

Empowering Rural families

Mahindra Finance

Porto Business School

Team PBS

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Challenge

Where Mahindra Finance
should go next ?

We identify the following key issues

1 India is a very competitive market

The market has fierce competition

2 Rural India has a lack of education

Rural habitants have education deficit, special products and strategies required

3 Payments in rural India depend strongly on successful crops

If the farmers don't have success in their crops may compromise the payments

Agenda



Analysis

Who are you?

Mahindra Corporation

Multinational Company

Divided in Several Businesses

Vehicles Manufactures

Mahindra Finance

Already n.3 in the Market cap of

Group companies with Rev of
2.37 B USD

Divided in Several Businesses

Vehicles Manufactures

Based on Rural

Offer Finance for Rural

Population

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Starting in 1991, M. Finance has been growing non stop
capitalizing on the Know how

What do you stand for?

Mahindra Finance

Goal of providing products and Services that support prosperity

Thrive to be on the top 50 most admired global brands

First mover to understand the rural financial needs of India

Business is shaped to cropped base investments

Offer:

Finance for Rural India

Started as a non banking finance company

Diversified to insurance and Housing finance

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Growing GDP in India – First mover advantage

How does your business work?

Strong
Identification
with rural India

Strong brand
connection and
brand power

Deep
knowledge of
the Market

Connection
with Rural
population

Connection
with Rural
population

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Risks & Plan

How does your business work?

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The close knowledge of the Crop financials was key to
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Who is your Target Consumer?

Gender

Mostly Male

Age

From 20 to 50 years old

Type

Rural Farmer that requires Financing services

Education

Low

Your Consumer has led to Great Revenues, Can you export the target customer?

Let's take a look into the broader Market

Economy

Seasonal income
Cashed base economy
Low capital income

Political

Government incentives on housing

Social

Growth in population
Low educational level
India will be the most populated
country in the world by 2020

Technology

Average Indian age is 30

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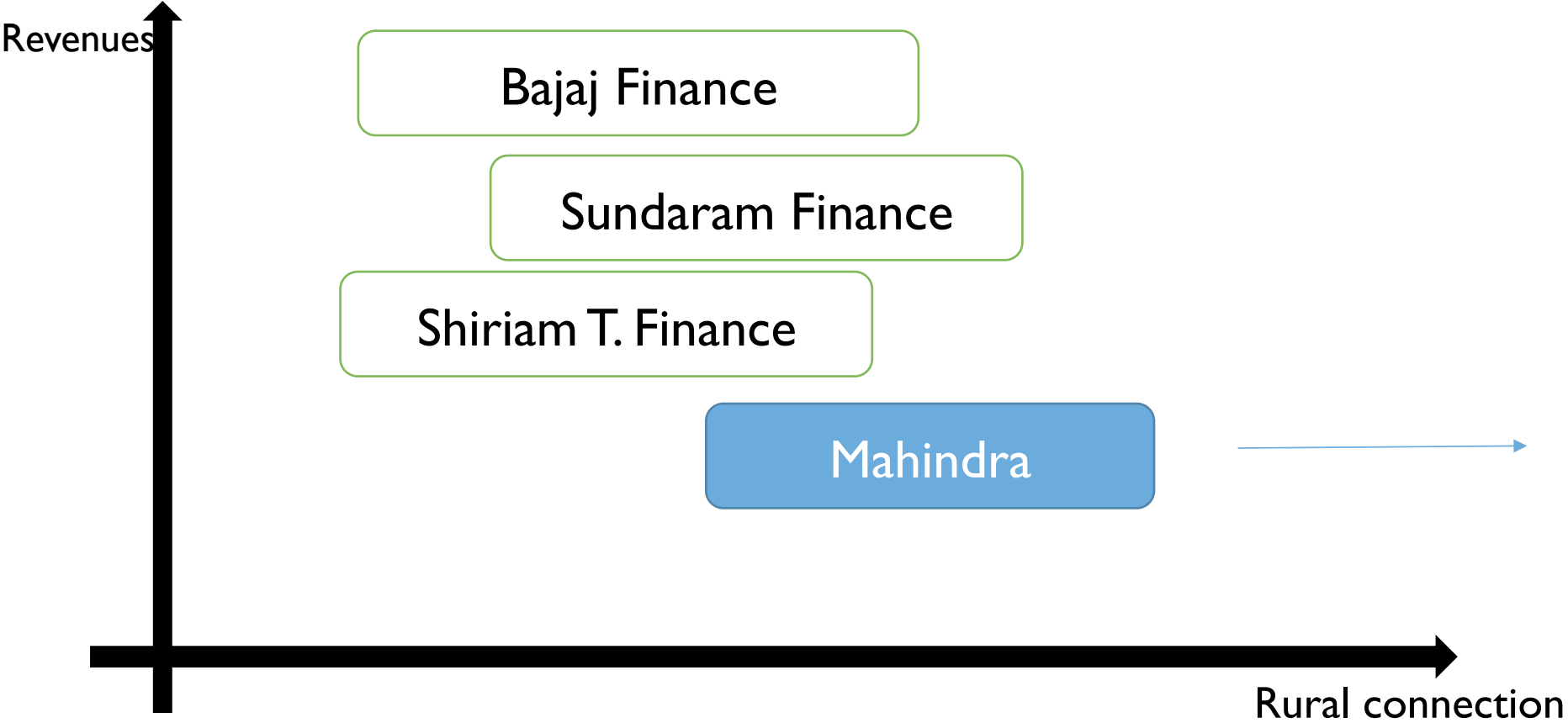
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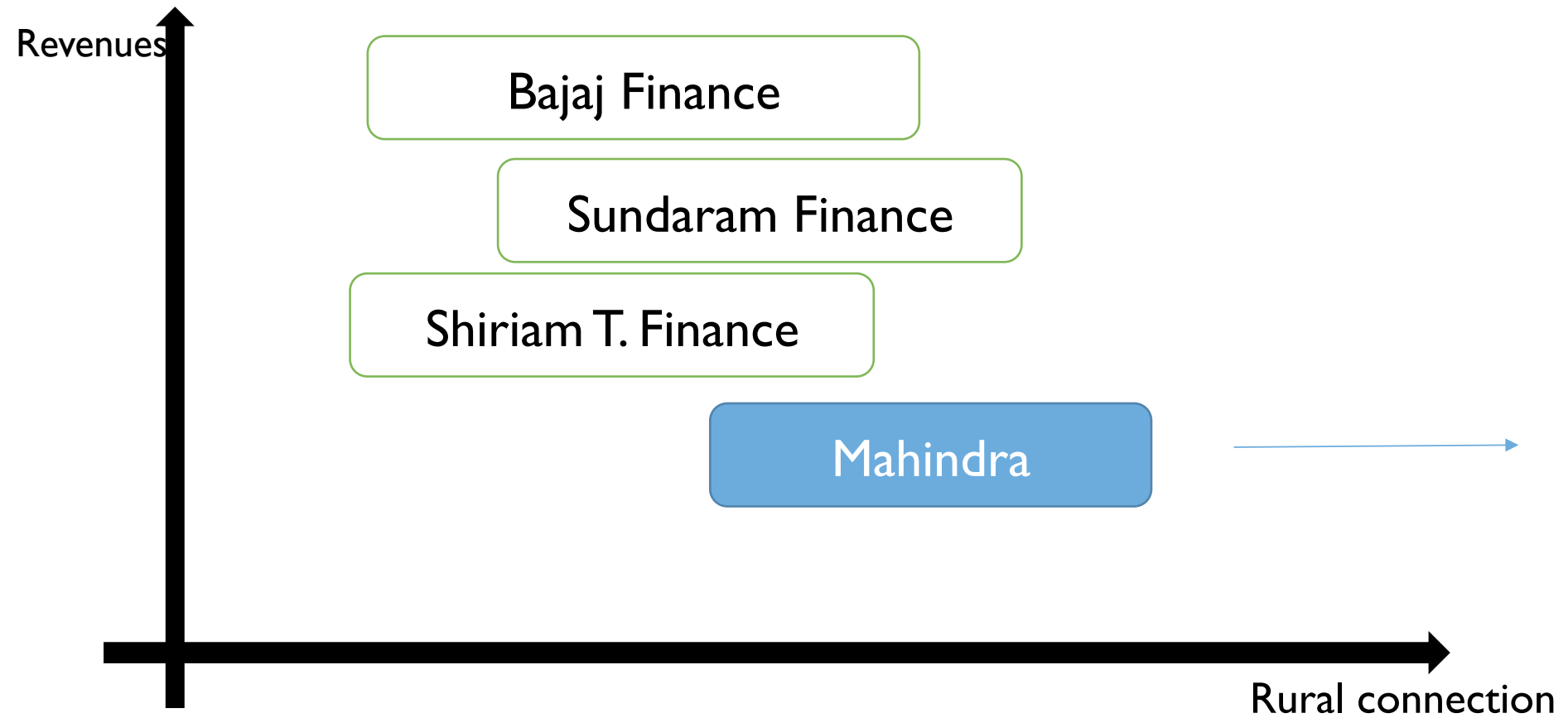
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Your Consumer has led to Great Revenues, Can you
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Let's analyze your competition



Let's analyze your competition



The way forward for Financing must be focused on Rural expansion with 830 M. people, and will continue Rising

Looking Further into the industry

Rivalry

Very high – Fierce competition

Customer power

High – Low income / low education

Looking Further into the industry

Rivalry

Very high – Fierce competition

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Must address the low income population bearing in mind strong competition

What des the future look like?

Growing population

Africa is also forecasting Growth in Population and income

Technology needs are increasing even in the rural areas

Rural China will also experience growth

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Growing population

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The internationalization process must be focused on your know how in rural population

Summing Up

S

Rural Market Know How

W

Non performing assets value

O

250 K villages in India ; Growth in Africa and China

T

Competitors
Villages are very spread

Recommendations

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Rural Market Alternatives

Considered Markets	Growth Potential	Similarities	Risk	RESULT
South Korea	+	-	+	1
South Africa	++	+++	+	6
China	+++	+++	-	5
Mozambique	++	+++	-	4
Japan	---	-	++	-2
USA	---	---	+	-5
Europe	---	---	+	-5

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Growth in Similar Markets

Rural Market Alternatives



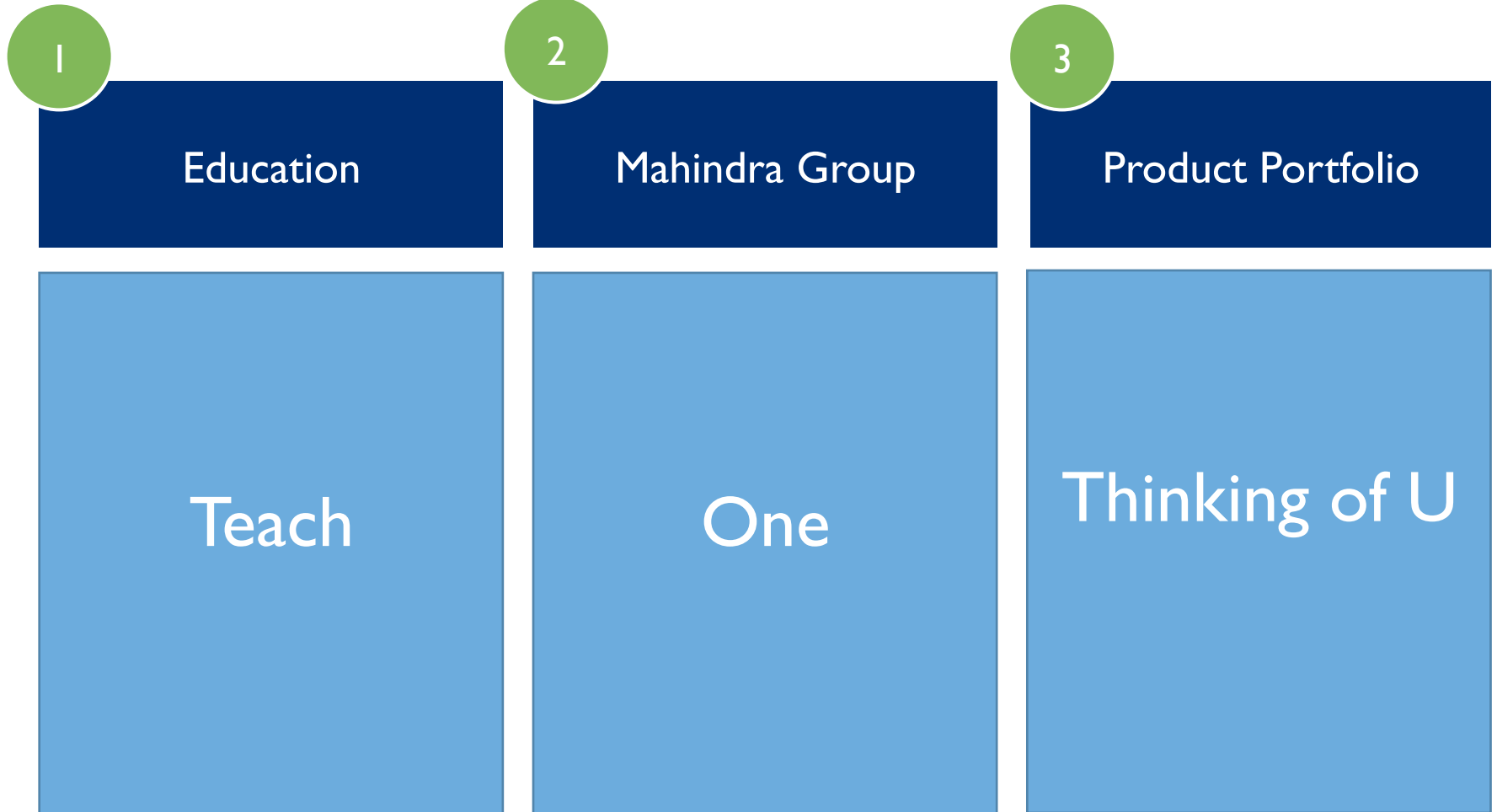
250k commercially viable villages – 320mi of potential customers



Rural China
South Africa
Mozambique

Huge market to growth

The pillars for growth



Challenge

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Financials

Risks & Plan

Teach

Education

Mahindra Group

Product Portfolio



WHAT

Educate existing and new customers

Teach

Education

Mahindra Group

Product Portfolio



WHAT

Educate existing and new customers

HOW

Financial Field Staff Advisor regular visits
Group meetings in each Village (seminar)
Agriculture Field Staff Advisor

Teach

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WHAT

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Customer better prepared – Less Risk for Mahindra

One

Education

Mahindra Group

Product Portfolio



WHAT

All in the same “Tractor”

One

Education

Mahindra Group

Product Portfolio



WHAT

All in the same “Tractor”

HOW

Implement a policy of collective rewards
Synergetic Approach between Mahindra Units
Conference and Outdoor events between Mahindra Units

One

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Capitalize on Mahindra Group dimension and businesses

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WHAT

Mahindra Group, One customer

One

Education

Mahindra Group

Product Portfolio



WHAT

Mahindra Group, One customer

HOW

Central CRM
Mahindra Customer Card

One

Education

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WHAT

Mahindra Group, One customer

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Transversal Better Knowledge – Efficient Offer

Challenge

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Thinking of U

Education

Mahindra Group

Product Portfolio



WHAT

Increase Product offer

Thinking of U

Education

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Product Portfolio



WHAT

Increase Product offer

HOW

Mahindra Farm equipment to develop extra equipment for Tractors (earth moving equipment and trailers)
Special line of credit for Mahindra 2 wheelers acquisition

Challenge

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WHAT

Increase Product offer

HOW

Mahindra Farm equipment to develop extra equipment for Tractors (earth moving equipment and trailers)
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Be less dependent on Crop fluctuations

Thinking of U

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WHAT

Reduce Crop Risk Implication

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WHAT

Reduce Crop Risk Implication

HOW

Launch a new Insurance for Crop problems through MIBL (Mahindra Insurance Company)

Create a new financial application “saving account” for successful crop years

Thinking of U

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Better prepared for tomorrow

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WHAT

Increase Customer Convenience

Thinking of U

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WHAT

Increase Customer Convenience

HOW

Implement Micropayments via SMS

Establish partnership with Indian utilities and GSM operators for payments via SMS – offer a price reduction to end customer

Home Banking APP & Bank Kiosk in villages – “Home Banking” platform with eye and finger print recognition and voice command controls (R&D to Mahindra IT)

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Customer Payments through Mahindra Finance

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WHAT

Foster Growth in existing and new villages operation

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WHAT

Foster Growth in existing and new villages operation

HOW

Customer bring Customer - loan interest rate promotion
Special conditions for first 20 customers' loan per village
Direct contact to schedule personal visits in accordance
with group CRM information

Challenge

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Your customer your seller

Challenge

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WHAT

Capitalize on “Housing for All 2022” initiative

Thinking of U

Education

Mahindra Group

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WHAT

Capitalize on “Housing for All 2022” initiative

HOW

Launch a new credit line to incentive house acquisition under this initiative in rural areas

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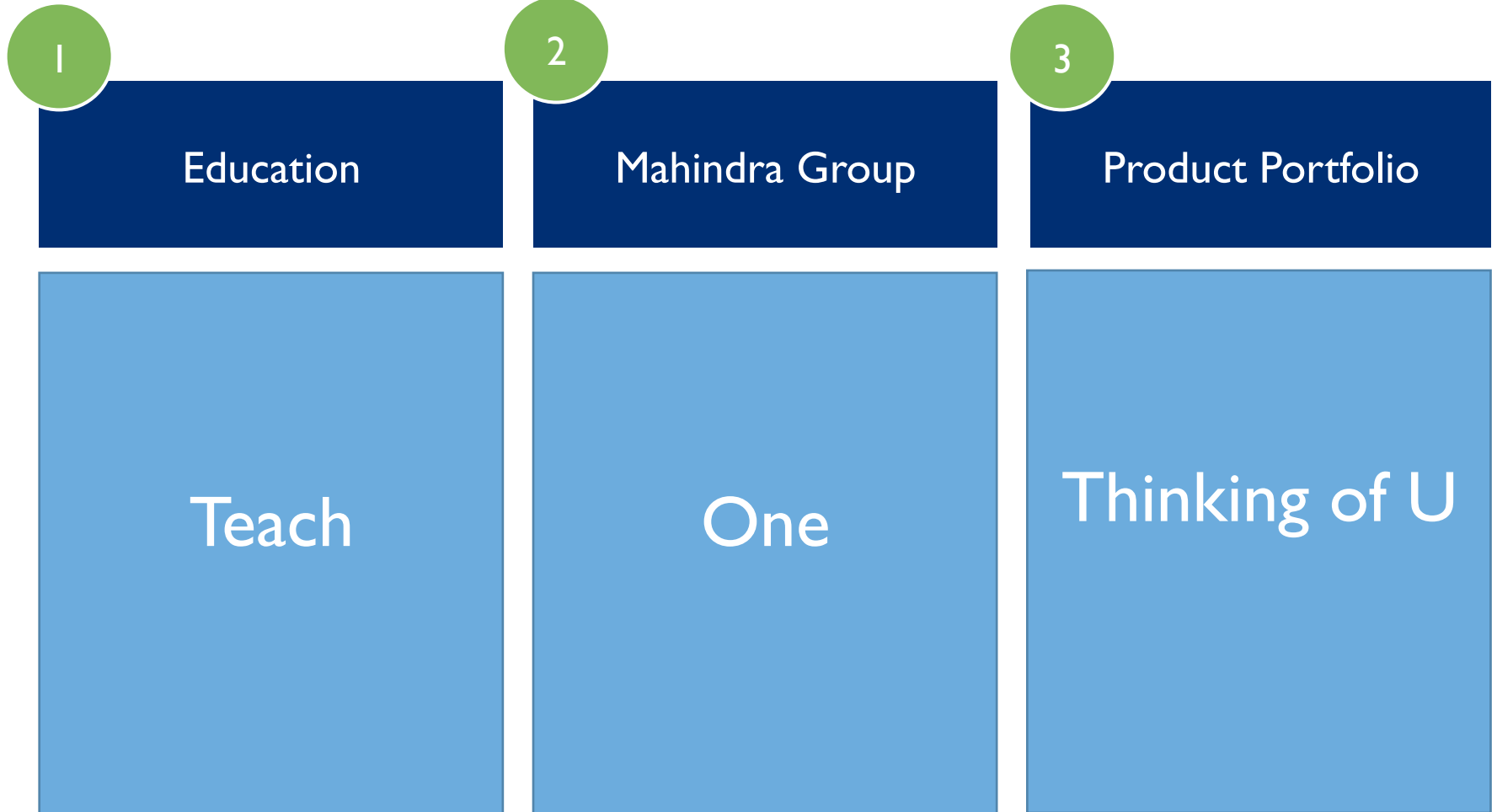
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The pillars for growth



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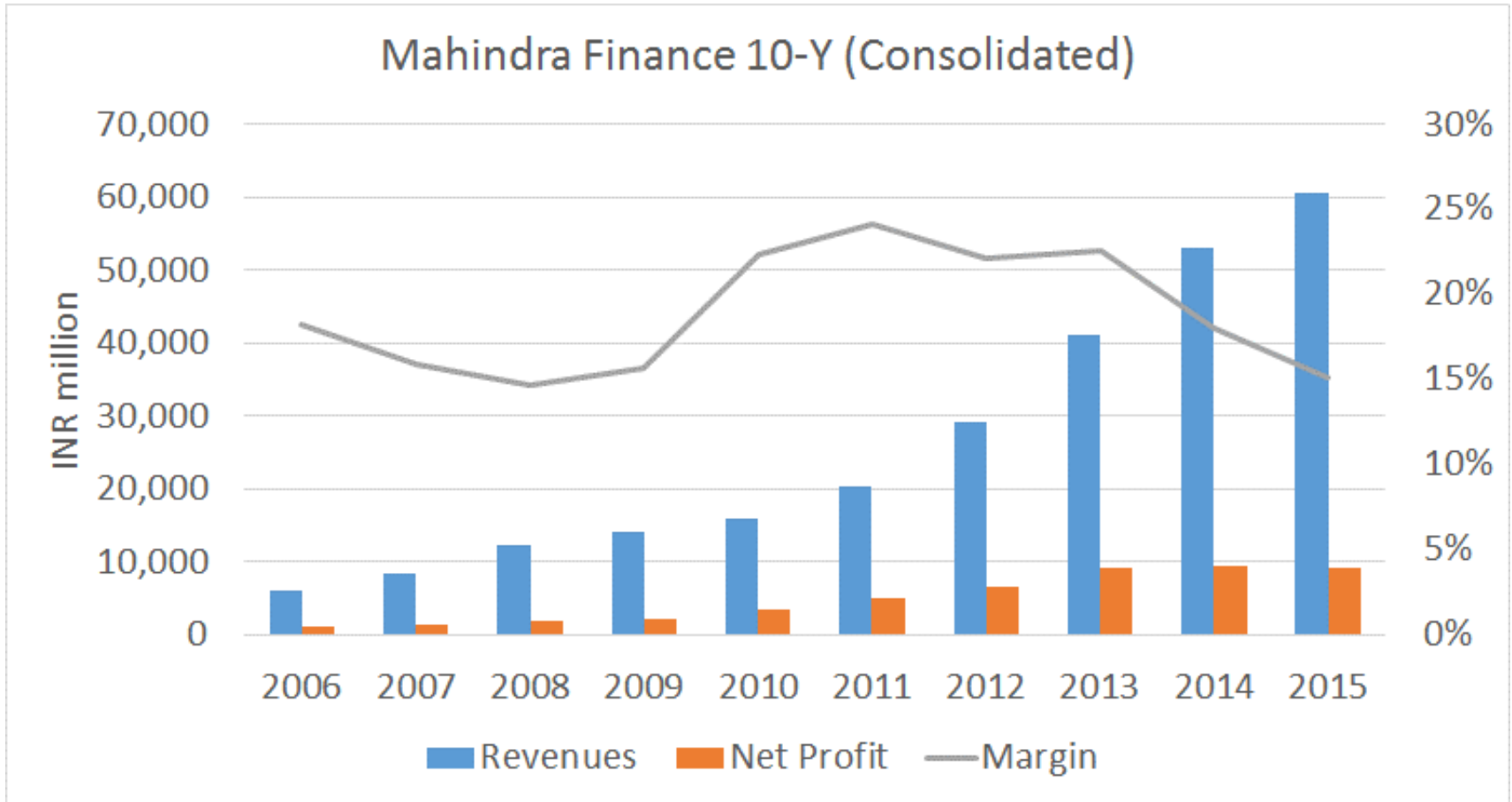
Recommendations

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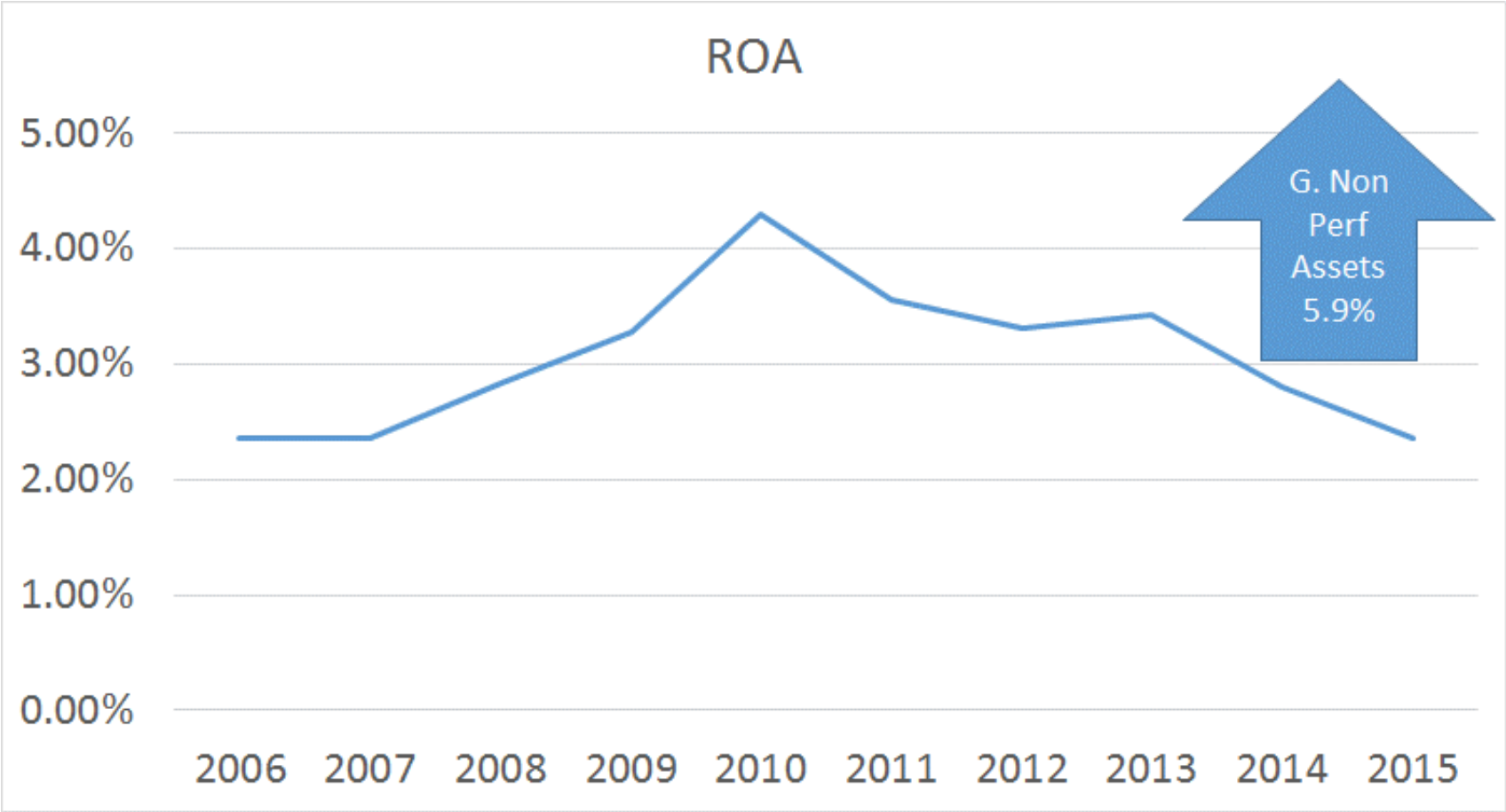
Risks & Plan

Financial Impact

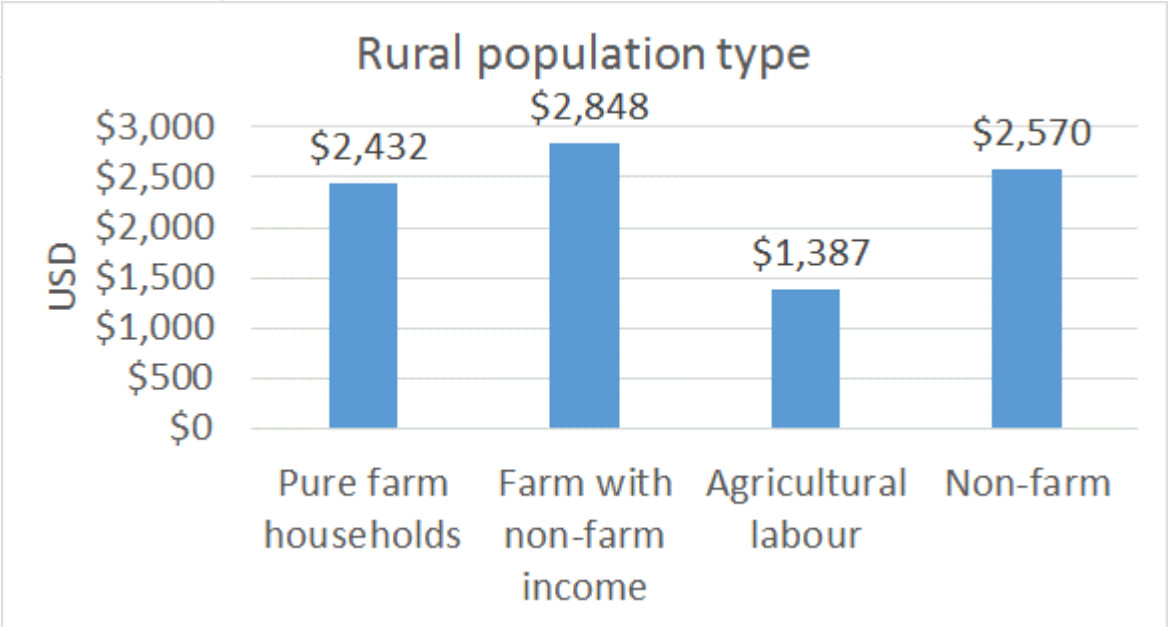
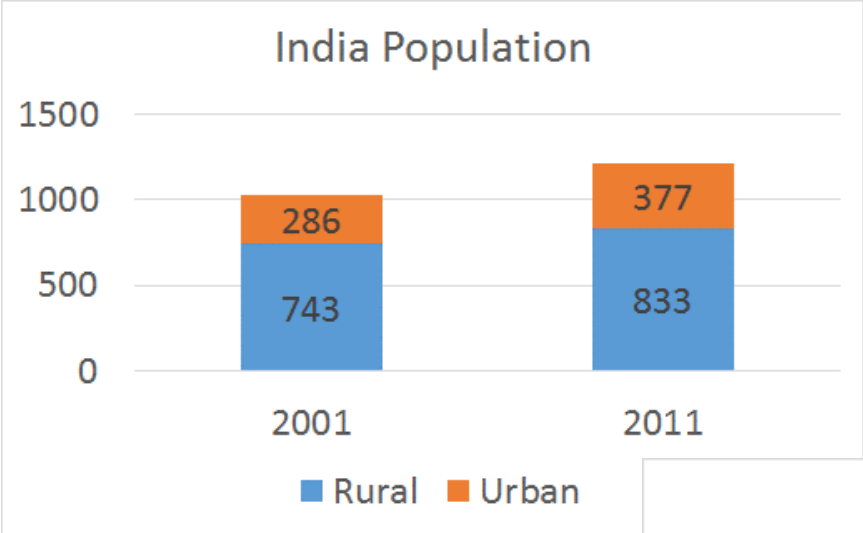
Financial Situation



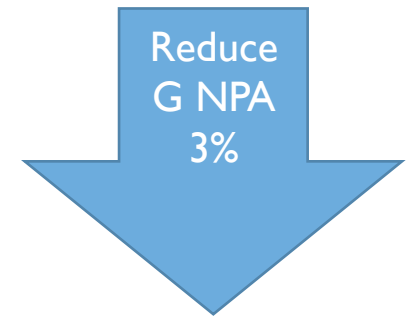
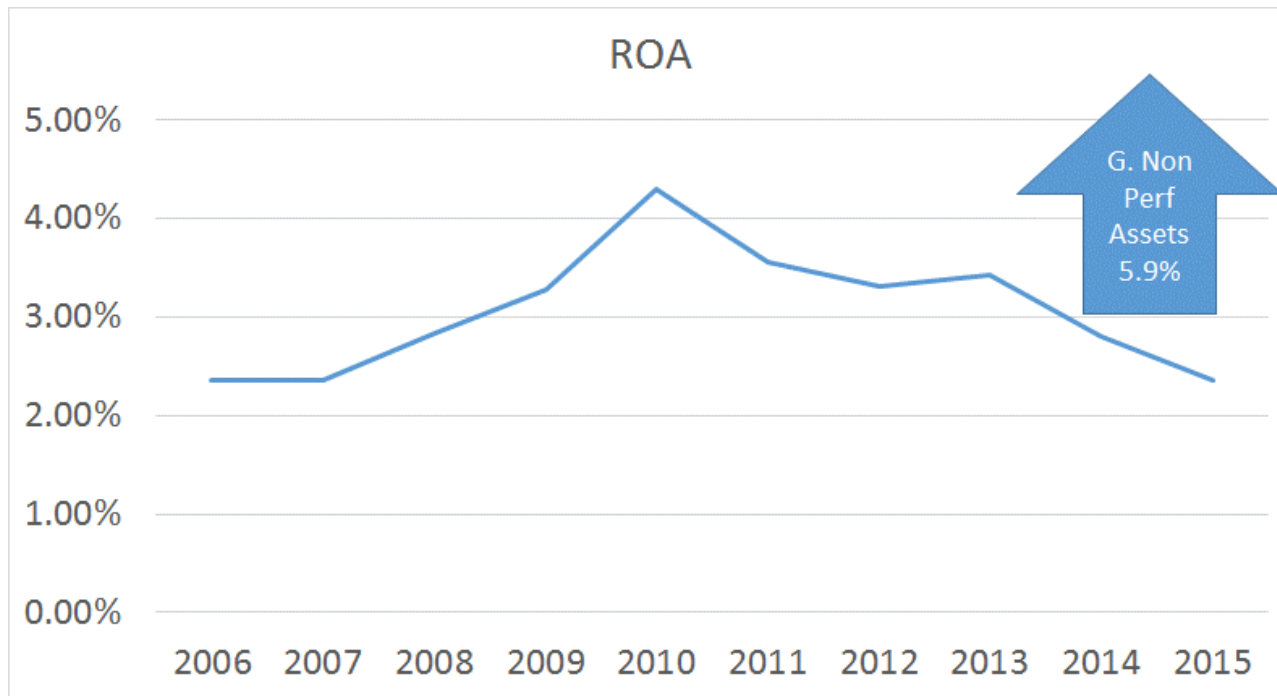
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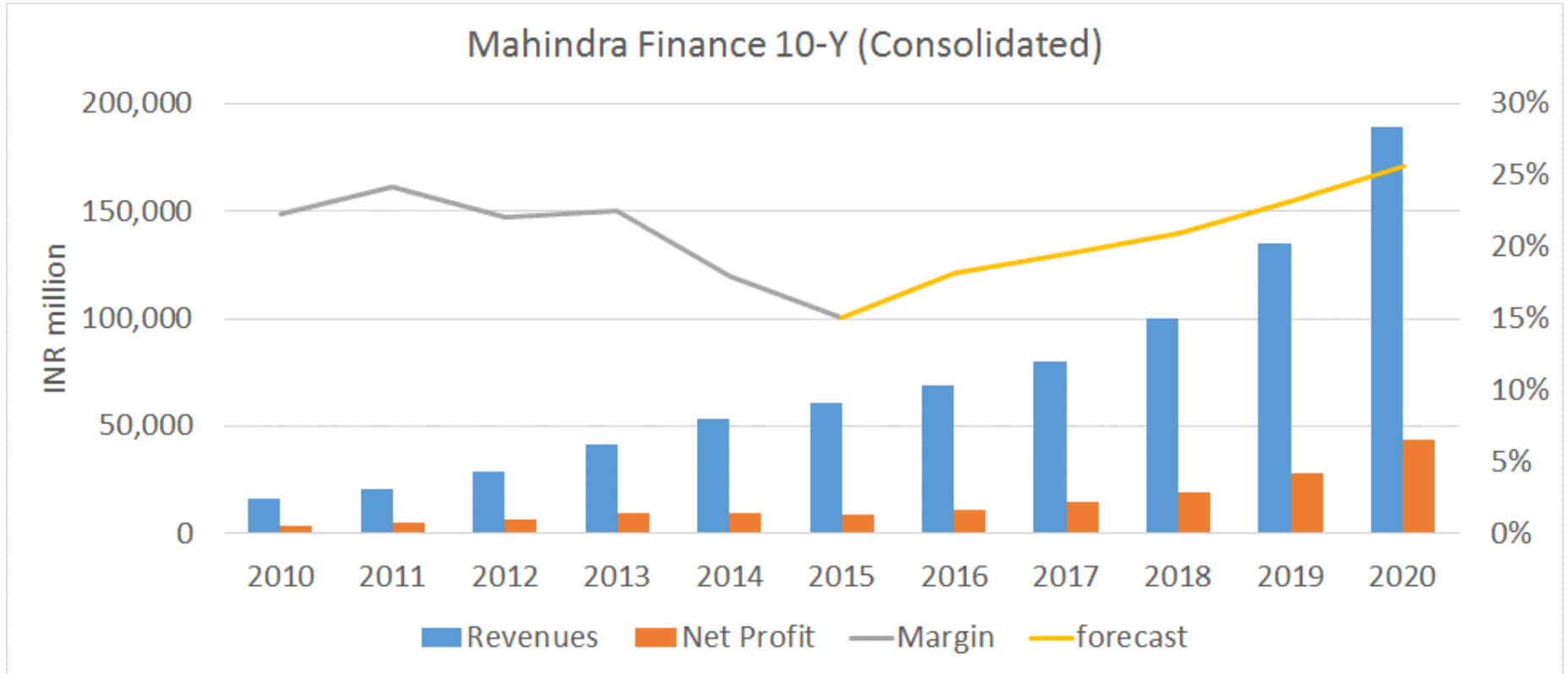
Population Income – the rurals



Return on Assets... the new focus



Investment



Assumptions

ASSUMPTIONS		
Equity	50%	14%
Loan	50%	2.50%
Corporate Tax	30%	
WACC	7.88%	

Assumptions

INR million						
% Rev	2016	2017				
Investments	3.9	3.9				

INR million	2016	2017	2018	2019	2020	2021
OPEX	2.925	2.925	1.575	1.575	1.575	1.575

INR million	2016	2017	2018	2019	2020	2021
Incremental sales		8.1	11.1	20	35.1	54.1
EBITDA	-6.825	5.175	9.525	18.43	33.53	52.53

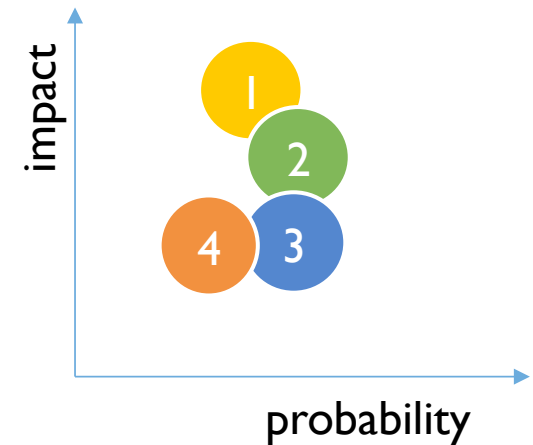
NPV

FCF	-6.825	2.745	6.195	12.43	23	36.3
NPV	48.915					
Payback	3,1					

Risks

We identified the following risks

	Risks	Mitigation
1	Seasonal Income	Insurance Saving Accounts in successful years
2	Enter in Mozambique – political tension	Keep investing the country – this will ensure that political forces are aligned with mutual success
3	Enter in Rural China – Different Culture	Have a local partner - Joint Venture
4	Enter in Rural China – similar crop problem (India)	Apply the Indian strategy to reduce risk – insurance and saving accounts



Implementation Plan

Implementation Plan – Gant Chart

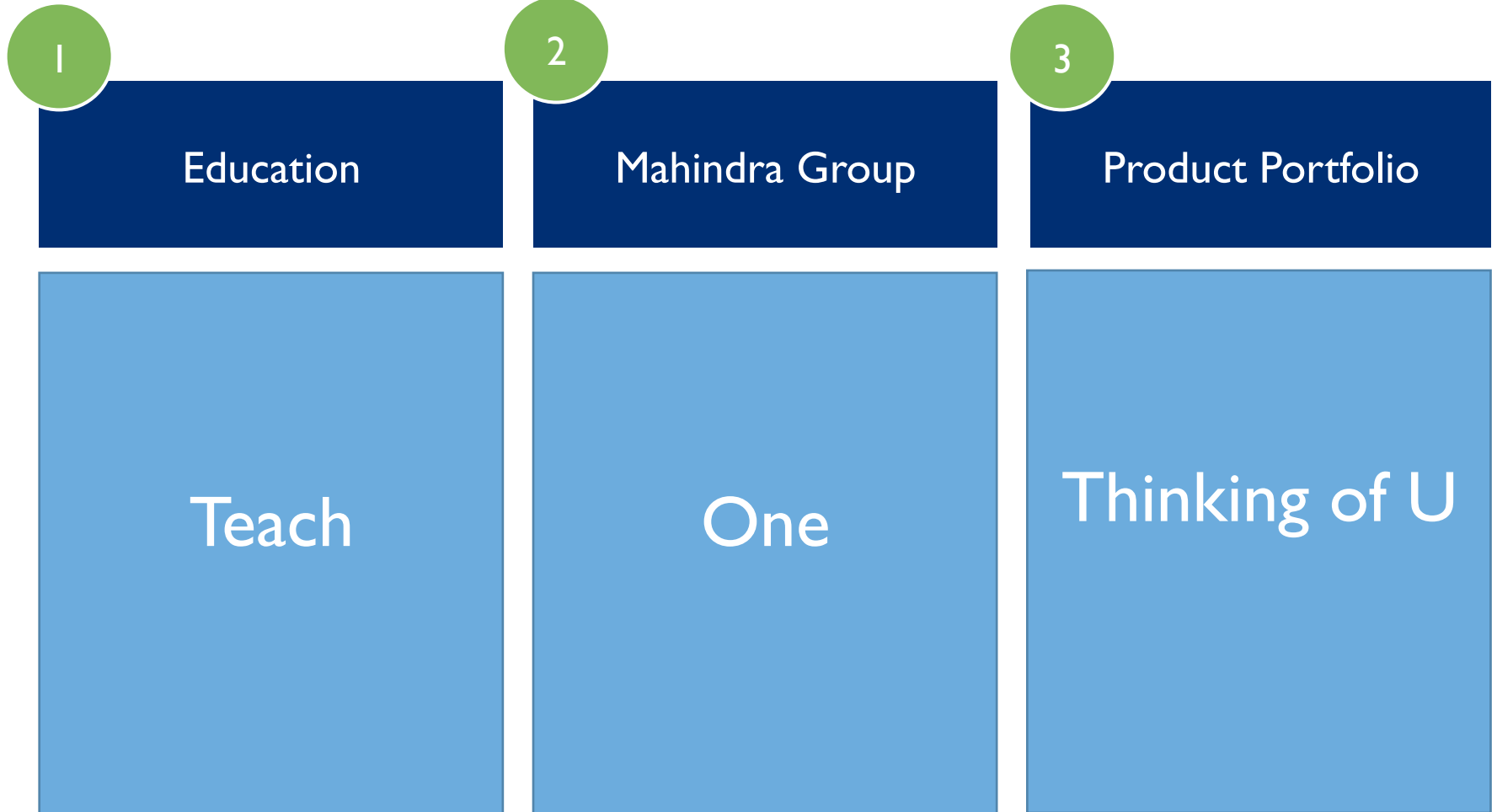
	Evaluation Points				Implementation															
	2016				2017				2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Teach																				
seminars																				
training staff																				
group meetings																				
Financial advisors																				
Agriculture Field Staff Advisor																				
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