



Mahindra finance and the future

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Agenda

- ▶ Analysis
- ▶ Alternative actions
- ▶ Recommendation
- ▶ Implementation
- ▶ Financial implications
- ▶ Risks
- ▶ Conclusion

Main Challenge

How should Mahindra Finance strategically position itself to gain future growth?

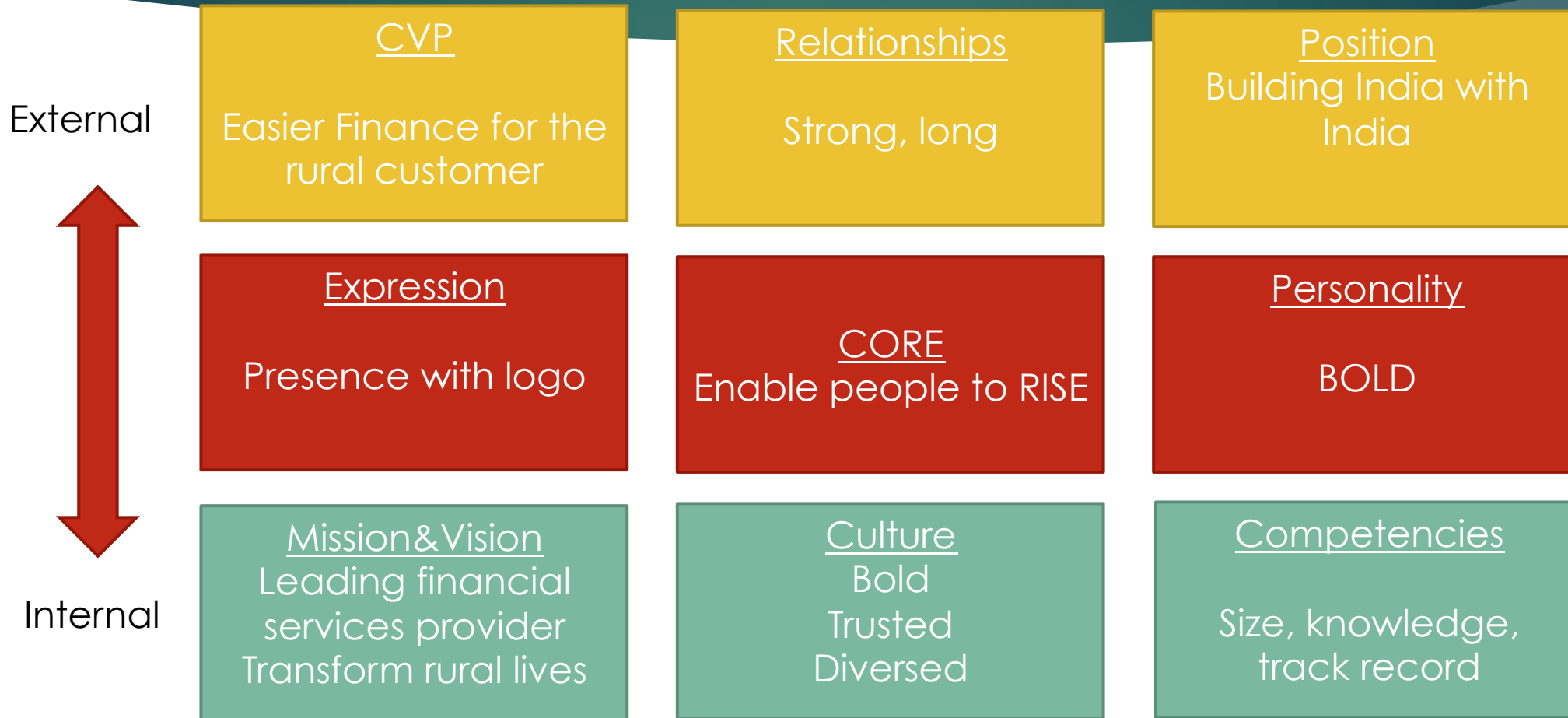
Recommendation

By making Mahindra finance a full service digital banking platform focusing on educating and simplifying the everyday life of the rural customer

Mahindra from within and from outside

	Strengths	Weaknesses
Internal	<ul style="list-style-type: none">Brand AwarenessRural accessBacked by group	<ul style="list-style-type: none">Scattered offerGrowth slowing downLow education among customers
External	Opportunities	Threats
	<ul style="list-style-type: none">Digital India and worldNeed for financial supportLow education among customer	<ul style="list-style-type: none">DigitalizationFinancial exposure

The Mahindra group at core



Sustainability should be part of every business model

“We were not in the social responsibility business”



Sustainability and social responsibility could come from you serving your customer and creating value

Mahindra Finance and licences

RBI approval

NBFC

- Residuary banks
- **Loan**
- **Investment banks**
- **Equipment**
- **Hire purchase banks**

No RBI approval

NBFC

- **Insurance companies**
- **Housing finance**
- Micro finance

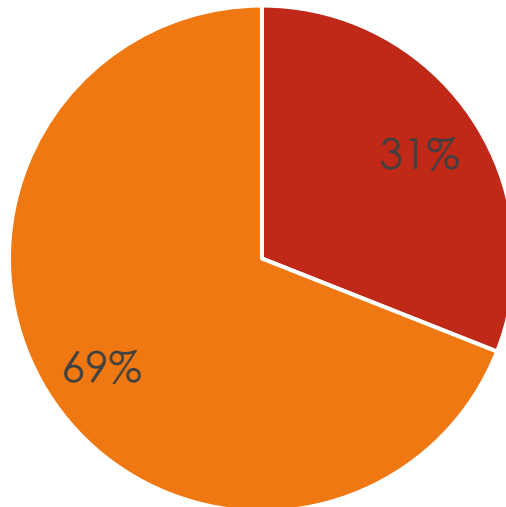
Approval needed

Commercial

- Commercial banking
- Private sector
- Regional rural
- **Payment banks**

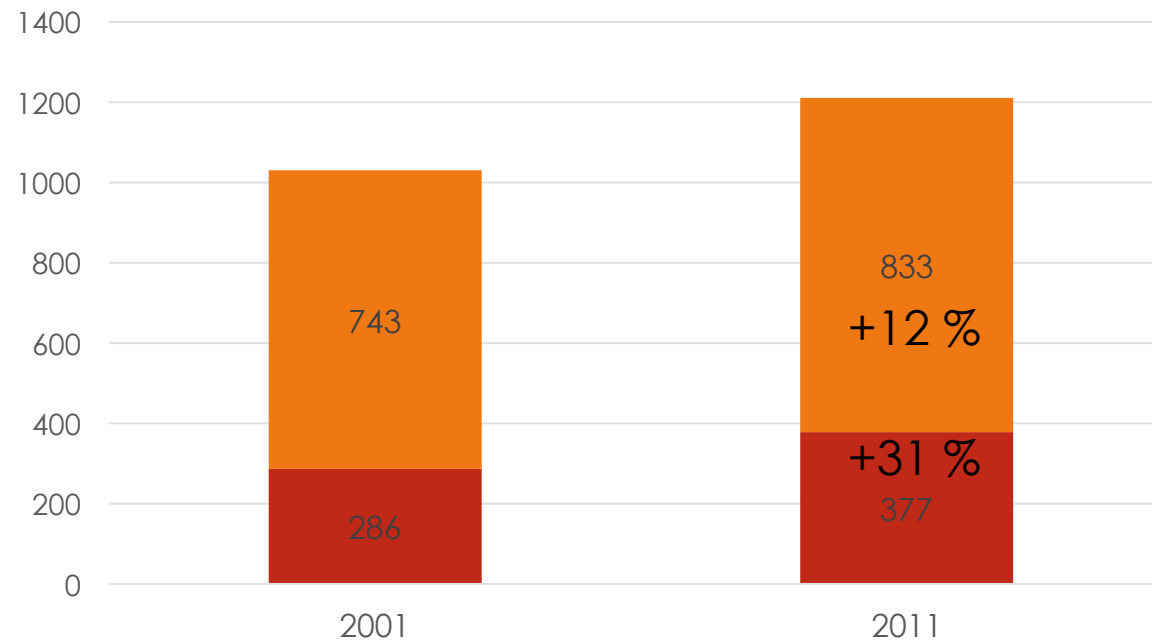
Rural India is changing

Urban vs. Rural population



■ Rural ■ Urban

Change in urban vs. rural



■ Urban ■ Rural

Market size gives good opportunity for future growth



Market size and current customer base of 3.2 million

When find a way to effectively serve rural customers.
The world population of low GDP rural communities is
Huge

Rural India and the structure

Rural condition

Highly heterogeneous

Widely scattered villages

Lack of infrastructure

Seasonal income

Cash based economy

Low per capita income

Implication

One size does not fit all

Physical presence expensive

Difficult to reach, internet

Western banking thinking not applicable

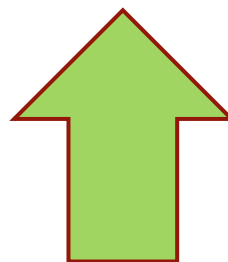
Need for change

Low cost to serve model necessary

Internet access and IT

Application access
(Smart phones) low

Internet access in
some areas low



Governmental ambitions
through “Digital India”

Smart phones decreasing in
price

The customer – Who is she

Who

- Rural living
- Farming or industry

Income

- Rising
- Ambitious

Country

- Primarily India to start
- No limits

Main Challenge

How should Mahindra Finance strategically position itself to gain future growth?

Three alternatives to tackle challenges

1

Status quo

2

Consolidate offerings and move towards commercial banking and the urban market

3

Offer a full service digital platform with focus on education and simplification

Alternative 1, is about continuing on the same path

1

Status quo

- Trusting that net profit is a temporary issue
- Stick to rural and semi-urban market
- Continue doing what you're doing

2

Consolidate offerings and move towards commercial banking and the urban market

3

Offer a full service digital platform with focus on education and simplification

Alternative 2, focus on the urban market

1

Status quo

2

Consolidate offerings and move towards commercial banking and the urban market

- Switch focus to urban market, while still keep presence in semi-urban and rural areas
- Upgrade technology infrastructure to gain competitive edge
- Open up more offices to increase presence

3

Offer a full service digital platform with focus on education and simplification

Alternative 3, focus online

1

Status quo

2

Consolidate offerings and move towards commercial banking and the urban market

3

Offer a full service digital platform with focus on education and simplification

- Create a new way off full-service banking designed for rural and semi-urban customers
- Educate customers about financial services and simplify everyday usage
 - Work towards gaining lock-in effects by also targeting retailers

Four critical factors for success

Future trends

- Is the alternative in line with future trends?

Scalability

- Is the alternative effectively scalable?

Alternative thinking

Is the alternative challenging conventional thinking?

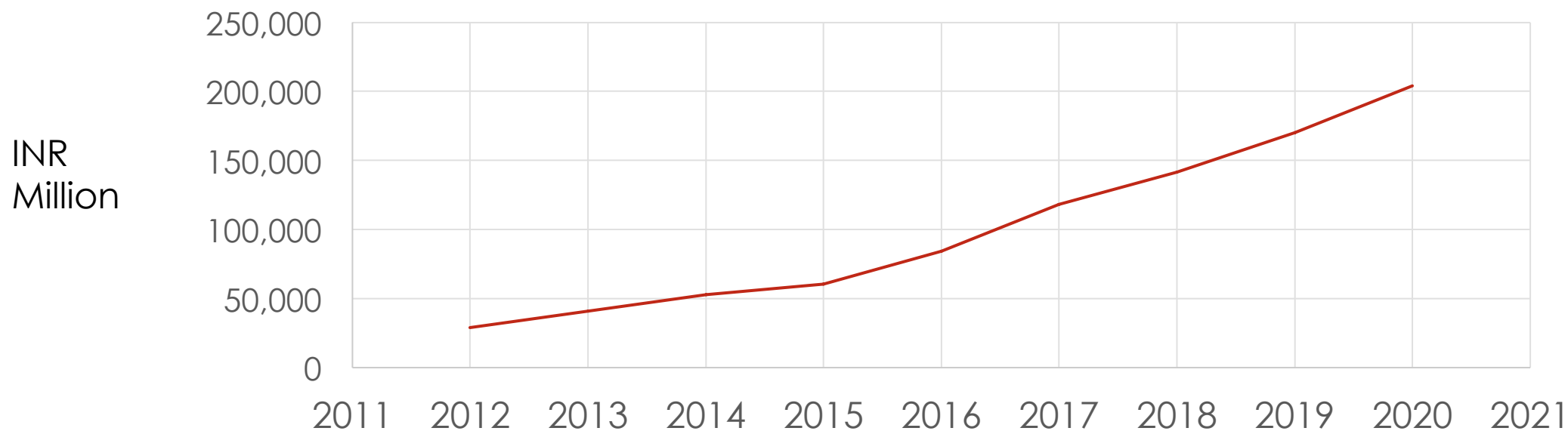
Sustainability

- Is the alternative a sustainable way of doing business?

Four critical factors for success

	Status quo	Consolidate offerings and move towards commercial banking and the urban market	Offer a full service digital platform with focus on education and simplification
Future trends	SEMI	YES	YES
Scalability	SEMI	NO	YES
Alternative thinking	NO	YES	YES
Sustainability	SEMI	SEMI	YES

Rapid revenue expansion targeting 2020



Recommendation

By making Mahindra finance a full service digital banking platform focusing on educating and simplifying the everyday life for the rural customer

Implementation overview

YEAR 1

- Market research
- Recruitment
- Internal training
- Organizational restructure
- Research & development

YEAR 2-3

- Pilot testing
- Nationwide roll-out
- Marketing campaign
- Research & development

YEAR 4-5

- International pilot testing
- Further platform extension
- Monitor and evaluate
- **Top 50 world admired brand**

Strategy seen in a three-step process

Building
the offer

Roll-out
India

International
expansion

Create a digital banking platform to educate and simplify the everyday life

EDUCATION

- Focus on relevance and simplification – Learn through videos, tutorials and guides
- Education within investment, loans, saving plans, mortgages

TRANSACTION SYSTEM

- Introducing the “Swisch” system: Pay through your mobile device – no need for internet
- Community bank: Used by retailers, marketers and consumers → LOCK IN EFFECT

MOBILE BANK SUPPORT

- Mahindra Finance office van
- Cluster segmentation: Local bank man – divided through geographic intensity
- Weekly visit giving advise, offering internet, deposit, other support

Create a digital banking platform to educate and simplify the everyday life

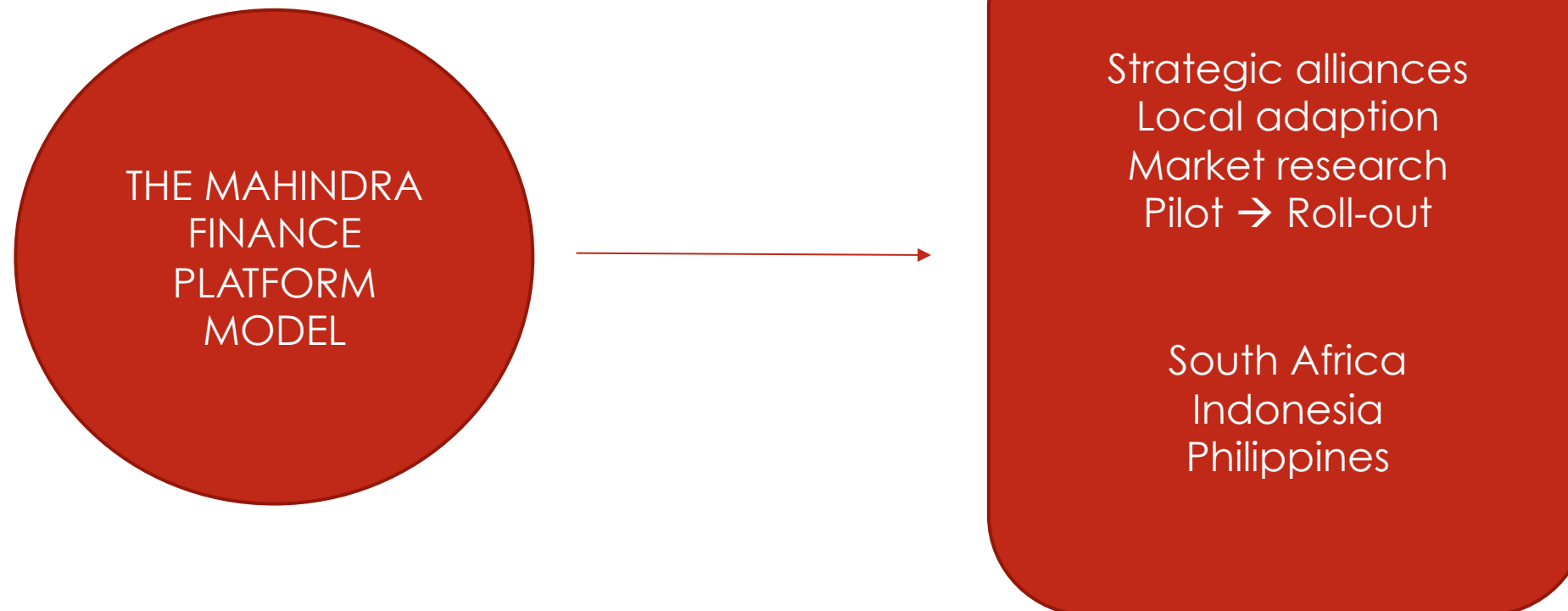
PILOT TESTING

- Choose geographic area where you have a strong presence
- Introduce, monitor, redefine
 - Create a buzz

NATIONWIDE ROLL-OUT

- Marketing campaign
 - The Mahindra Finance tour
- Existing customers and new potential customers
 - Offer saving plans and promotion on fee
- Launch digitally

After conquering India, Mahindra Finance will conquer the world



		2016	2017	2018	2019	2020
Building the offer						
	Market research					
	Internal recruit					
	internal training					
	Platform development					
	Mobile offices					
	Transaction system					
	Introduce to retailers					
	State approvals					
Roll-out India						
	Initial contact with customers					
	Marketing					
	Mobile van-tour					
	Digital launch					
	Continuous roll-out					
International						
	Market research					
	Adaption					
	Regulation approvals					
	Pilot					
	Roll-out					
Other						
	Ongoing R&D					
	Platform development					
	Market research					
	Evaluate and monitor					

To reach future growth

Assumptions

Employees mobile offices

2015

2020

14,200

16,400

Offices

1/3 villages

1/2 villages

New customer online employees

-

1,000

Number of offices 50% in 2020

1,100

550

In total: 3200 new within 2 years

1600

1600

Customers, rapid expansion

3.5 M

17.5 M

Tax 33 %

Medium investments to successful implementation

Investments (INR million)

	High	Low	Medium
Employees	1917	1022	1278
Website	1725	613	1150
Transaction system	383	511	895
App	192	102	128
Customer service system	192	102	128
ID system	153	82	102
Marketing/PR	1725	613	1150
Creating education material	383	204	256
Video/visual material	192	102	128
Total	6863	3353	5214



More than 8 times current net profit in 2020

INR million

Particulars	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues from operations	28,849	40,950	52,753	60,211	84,295	118,014	141,616	169,940	203,927
% revenues		0.419	0.288	0.141	0.400	0.400	0.200	0.200	0.200
Other income	255	79	253	398	402	422	443	465	489
Total Revenues	29,104	4,112	53,006	60,609	84,697	118,436	142,059	170,405	204,416
Employee	3,127	3,793	4,945	5,671	6,310	6,949	7,296	7,661	8,044
Finance costs	11,398	16,706	22,810	26,430	29,073	31,980	35,178	38,696	42,566
Depreciation and amortization	203	237	261	455	501	551	606	666	733
Provisions etc.	1,599	2,881	5,190	8,491	8,916	9,361	9,829	10,321	10,837
Others	3,161	4,291	5,185	5,563	9,499	13,435	14,107	14,812	15,553
Total Expenses	19,491	27,908	38,391	46,610	54,298	62,276	67,017	72,157	77,733
Profits before taxes	9,613	13,526	14,615	13,999	30,399	56,159	75,043	98,248	126,683
Tax	3,168	4,237	4,967	4,750	10,032	18,533	24,764	32,422	41,805
Profits after taxes	6,445	9,289	9,648	9,249	20,367	37,627	50,279	65,826	84,878
Minority	10	19	104	120	144	173	207	249	299
Net Profit	6,434	9,270	9,544	9,129	20,223	37,454	50,071	65,577	84,579



Risks are manageable

RISK

1. Bank regulation making operations difficult
2. New technology reluctance
3. New mobile offices not covering customer demand
4. Revenue not coming as fast as planned

Mitigation

1. Hire the best lawyers and gain knowledge of regulation and laws
2. Further simplify usage of digital services
3. Hire more employees and add more routes
4. Ensure that customer are reached out to

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Whom

- Rural and semi rural markets

Market

- Simplified full-line digital banking

promise

- Easy to use, educational accessible way of handling finances

Proven by

- Track record, rural knowledge, trusted brand

The competitors, no-one doing it all

