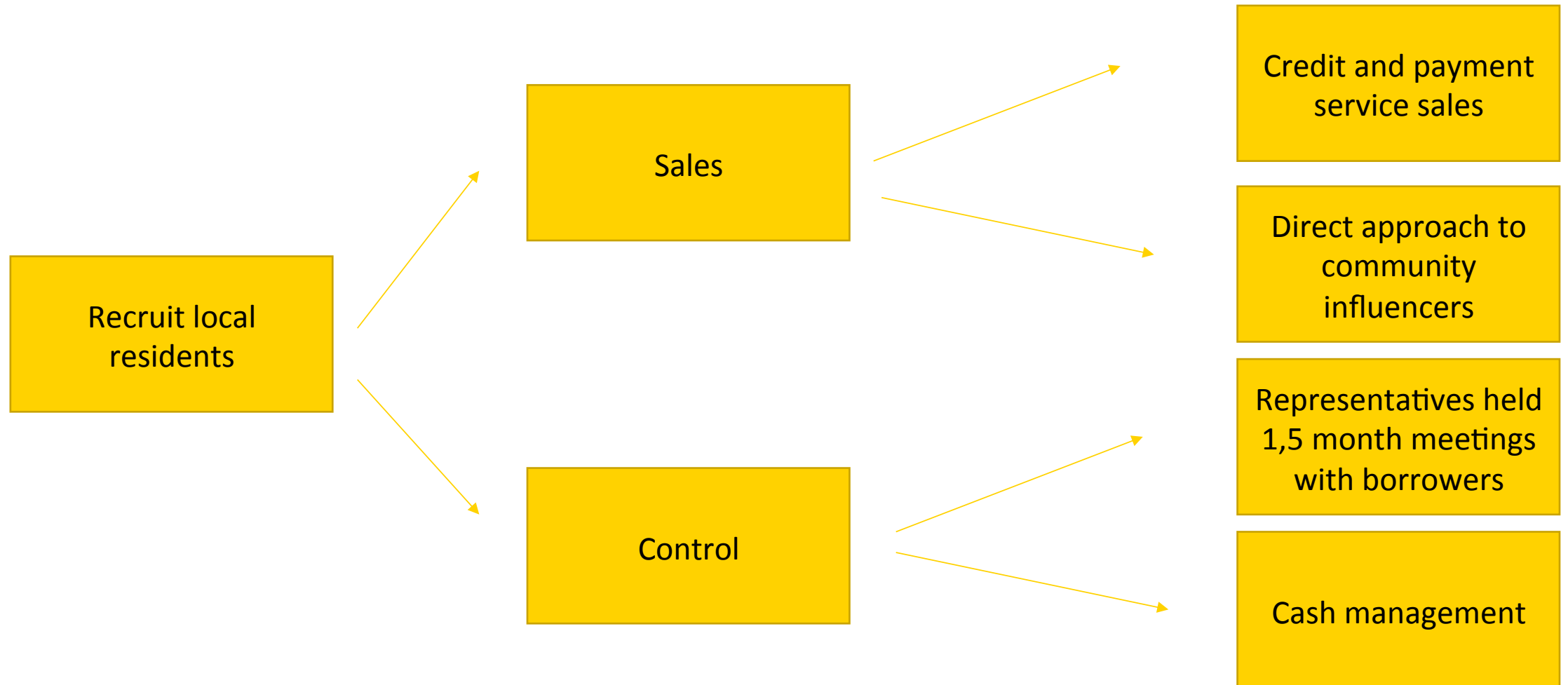
Credibility

Commitment to
the development
of rural area

Promotion of banking, Home Loan product



Train direct sales and cash handling officer



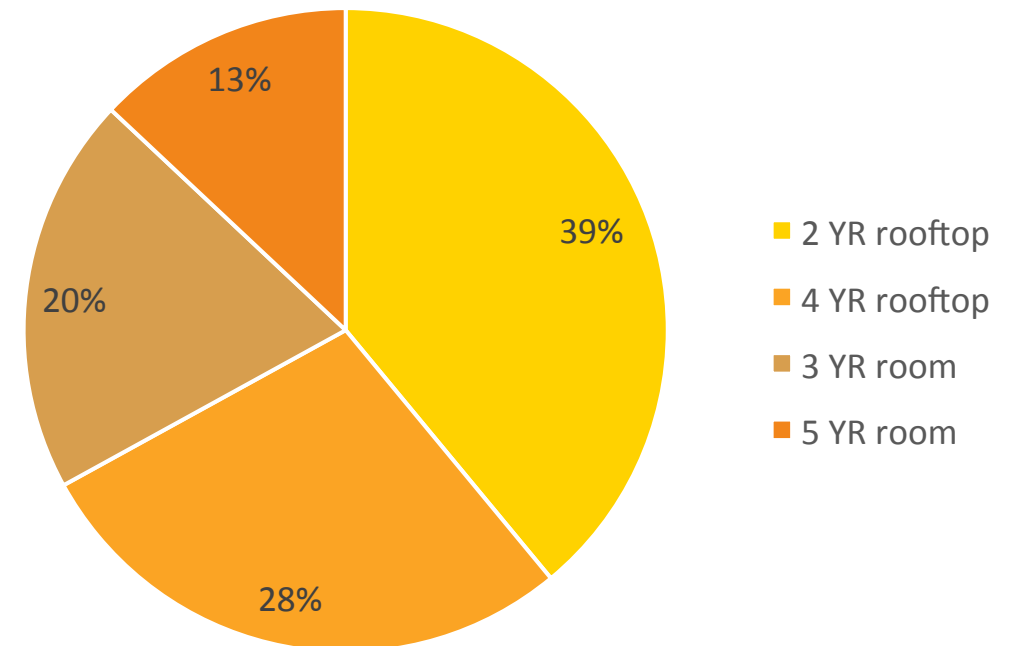
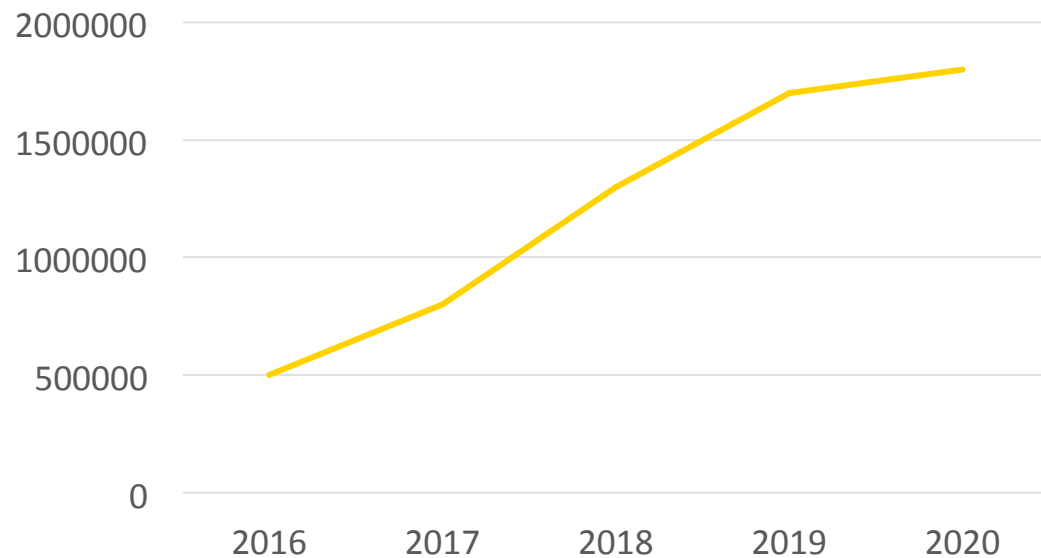
Results

Financial assumptions

1. India: approx. 20% of the world's unbanked population
2. 400 000 villages still uncovered
3. NBFC:
 1. 13.1% of total credit in 2015
 2. 17.1% by 2019
4. Competitors growing as well
5. The government programs remain
6. No shocks occur

Harvesting the governmental programs

- More than 6 m houses built every year



Tangible and Intangible results

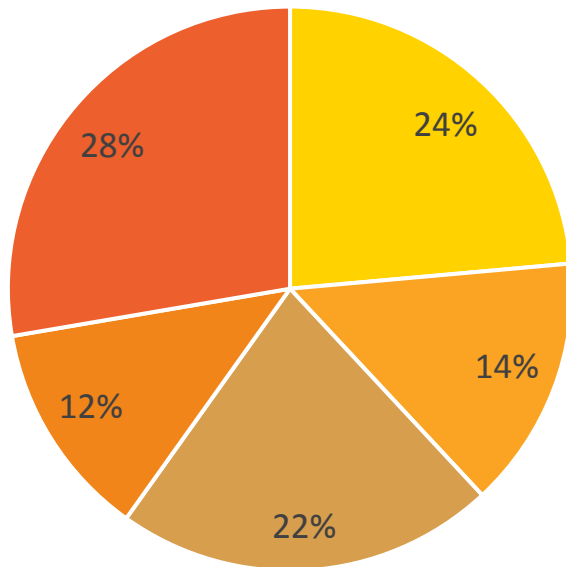
Tangible results

Intangible results

1 year (2016)	3 years (2018)	5 years (2020)
Word of mouth already spreading	Word of mouth exponential growth	Widely known among most of the villages
	Catching up to Sundaram Finance Ltd.	
20 000 villages penetrated	100 000 villages penetrated	200 000 villages penetrated
More than 500 000 customers	More than 2 500 000 customers	More than 6 000 000 customers
		Mahindra is the 3 rd in Indian market
		Mahindra is the first in rural segment

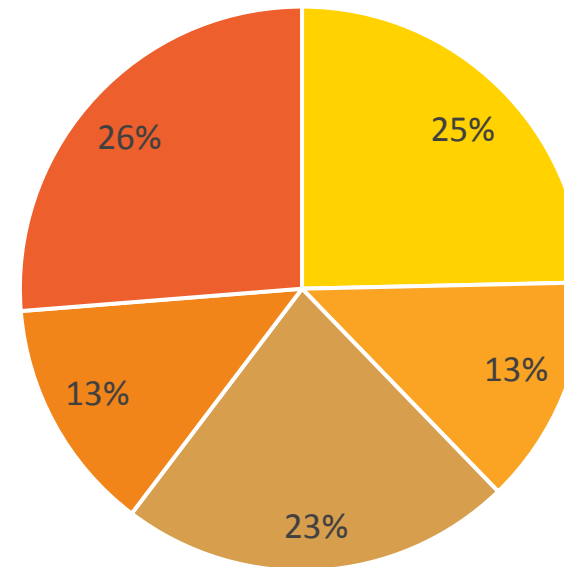
Market capitalization

2015



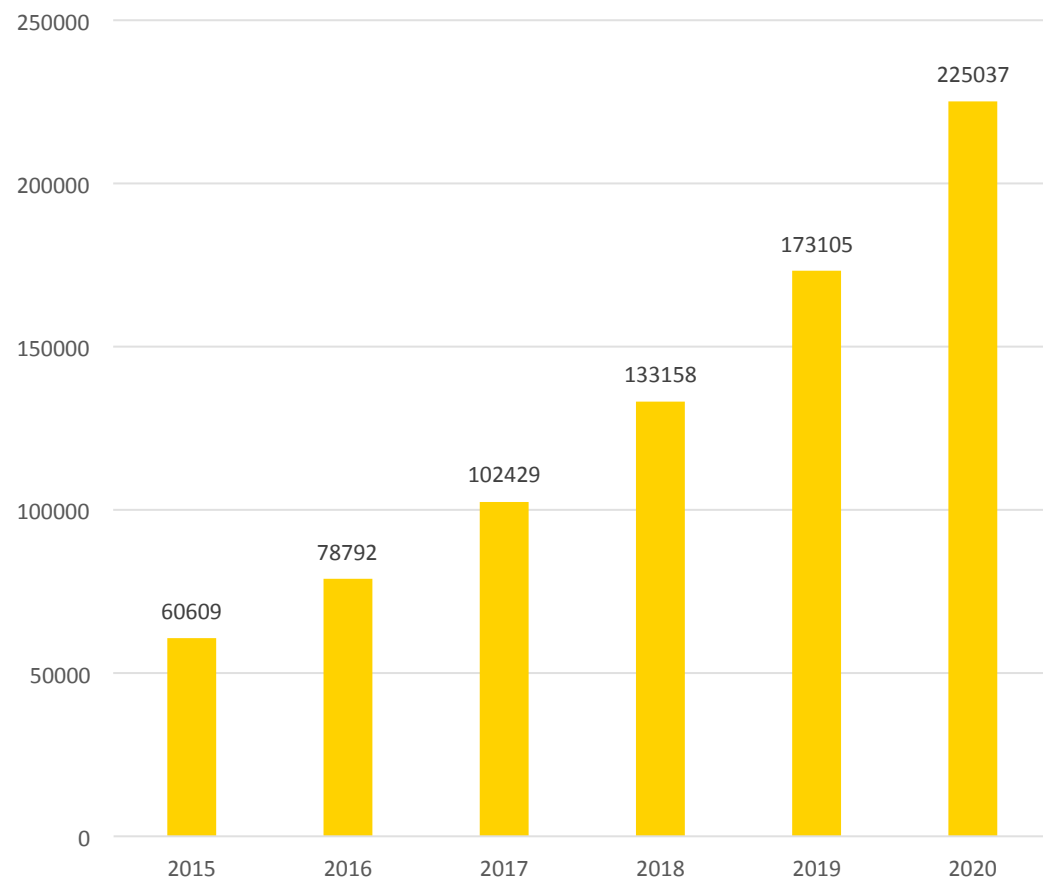
- Bajaj Finance Ltd
- Sundaram Finance Ltd
- Shriram Transport Finance Co Ltd
- Mahindra Finance
- Others

2020



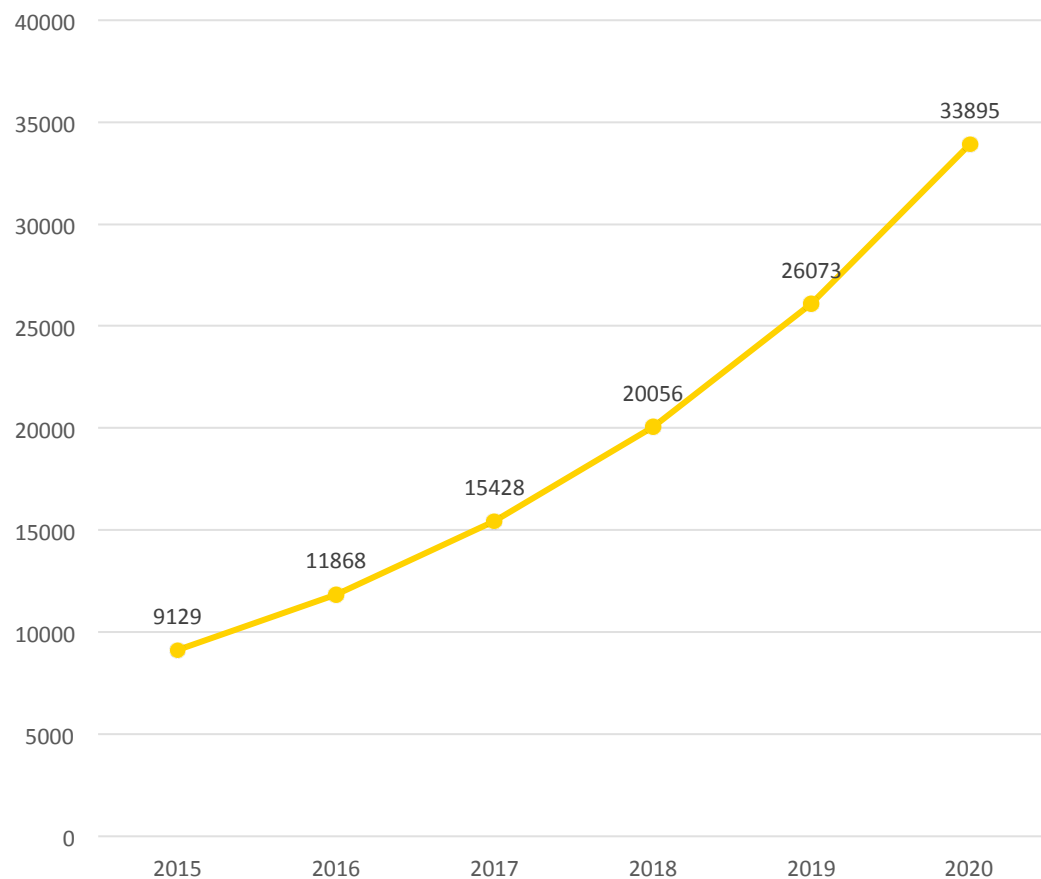
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- Others

Total revenues



	2015	2016	2017	2018	2019	2020
Revenues from operations	60211	78274	101757	132284	171969	223559
Other income	398	517	673	874	1137	1478
Total revenues	60609	78792	102429	133158	173105	225037
Employee expenses	5671	7372	9584	12459	16197	21056
Finance Costs	26430	34359	44667	58067	75487	98133
Dep. And amortization	455	592	769	1000	1300	1689
Provisions and write offs	8491	11038	14350	18655	24251	31526
others	5563	7232	9401	12222	15888	20655
Total expenses	46610	60593	78771	102402	133123	173060
Profits before taxes	13999	18199	23658	30756	39983	51977
Tax expenses	4750	6175	8028	10436	13566	17636
Profits after taxes	9249	12024	15631	20320	26416	34341
Minority interest	120	156	203	264	343	446
Net profit	9129	11868	15428	20056	26073	33895

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