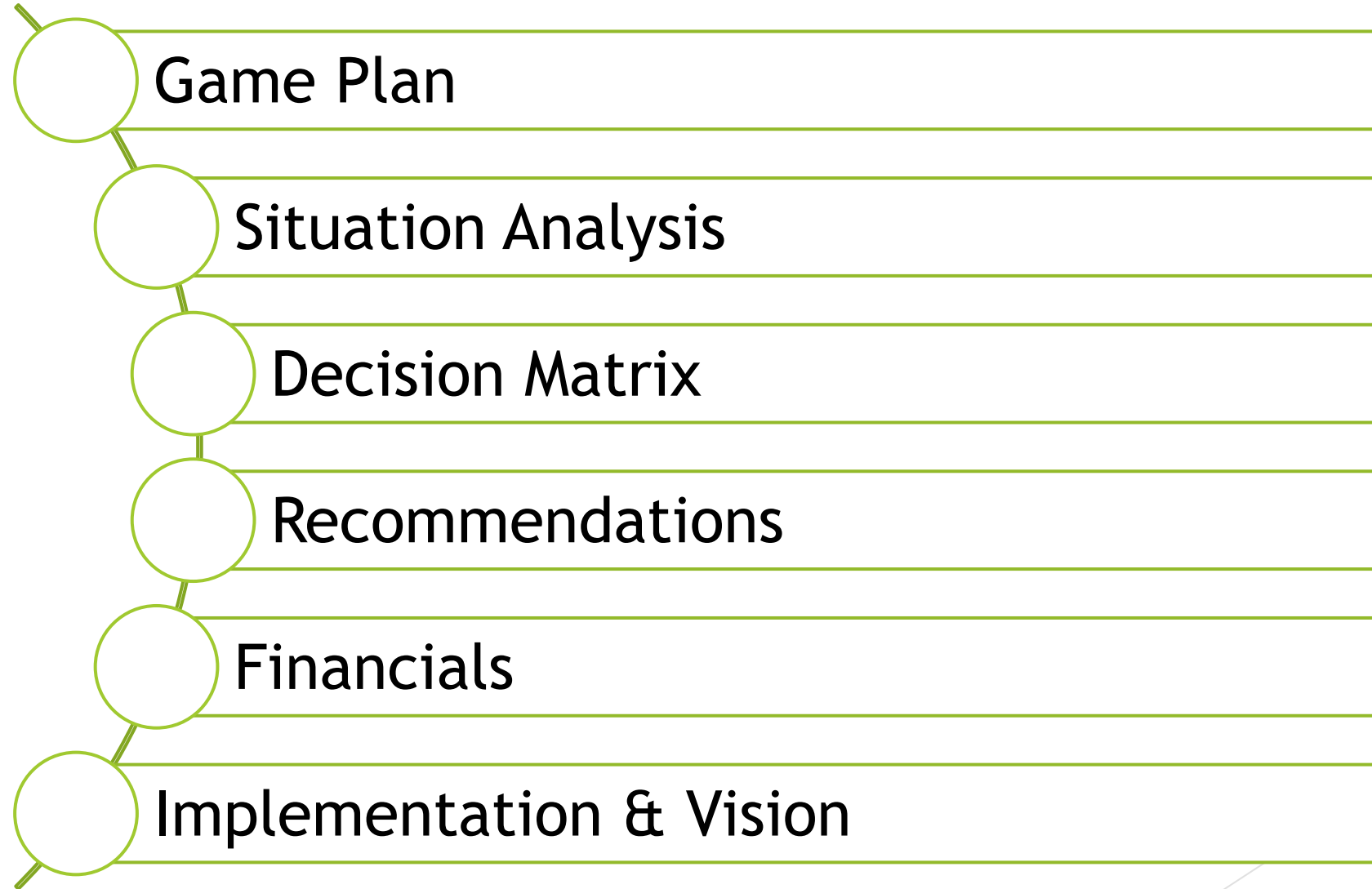


Mahindra Finance

A Root in Rural India

Prepared by NUS Consultants

Agenda

- 
- Game Plan
 - Situation Analysis
 - Decision Matrix
 - Recommendations
 - Financials
 - Implementation & Vision

Game Plan

Where are we now?

- Current revenues of 60 Bil INR and net profit of 9 Bil INR in 2015
- Declining sales growth rate: 29% in 2014 to 14% in 2015
- Current products catered only to rural and semi-urban
- Products catered to limited sectors
- Limited international presence
e.g.: South Africa

Financing the Lives in India

- Rural penetration
- 100 Smart Cities
- Make in India - increase international presence

Where we want to be?

- Revenues more than triple to 210 Bil INR in 2020
- Sustainable growth rate - CAGR of 28.5%
- 140 to 240 thousand villages in 5 years
- Capture the growing opportunities in the 100 smart cities
- Target Indian companies going international
- Tap into new sectors with customized products - education, hospitals, renewable energy

Situation Analysis: Company

Strengths

- Deep roots and understanding in rural, semi-urban areas
- First-mover advantage
- Financial backup by M&M
- Strong digital capability
- Flexible and good products
- Dynamic leadership

Weaknesses

- Only presence in rural and semi-rural areas
- First-time payment bank experience

SWOT

Opportunities

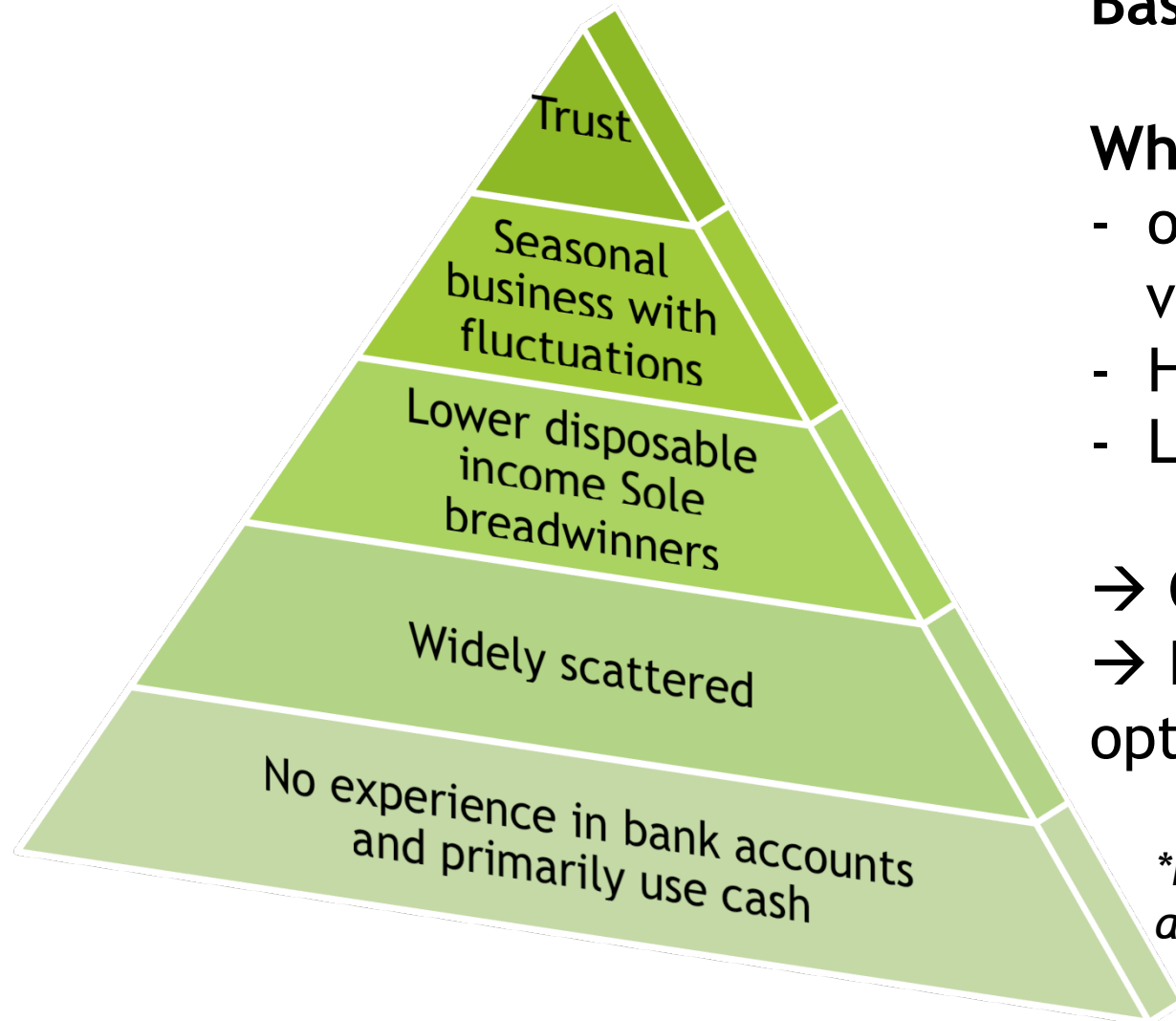
- Opening up of multiple financing markets in India
- Government initiatives in financial inclusion and housing/infrastructure developments
- Digitalization in financial market
- Growing domestic market and sector diversification

Threats

- Growing domestic competition
- Subject to economic cycles
- Heavy reliance on government policy

Situation Analysis: Customers

“How can we enable rural residents both to create and experience more value in their lives” -
Chairman Mahindra Group



Base: 179.5 mn

Who: Rural and semi-urban customers

- owner drivers, farmers who need vehicle financing
- Housing financing
- Life and health insurance

→ Customised products

→ Rapid need for financing & payment options with urbanization taking place

**New to concept of bank accounts - need guidance*

Situation Analysis: Big Environment

Political

New government with path breaking initiatives

Infrastructure: 100 Smart Cities, Rejuvenation 500 cities, Build 6 million housing over next 7 years

Financial Inclusion: Boost public and private banking

Socio-cultural

Rural: 69%
Urban: 31%

Relationship based

Value village ecosystem

Economic

Rapid Urbanisation

Household debt market potential (10% vs 80% SE Asia)

Agriculture: 56% to 14% of GDP (60 yrs)

Technology

“Digital India” campaign

Explosion of bank accounts

Increasing mobile use

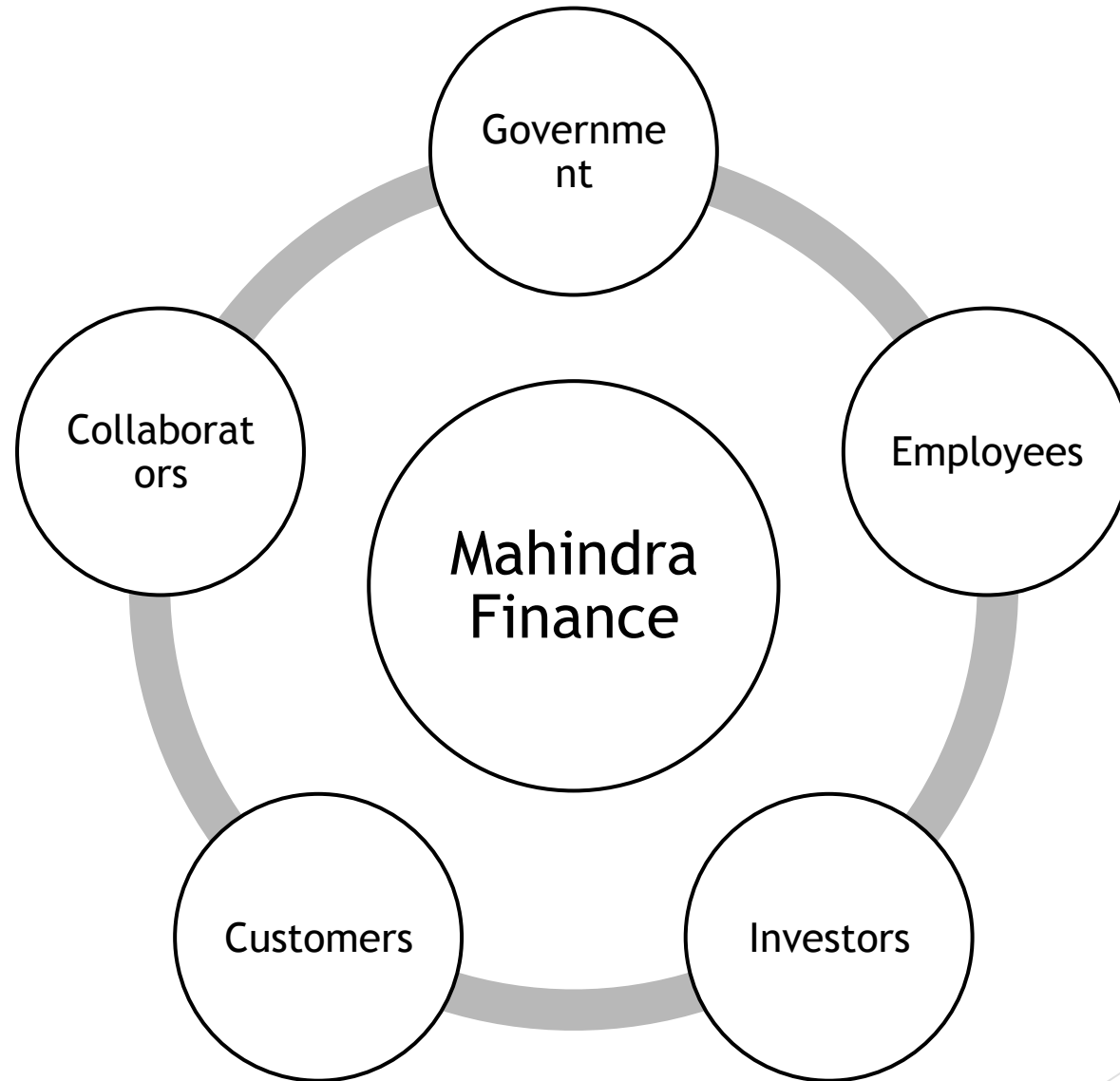
Situation Analysis: Competitors

NBFC	Mahindra	Bajaj	Sundaram	Shriram	Reliance
Market Cap (mn)	144410	273452	168127	252826	107255
# employees	14K	5K	3.5K	16K	18.5K
Remarks:	Net worth increased 4 times and assets multiplied 5.6 times	Net worth increased 4.4 times and assets multiplied 12 times		Backed up by Shriram Group	

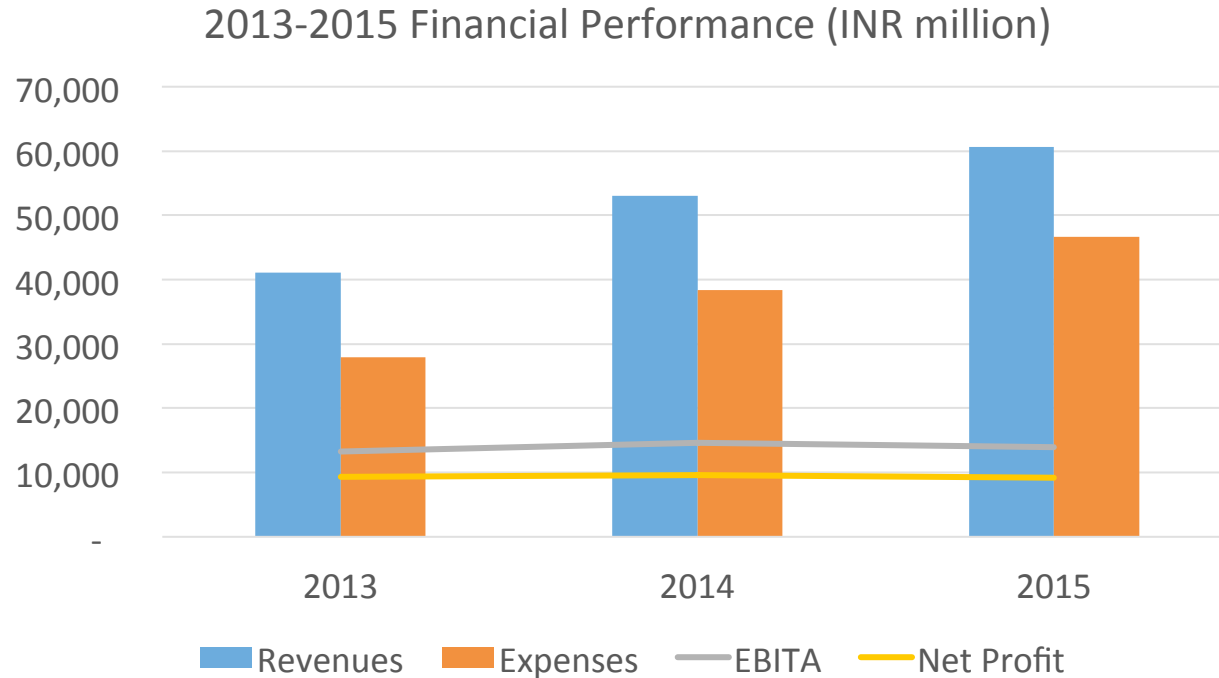
26 public/ 20 private sector banks/ 43 foreign banks/ 56 regional rural banks/ 1598 urban cooperative banks/ 93550 rural cooperative banks

Important ones: YES Bank, HDFC, State Bank of India

Situation Analysis: Stakeholders



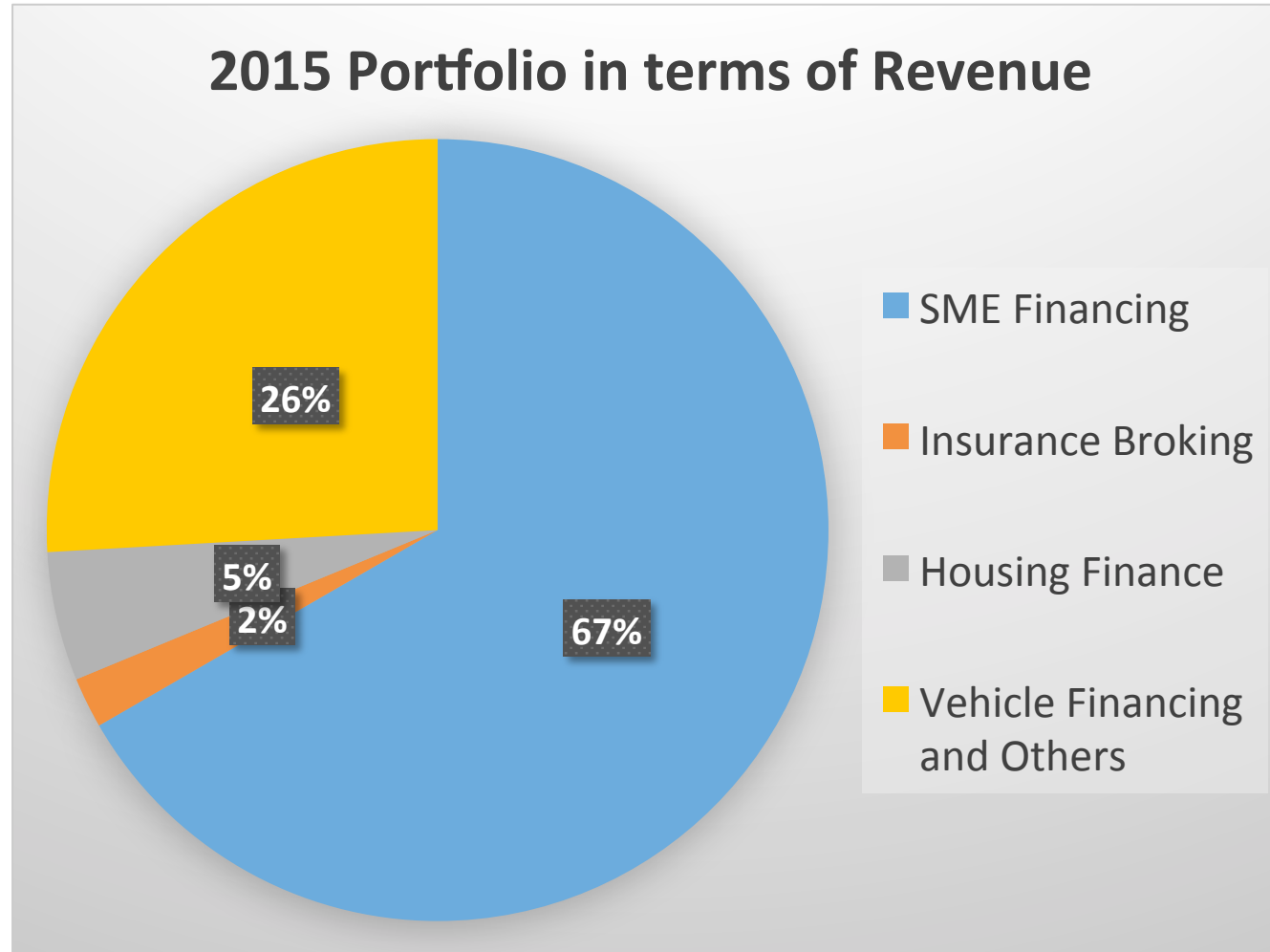
Current Financial Status



INR million	2013	2014	2015
Revenues	41,129	53,006	60,609
YoY%		29%	14%
Expenses	27,908	38,391	46,610
% over Revenues		72%	77%
EBITA	13,221	14,615	13,999
Net Profit	9,270	9,544	9,129
		3%	-4%

- Profit dropped by 6% in 2015
- Revenue growth% dropped from 29% in previous years to 14% in 2015.

Current Product Portfolio



Decision Matrix - Geography

**5 being highest*

	A. Stick to Rural and Semi-rural	B. Rural and Semi- rural + Urban	C. Rural and Semi- rural + Urban + International
Sustainable Growth (market potential)	3	4	5
Brand Growth	2	3	5
Government Support	3	4	4
Cost of implementation	4	4	3
Market risk diversification	2	3	4
Current value proposition	4	3	3
Total score	18	21	24

Decision Matrix - Geography

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Riding the Tide

3-tier geography strategy: Aligning with Indian Economy

Recommendations - 3-tier geography strategy

Rural
Penetration

Urban Entry

International
ization

Sector Diversification
Digitalization

Recommendations - Financing (Sector Diversification)

Agriculture

- Biotechnology and Green House Project financing

Healthcare

- Hospital/ medical equipment financing
- Family schemes

Education

- Schooling and research loans

Renewable energy

- Electrification, Water, Solar, Bio-waste

Tourism

- Eco and Rural Tourism, Indigeneous Products, Urban Development

Prior Focus:
SMEs
Individuals

Recommendations - Rural/semi-urban Penetration

Objective: Extend coverage from 140,000 villages to 240,000 villages

Operations

- Radially extend promotions to neighboring villages
- Develop mobile buses to go around villages
- Introduce mobile wallet to semi-urban customers
- Use Tech Mahindra expertise
- Teach Payment Bank Usage and Track credit history - offer customized products)

Marketing

- Focus on high-margin financing products
- Participate in village fairs and panchayat meetings (key influencers)
- Word-of-mouth
- Success stories and statistics from neighboring villages

Human Resource

- Optimise and reshuffle field staff allocation
- Employ village champions

Recommendations - Urban Entry

Objective: Set foothold in new smart cities and renewed urban cities with focus on digitalized payment banking

Operations

- Introduce mobile wallet to urban customers to gain payment bank foothold
- Target SMEs and entrepreneurs
- Crowd sourcing

Marketing

- Focus on gaining new customers instead of big margins
- Cross-selling on financing and insurance products
- Brand building efforts on payment bank

Human Resource

- Add manpower from 15mn investment
- Heads for new smart cities and renewed urban cities

Recommendations - Internationalisation

Objective: M&M among top 50 globally admired brands - Mahindra playing vital supportive role

Geography

- South Korea
- South Africa
- China
- Nepal
- Bangladesh

- Proximity
- Market similarities
- Existing adventures

Target segments

- Indian companies going international
- Entrepreneurs and startups
- In collaboration with “Make in India” campaign

- Understanding of needs
- Knowhow of operations in these countries

Financial Outlook

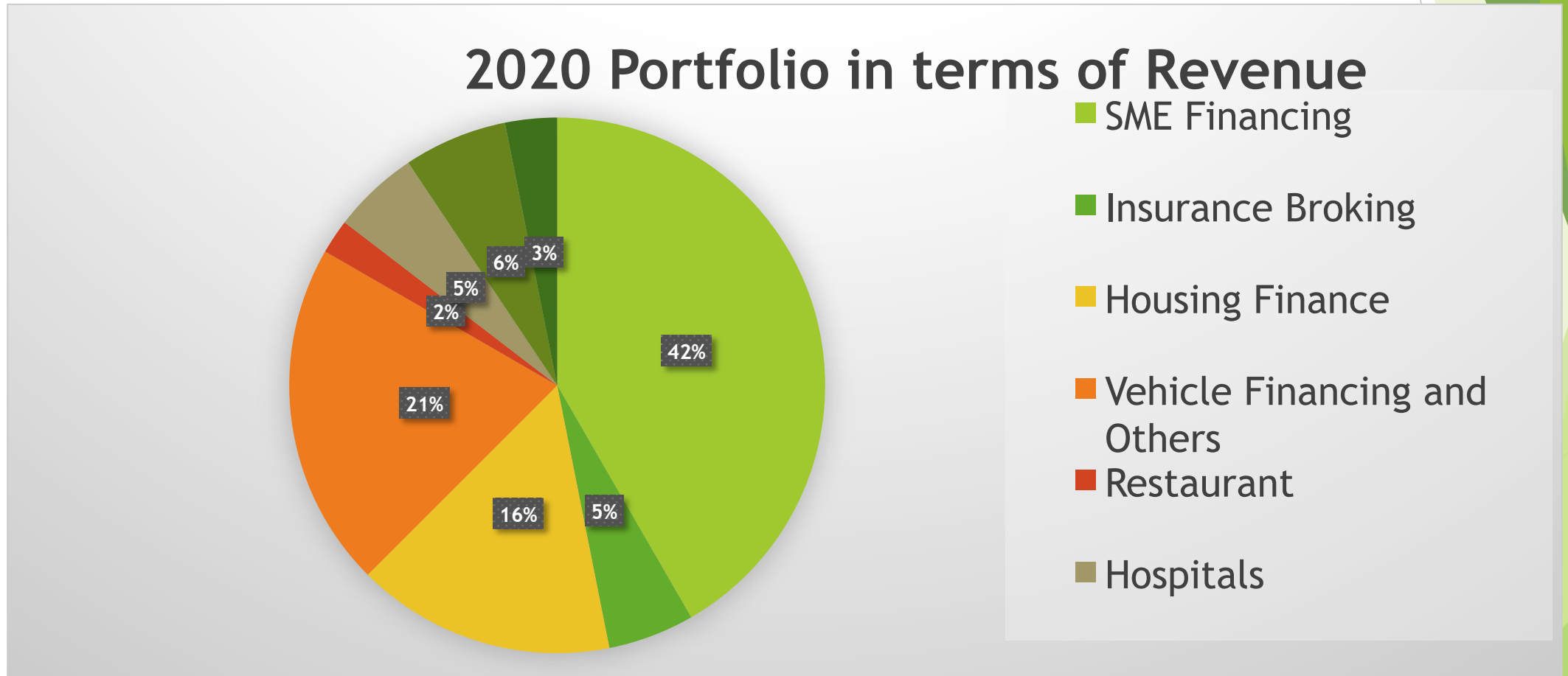
INR million	2013	2014	2015	2016	2017	2018	2019	2020
Revenues	41,129	53,006	60,609	70,000	85,000	111,000	150,000	210,000
YoY%		29%	14%	15%	21%	31%	35%	40%
Expenses	27,908	38,391	46,610	49,000	51,000	66,600	90,000	126,000
% over Revenues		72%	77%	70%	60%	60%	60%	60%
EBITA	13,221	14,615	13,999	21,000	34,000	44,400	60,000	84,000
Net Profit	9,270	9,544	9,129	13,650	22,100	28,860	39,000	54,600
Net Profit Margin%	23%	18%	15%	20%	26%	26%	26%	26%

CAGR of
28.5%

Assumptions:

- Revenue growth from 15% in 2016 to 40% until 2020.
- Expenses over revenue from 72% to 60%

Forecast: Product Portfolio



Assumptions:

- Heavy investments in Smart cities towards housing/insurance
- Tap into new sectors such as restaurants, hospitals, education and renewable electrification

Return on Investment

- ▶ 15 million investment from LeapFrog

	2016	2017	2018	2019	2020	Total
Net Profit	13,650	22,100	28,860	39,000	54,600	158,210
Discount%	10%	10%	10%	10%	10%	
DCF	12,409	18,264	21,683	26,638	33,902	112,896

In million INR.

Assumption: Net profit based on assumed revenues and costs

Risk Mitigation Plan

Risk

- Vehicle Financing
- Political
- Credit Risk
- Competitors - Market share

Mitigation Plan

- Expand your collaborative partners and tap into new sectors
- Act quickly to build customer base; Use big data analytics to identify growth trends and forecast risk
- Build technology and expert teams to evaluate credit histories and ensure best payment schedules
- Be first mover and develop customized products based on individual customer needs

Implementation Plan

Short Term (2016-17)

Long Term (2018-20)

Sector Diversification

Agriculture, Healthcare

Education

Tourism

Renewable Energy

Rural Penetration

40,000 new villages
Mobile camps -
digitalization, panchayat
meetings

60,000 new villages
Re-align human resources
Family schemes

Urban Entry

30 new smart cities
Introduce mobile wallet, target
SMEs and new age entrepreneurs

70 new smart cities
Explore into untapped sectors,
infrastructure projects

Internationalization

Explore opportunities in South
Africa, South Korea
Focus on M&M products for
internal financing

Explore opportunities in Nepal,
Bangladesh
Make in India export promotion