

MAHINDRA FIRST CHOICE

FIA CONSULTING TEAM

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SUMMARY

Key Issue

Recommendation

Analysis

Alternatives

Strategy

Implementation plan

Financial feasibility

Risks and mitigation

Final considerations

KEY ISSUE

What is the best business model to achieve fast and profitable growth

CURRENT SITUATION

MFCS

Car service shops for all brands

100% Mahindra Capital

280 workshops – Owned and franchises

Online service: Car Workz

Revenues: US\$12 mi 16/17

Small to negative profit

MFCW

Sales of multi-brand pre-owned vehicles

46,76% Mahindra capital

53,24% Private Equity

1 290 outlets

Online retail platform: eDiig

Revenues: US\$14,7 mi 16/17

Small positive profit

CHALLENGES

MFCS

12 to 18 months: sell a stake to raise 40 to 50 million to support expansions plans and technology-enabled services

Goal:

Reach 500-600 stores

Top 3 car service provider in 2018

MFCW

12 to 18 months: raise fund for brand building and digital technology

Goal:

Reach 2000 outlets

Achieve a lean cost structure

RECOMMENDATION

Merge both business into
Mahindra First Choice, and scale it through
franchise model only

COMPETITIVE LANDSCAPE

MFCS

Small shops

Bosch Car Service

MyTVS

Carnation Auto

Autozone by Reliance

Carz

MFCW

C2C

Informal networks

Online car aggregators

B2C

Independent players

OEMs

Multi Brand players

B2B

Auctions

EXTERNAL ENVIRONMENT - SERVICES

OPPORTUNITIES

2/3 of customers after warranty period

Click business market potential

INR 330 billion market in 2020

INR 2500 billion market in 2020

THREATS

Procurement and timely distribution of spares

Increasing share from organized service chains

Skilled manpower

Human capital attraction

FDI restrictions expected to be eased

INTERNAL ENVIRONMENT

STRENGTHS

Spare Parts
Cluster
Warehouse

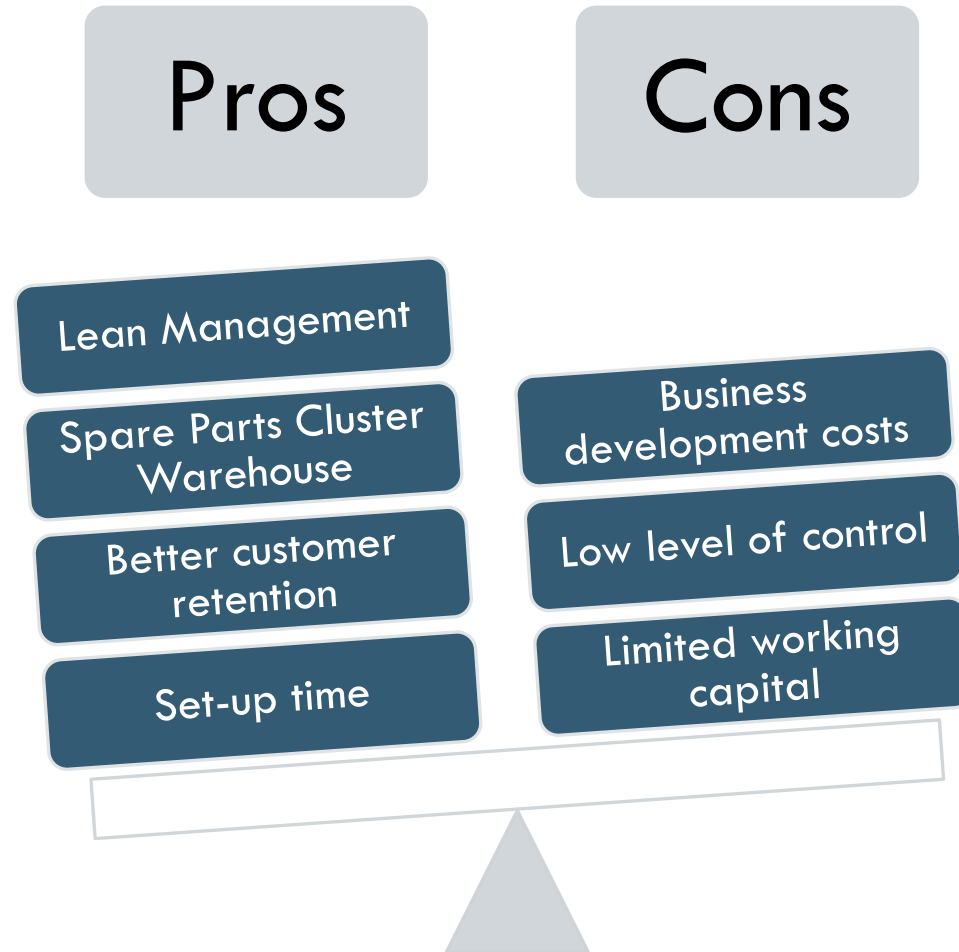
Yellow Spanner
Training
Academy

WEAKNESSES

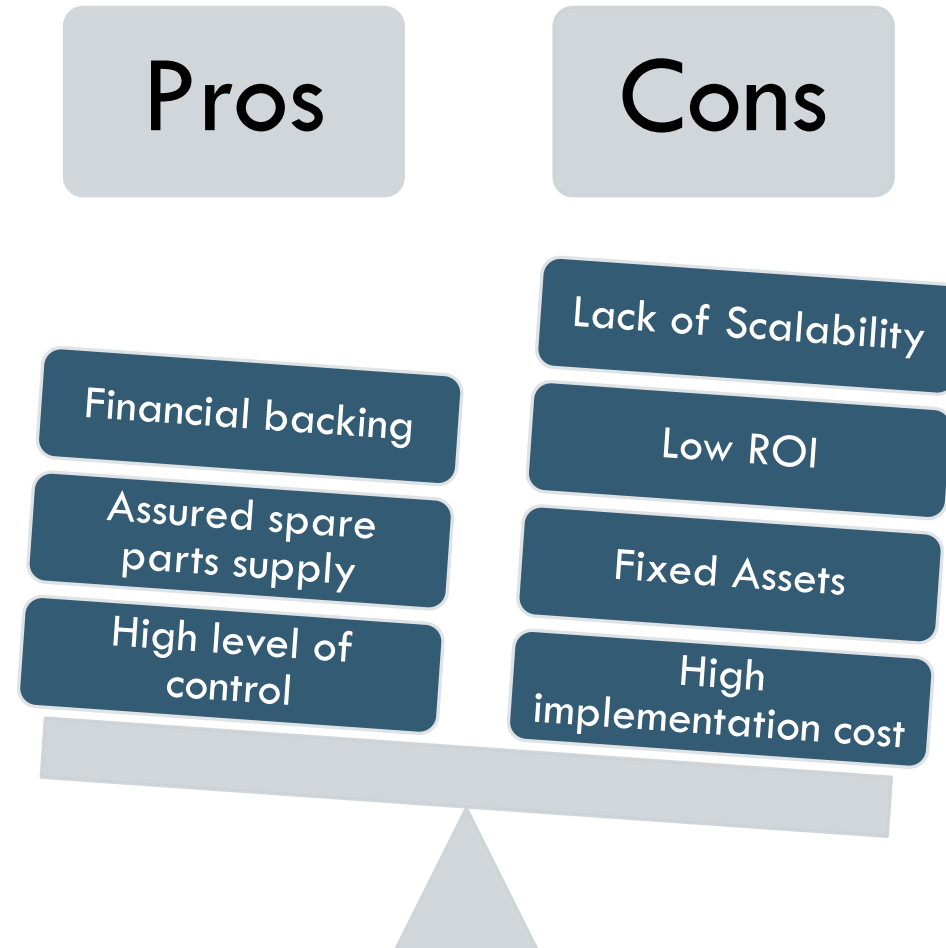
Expensive Cost
Structure from
MFCW
(8 – 10% margin)

Low franchise
expertise in
MFCS

FRANCHISE MODEL



OWNED STORES MODEL



STRATEGY

MFCW + MFCS = Mahindra First Choice

MFCW to purchase MFCS

Franchise based only

Target:

- Master franchisees
- Scale both businesses

Use expertise and synergies

- Franchise experience
- Private equity ownership
- Unite car sales and services under one brand
- Integrate systems and business intelligence

STRATEGY

How to position the business?

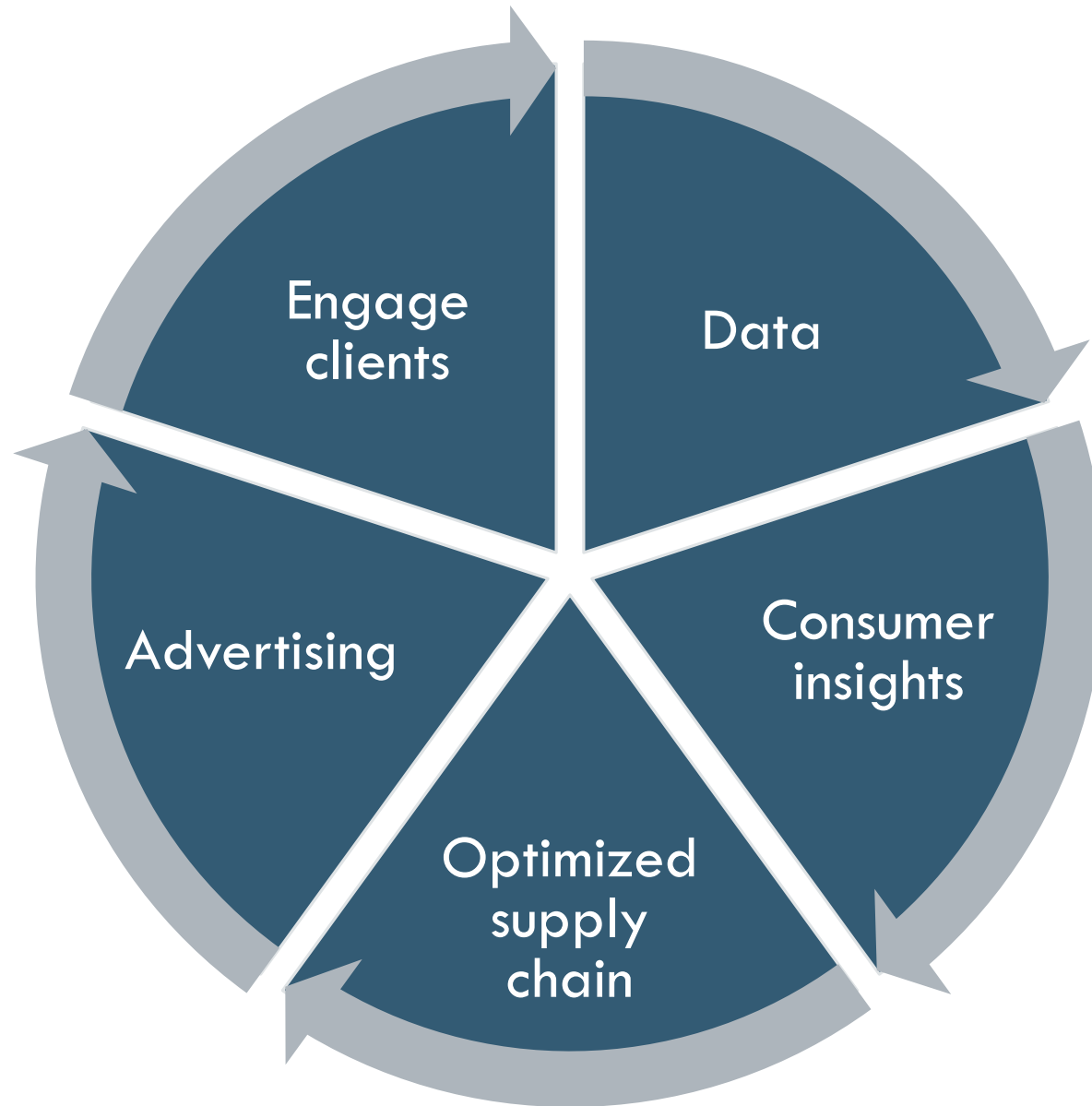
Reliable
brand

Strong
customer
service

Convenience
for the
customer

Data driven

STRATEGY



MARKETING EFFORTS

- Create brand awareness
- CRM promotions and segmentation
- Advertising
 - Trade marketing
 - Out of home
 - Programmatic media
- Activation actions
- Publicize E-commerce and app
- Prospecting and market development with franchisee

KPI'S OF SUCCESS

FRANCHISE

Traffic – 200 cars per month

Operating income

Average Transaction Size (ATS)

MFC - Service

of new franchisees

Customer satisfaction

Inventory turnover

IMPLEMENTATION – SERVICES

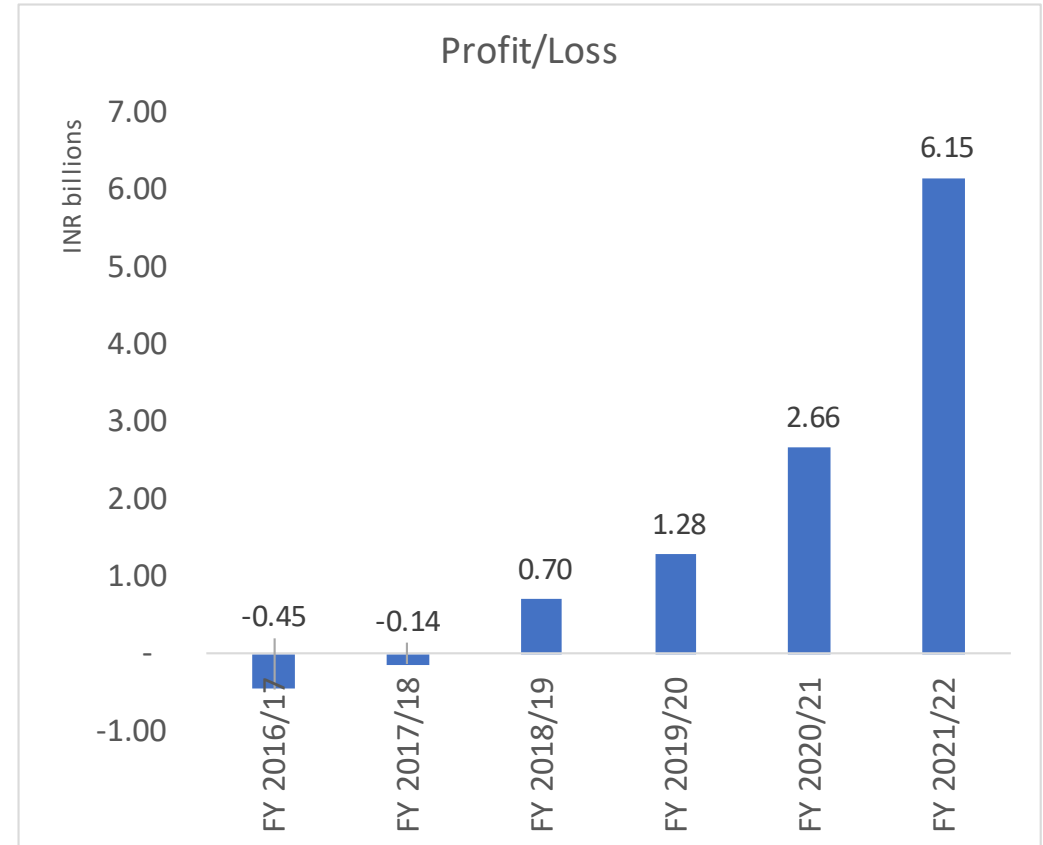
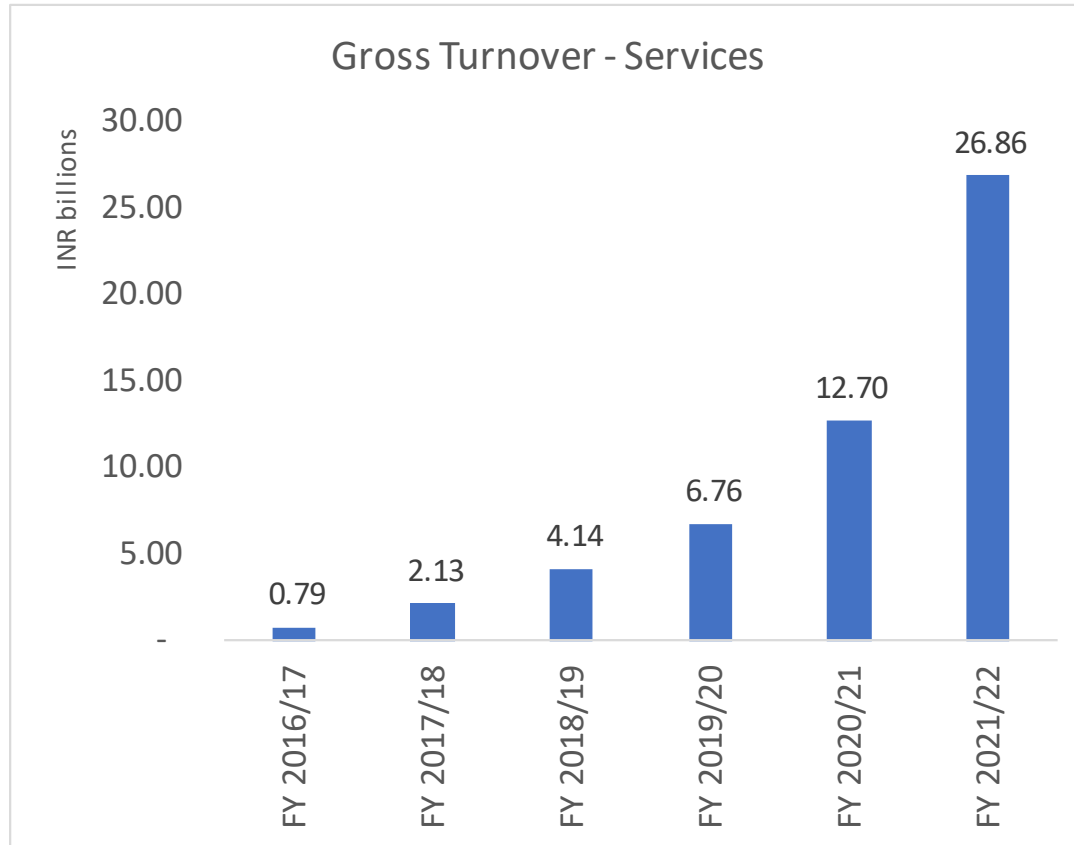
| | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 |
|-----------|------------|------------|------------|------------|------------|-------------|
| Own | 80 | 70 | 40 | 0 | 0 | 0 |
| Franchise | 200 | 240 | 340 | 540 | 767 | 1090 |
| | 280 | 310 | 380 | 540 | 767 | 1090 |

| Implementation | Year 1 | | | | Year 2 | | | | Year 3 | | | | Investment |
|---|----------|----|----|----|----------|----|----|----|----------|----|----|----|------------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Prospects new franchisees | | | | | | | | | | | | | 1,542.35 |
| Build/Improve PoS Integration Systems and Omnichannel | | | | | | | | | | | | | 925.41 |
| Marketing Plan (Brand Awareness) | | | | | | | | | | | | | 9,254.11 |
| District Managers Hiring | | | | | | | | | | | | | 1,233.88 |
| Open/Transfer Outlets | | | | | | | | | | | | | - |
| Integration with MFCW | | | | | | | | | | | | | 308.47 |
| Warehouses deactivation | | | | | | | | | | | | | 462.71 |
| Investment Cash Flow | 5,788.49 | | | | 4,007.78 | | | | 3,930.66 | | | | 13,726.93 |

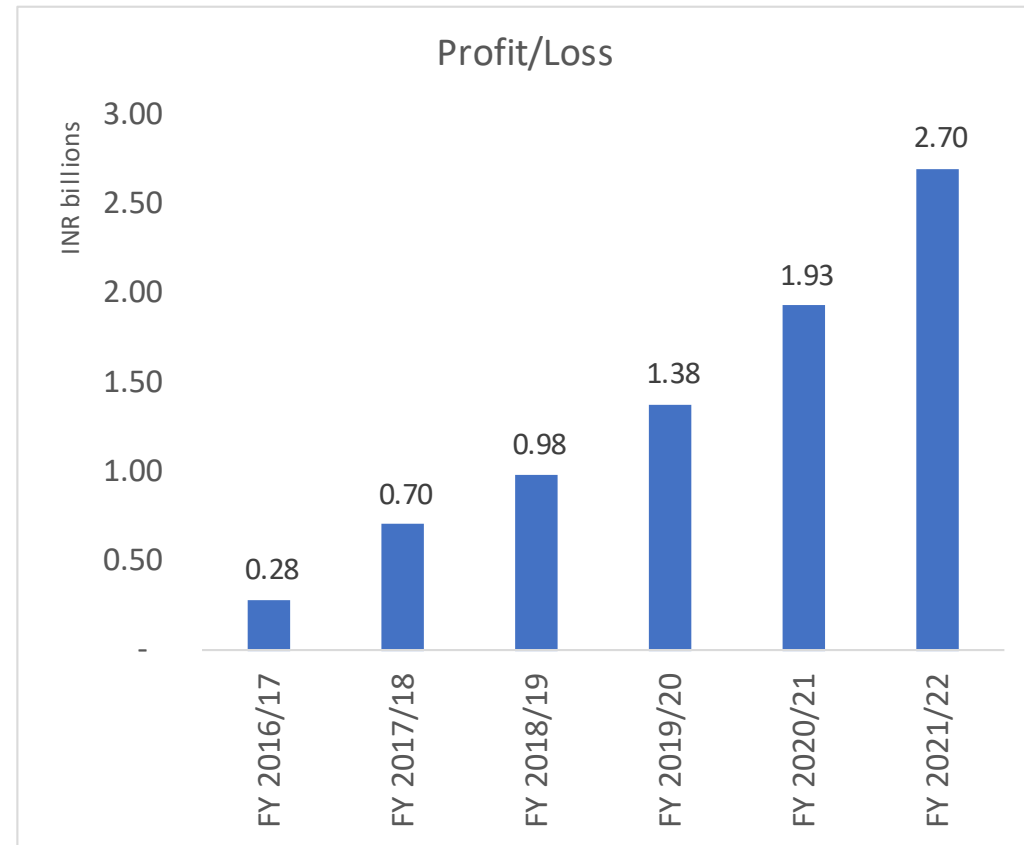
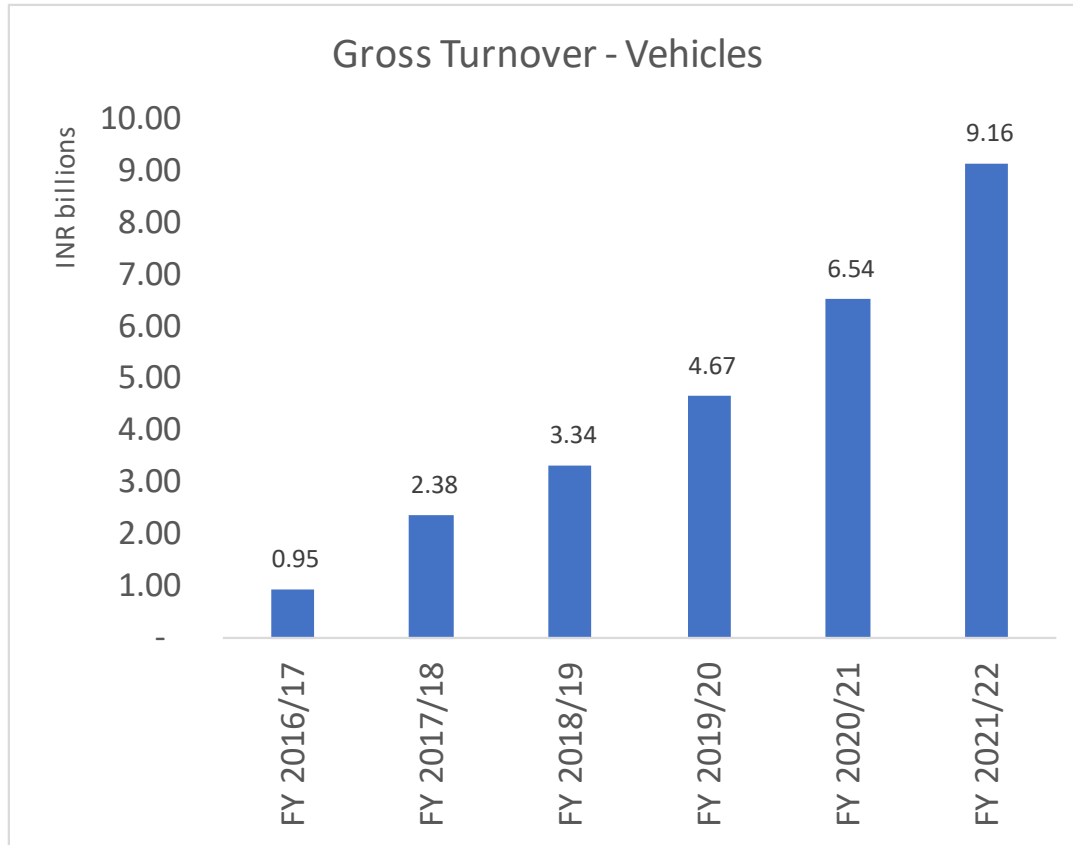
IMPLEMENTATION – PRE-OWNED VEHICLES

| Implementation | Year 1 | | | | Year 2 | | | | Year 3 | | | | Investment |
|---|-----------------|----|----|----|---------------|----|----|----|---------------|----|----|----|-----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Prospects new franchisees | | | | | | | | | | | | | 1,233.88 |
| Rolling Forecast | | | | | | | | | | | | | - |
| Quality Control (Audit / Mystery Shopper / Calls) | | | | | | | | | | | | | 1,542.35 |
| Expansion Plan evaluation | | | | | | | | | | | | | - |
| Investment Cash Flow | 1,748.00 | | | | 514.12 | | | | 514.12 | | | | 2,776.23 |

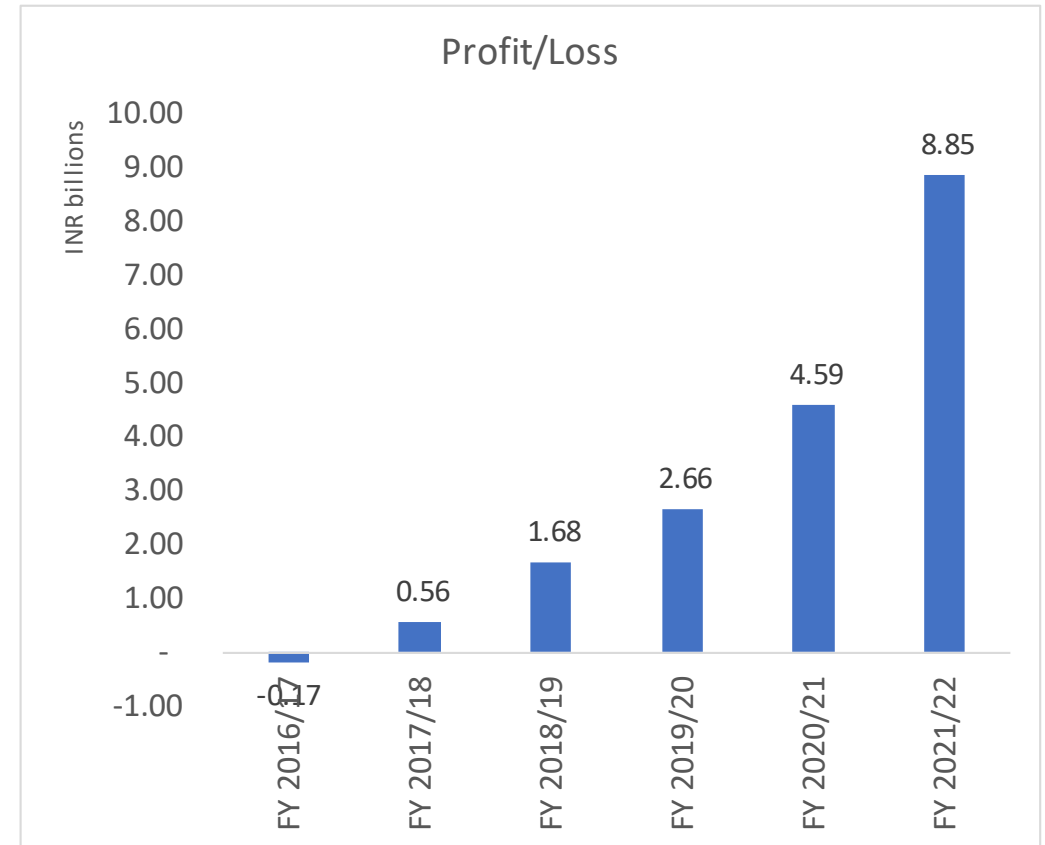
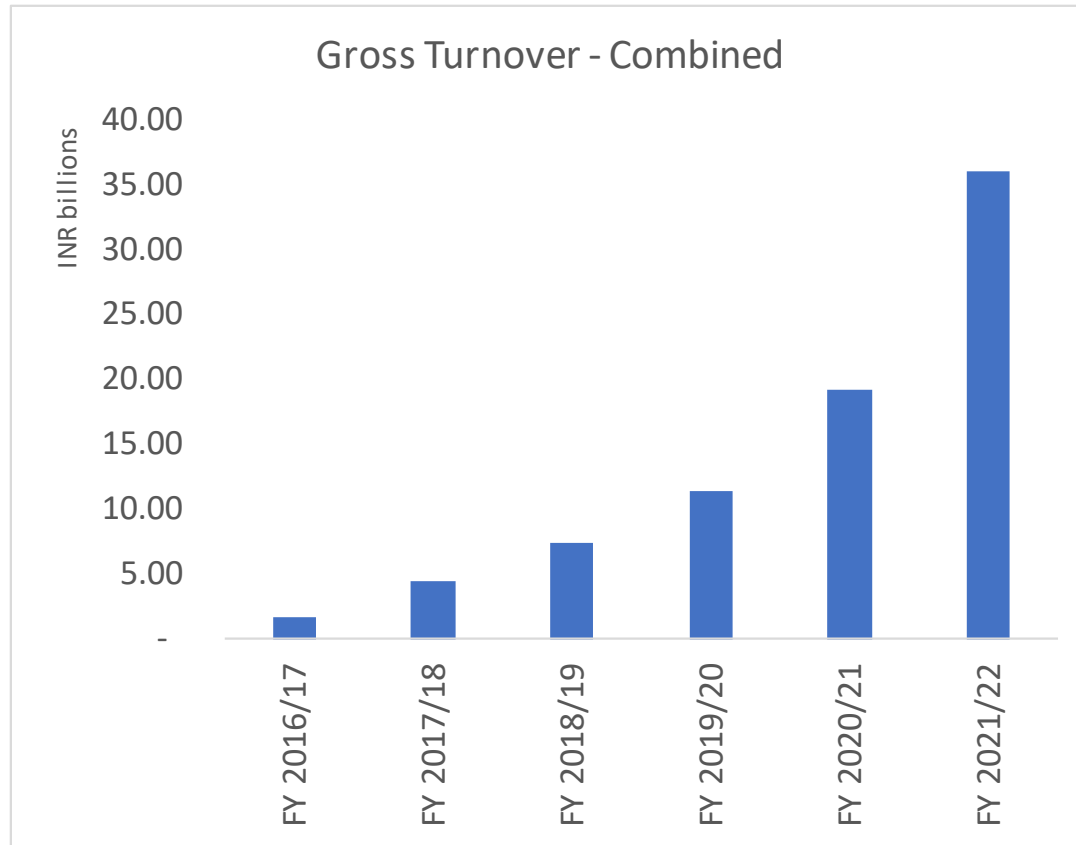
FINANCIAL – SERVICES



FINANCIAL – VEHICLES



FINANCIAL – COMBINED



RISKS

| Risks | Mitigation | Severity |
|---|---|----------|
| Private Equity doesn't approve merge | Prove model on current outlets | M |
| Hard to find franchisees | Boost current franchises plan to prove its efficiency | H |
| Franchisees don't reach sales target | Invest in Marketing to increase traffic | L |
| Poor systems integration / Low app engagement | Invest in systems improvement and partner with top digital agencies | L |

FINAL CONSIDERATIONS

BECOME TOP CAR SERVICES PROVIDER IN INDIA

Integrate
MCFW and
MFCS

Expansion
rollout:
Franchises

Invest in
marketing and
data
intelligence

Reach 540 service outlets

Reach 2,05% share

Total Investment: INR 16 mi



Total Revenues:
INR 4 Bi