

Care for car

Mahindra First Choice

Presenting to:
Mahindra and Mahindra Ltd. Management Team

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What to tackle?

What does the ideal business model look like for MFCW and MFCS to reach ambitious growth expectations and become profitable?

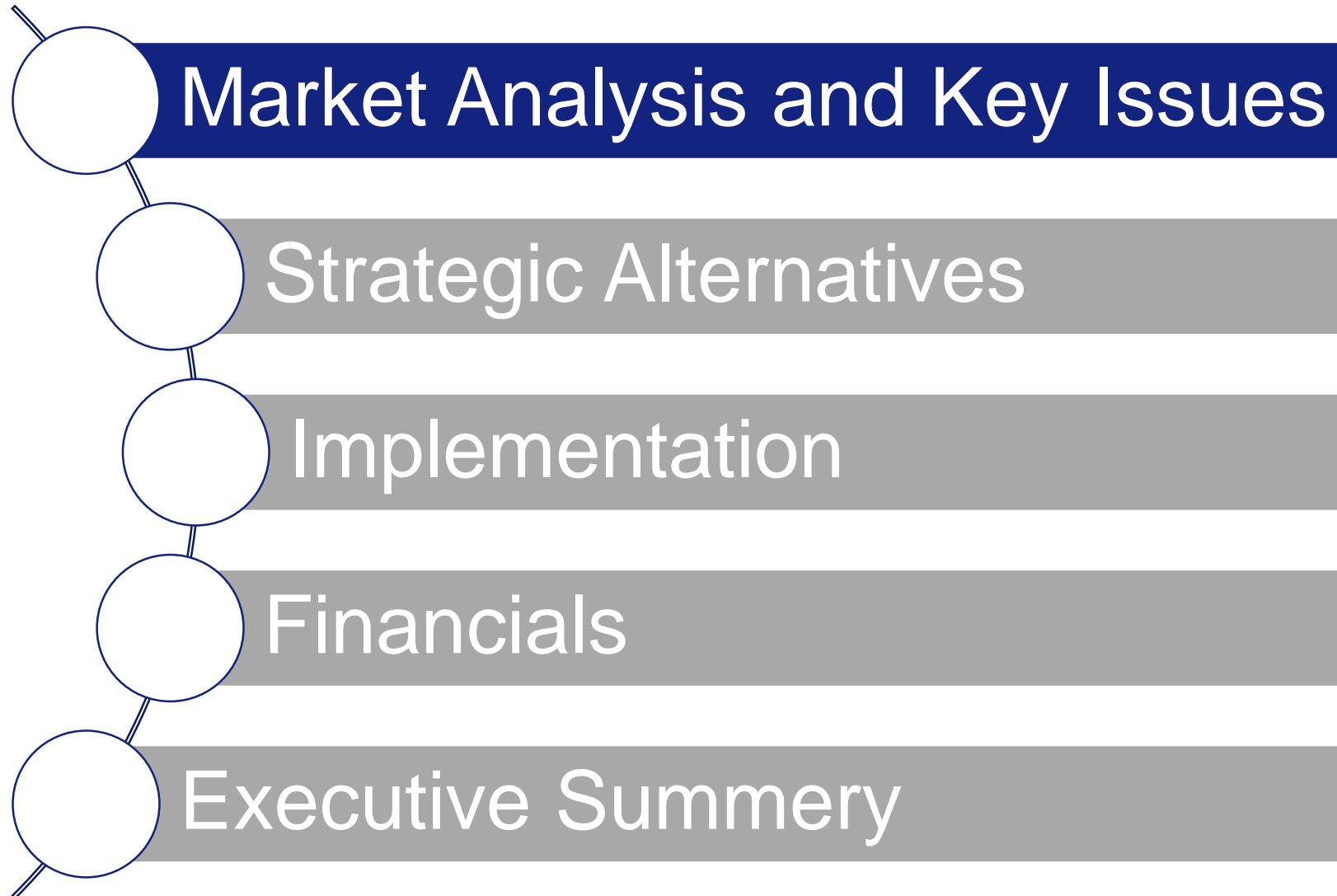
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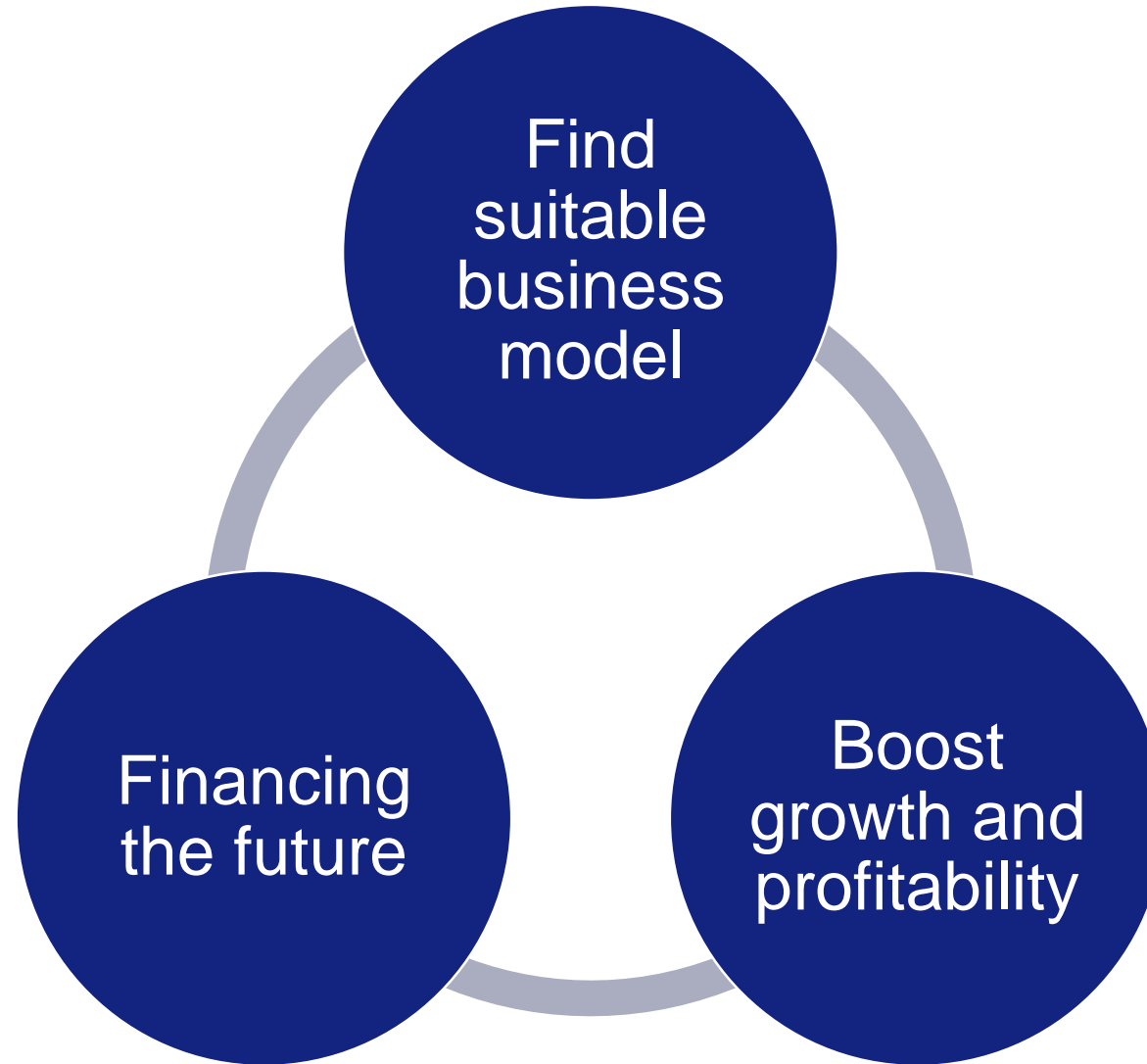
How to solve

- **Short-term:** Fuse MFCW and MFCS and penetrate Indian used car market
- **Medium-term:** Start expansion in other markets
- **Long-term:** Enhance use of technological enhancement to decrease cost

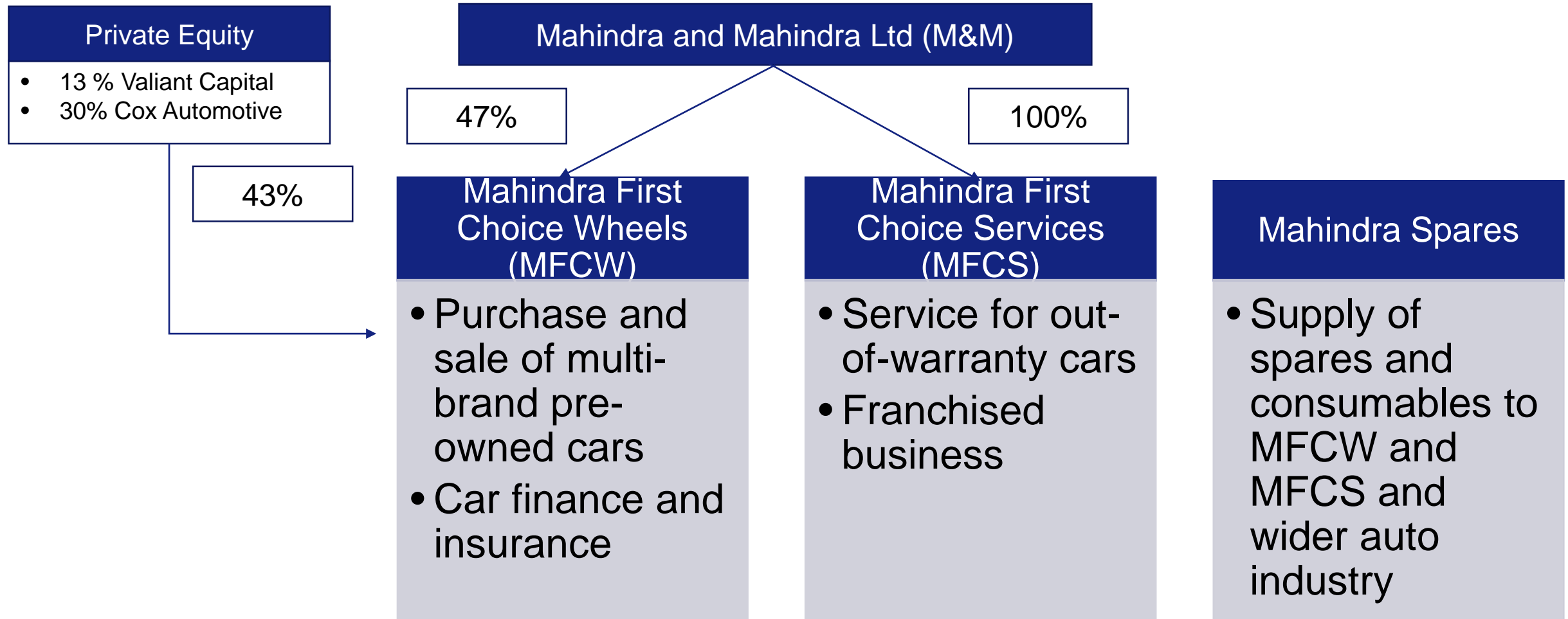
- 
- Market Analysis and Key Issues
 - Strategic Alternatives
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Key Issues



M&M created a vertical aftermarket business including three units but MFCW and MFCS are currently



Cox automotive's strategic investment can help when entering new markets

Private Equity

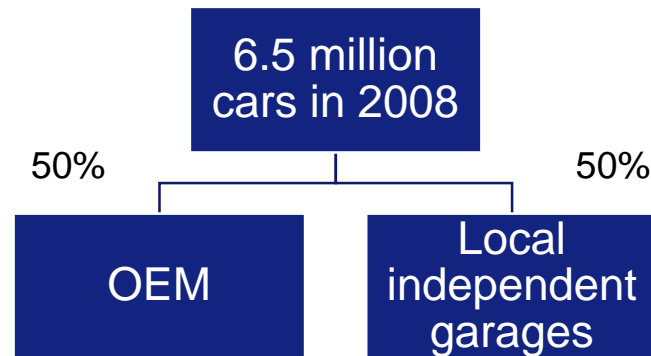
- 13 % Valiant Capital
- **30% Cox Automotive**

Cox Automotive:

- Largest and oldest digital automotive marketplace in the US
- Help to entry international markets
- Strategic partner

Used care market is expected to grow significantly while service industry is highly competitive with OEM

Service side of the industry

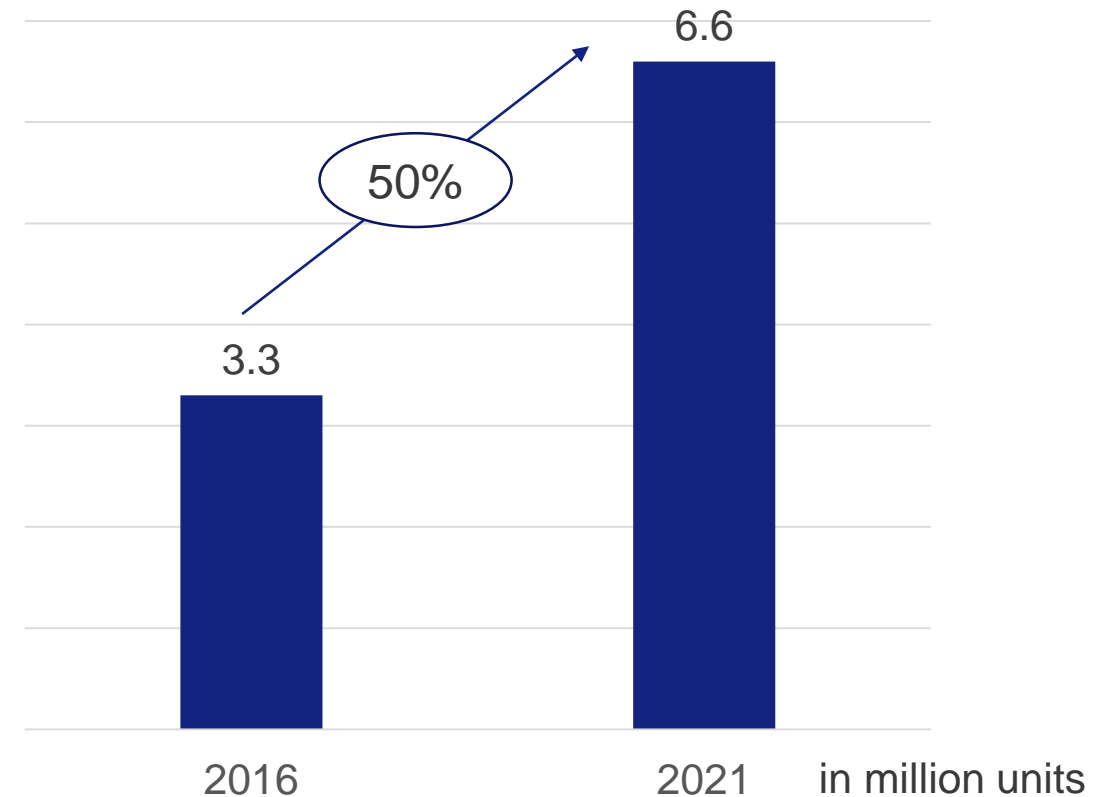


OEM:

- Perceived as too expensive for general maintenance
- Only one-third of customers took their vehicles back to OEMs

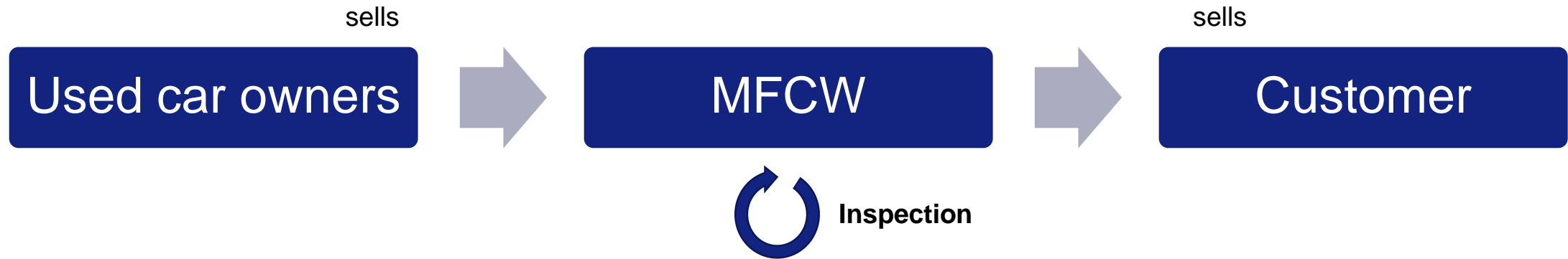
Organized multi-brand service providers practically non-existent

Expected growth in used car market in India



Current business models of MFCW and MFCS

Used car business - MFCW

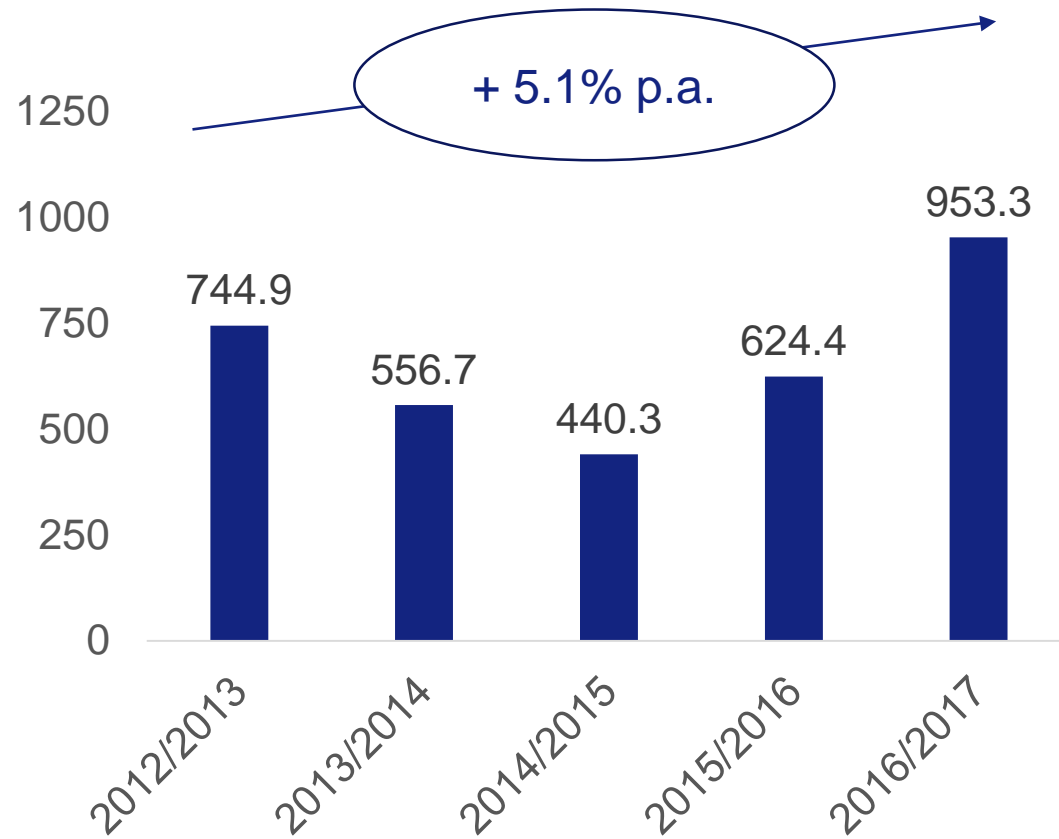


Service side of the industry - MFCS



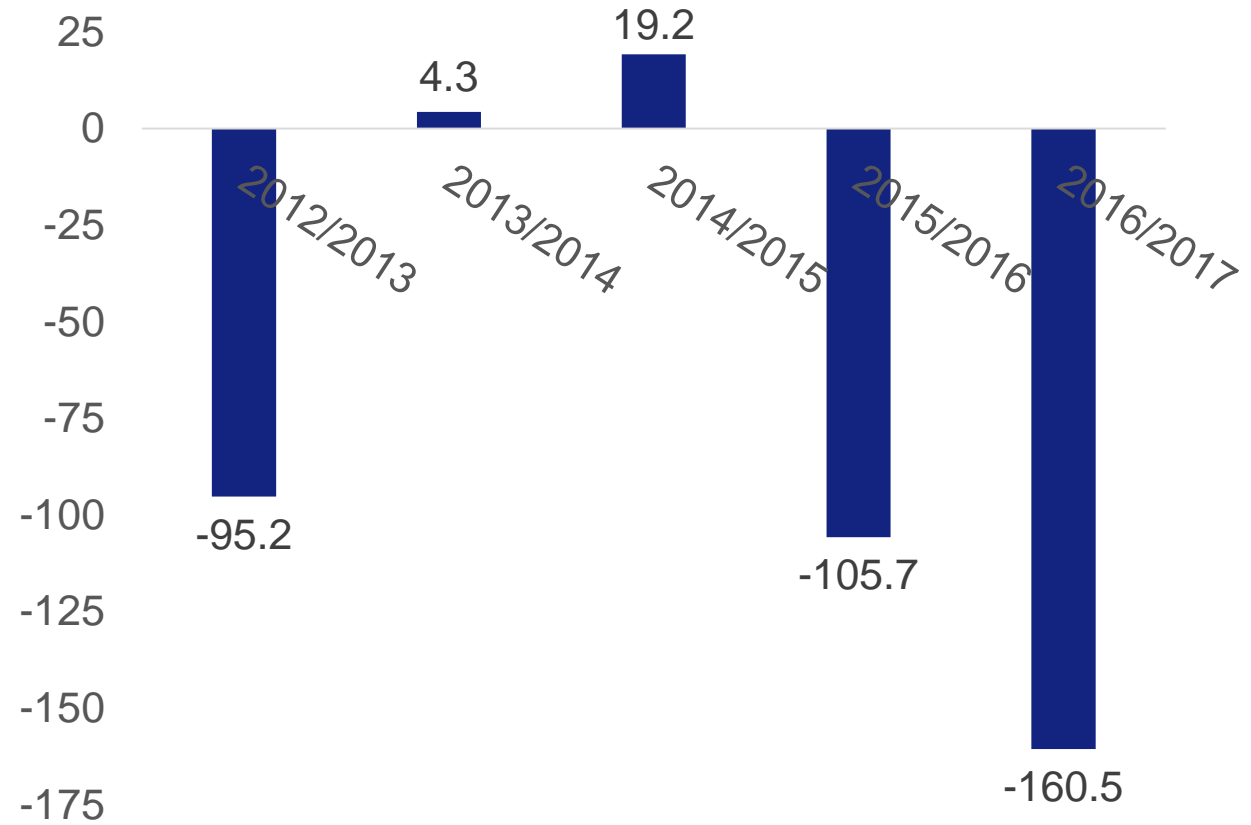
MFCW achieved revenue growth and break-even whereas it again lacks profitability

Revenues of MFCW



In million Indian Rupee

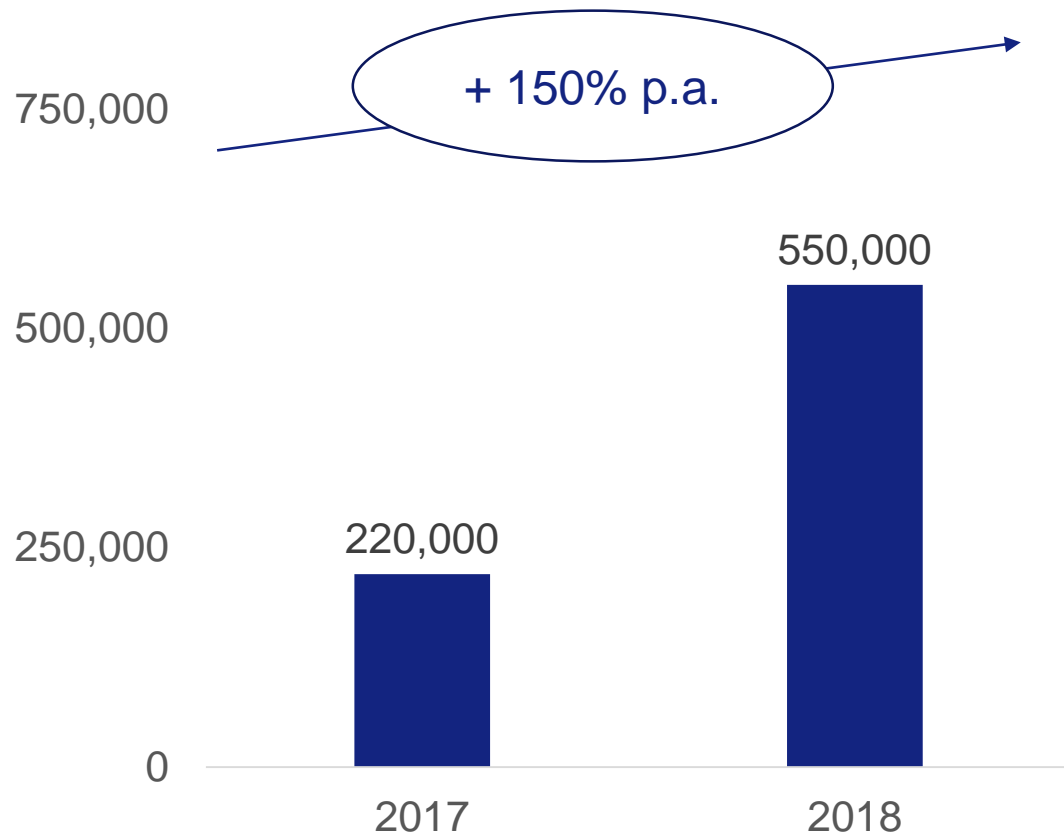
Profits of MFCW



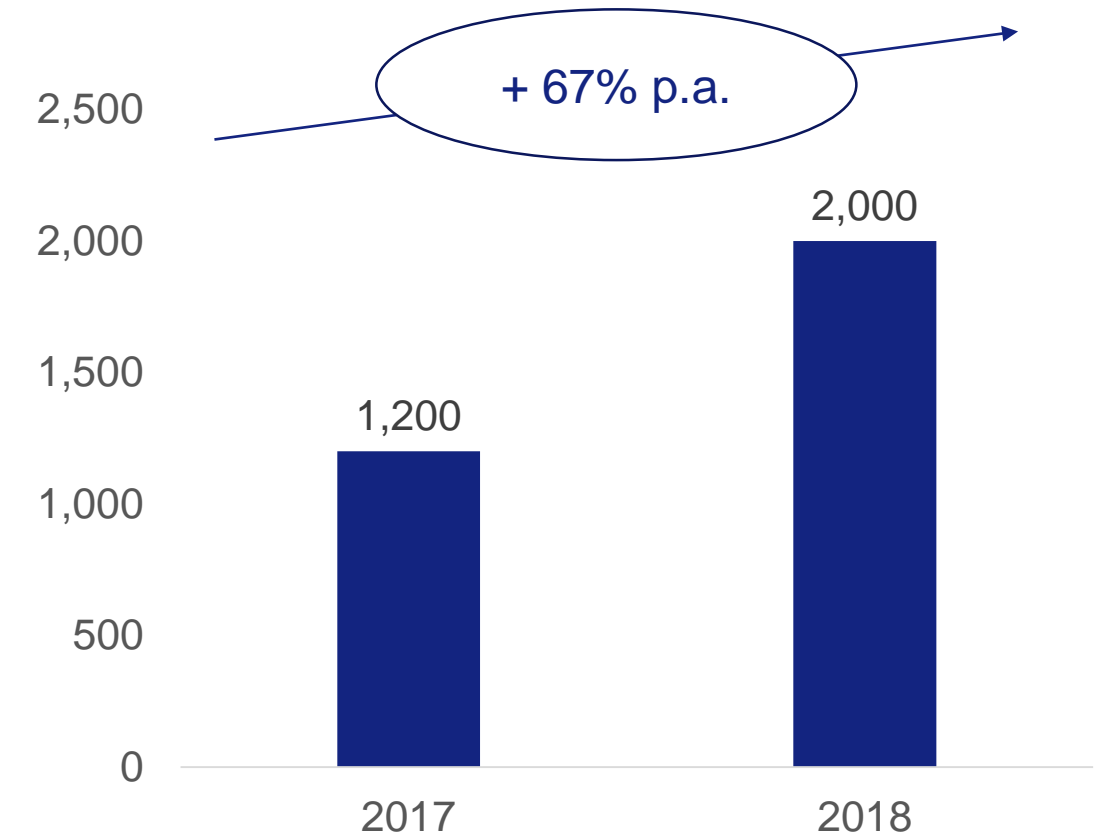
In million Indian Rupee

MFCW aimed ambitious growth plan

Number of cars sold

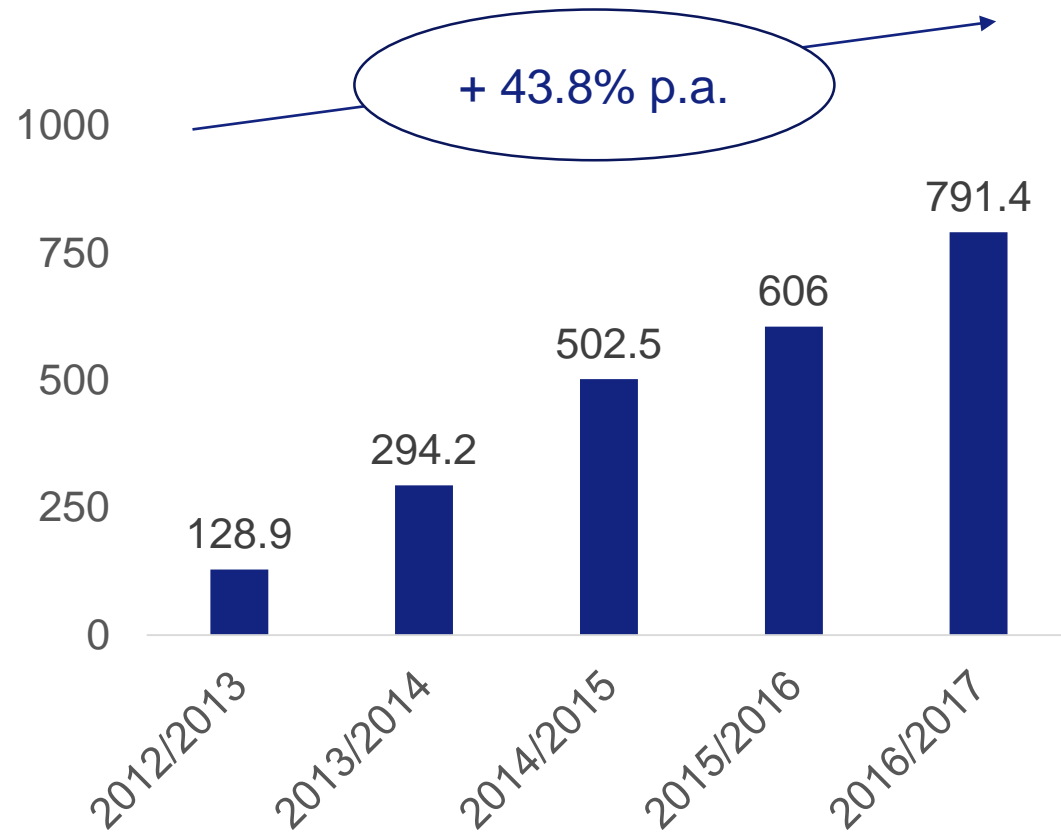


Number of outlets



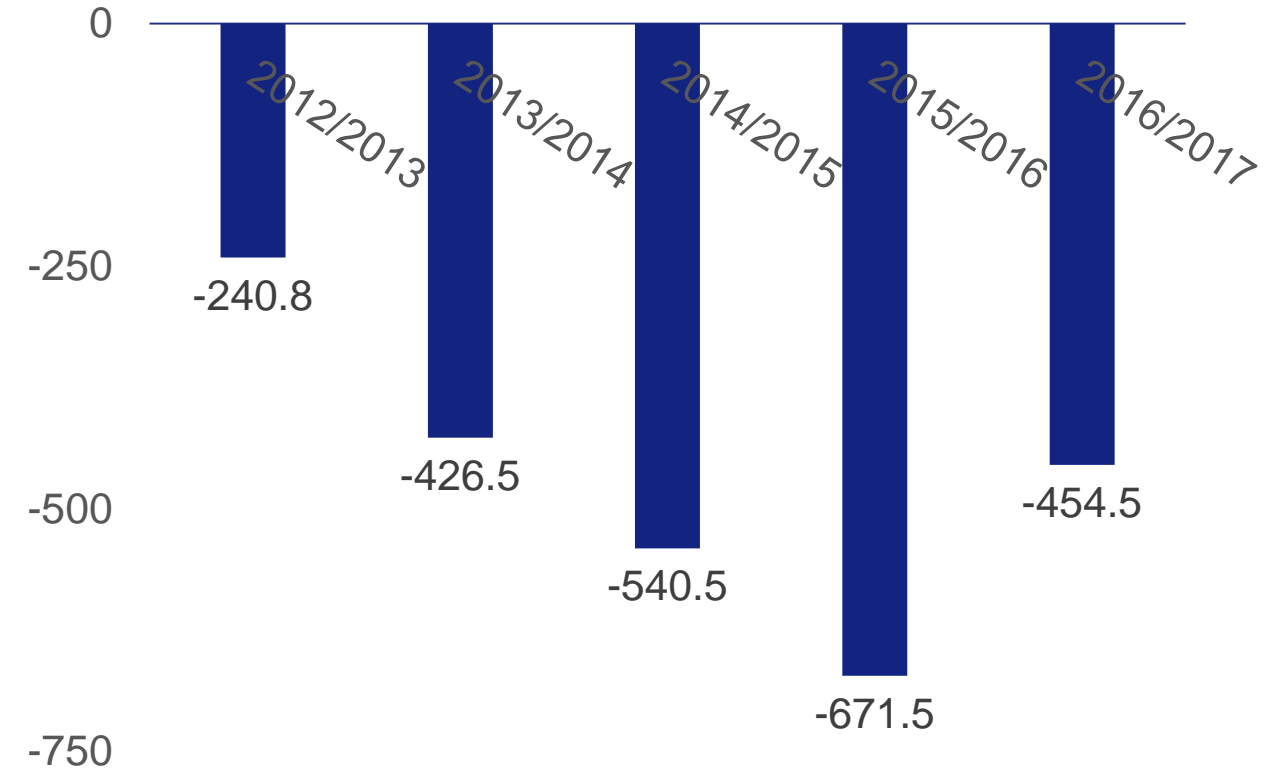
MFCS achieved high revenue growth within the last years whereas it is still not profitable

Revenues of MFCS



In million Indian Rupee

Profits of MFCS



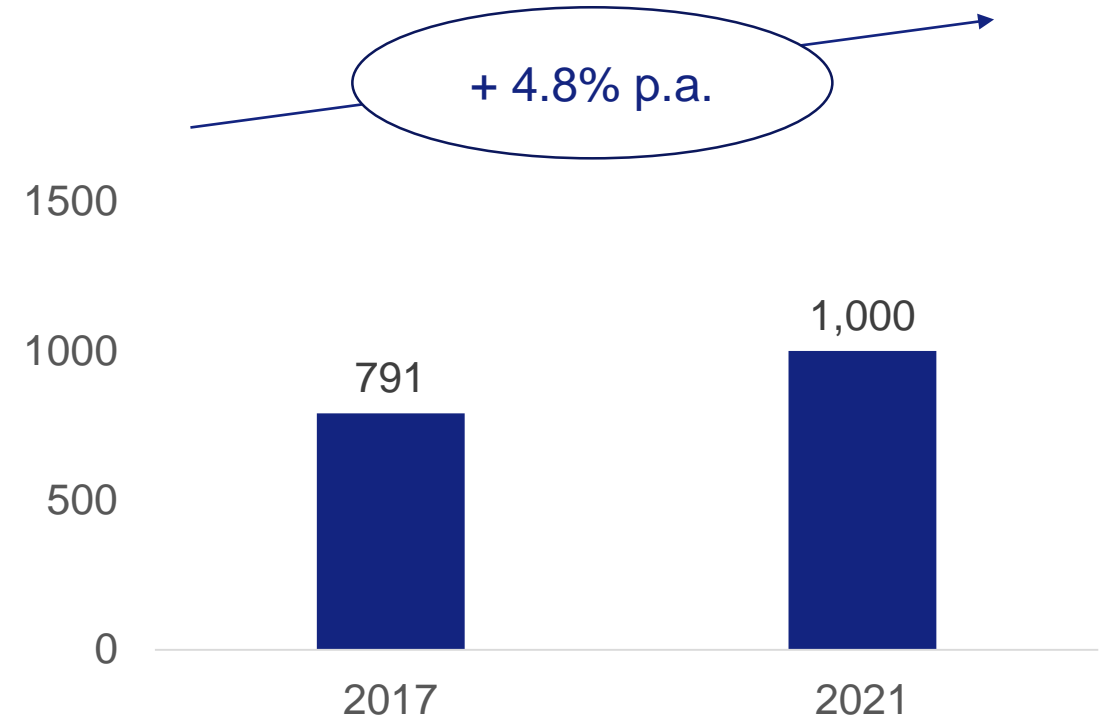
In million Indian Rupee

MFCS aimed ambitious growth plan

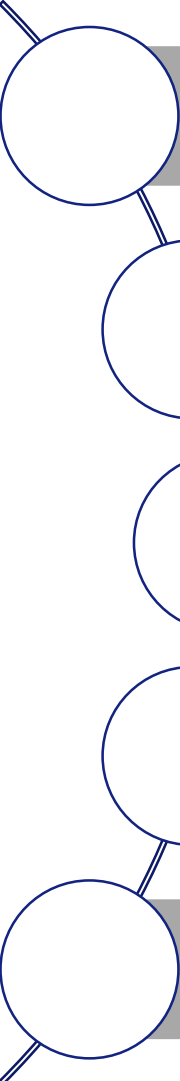
Workshops



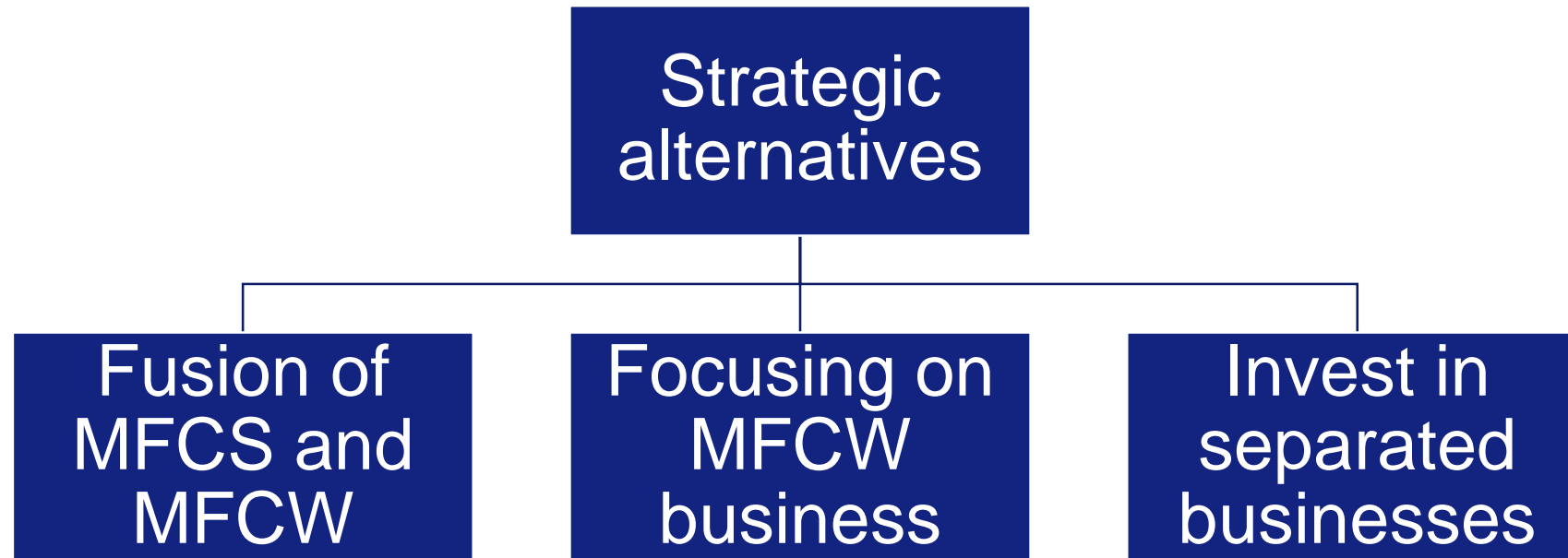
Revenues



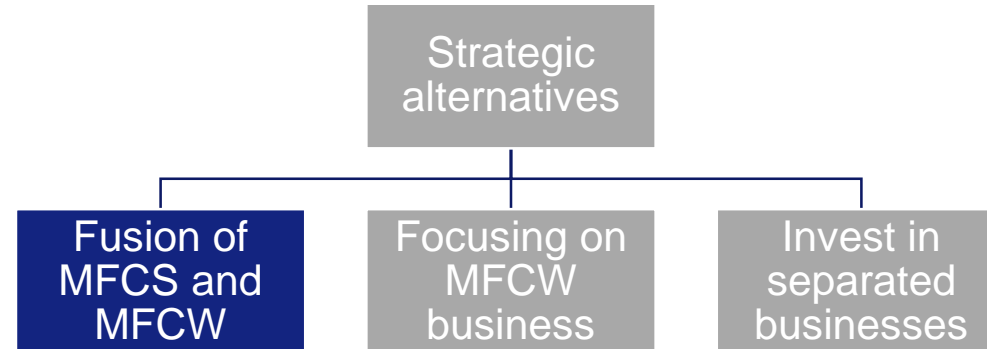
In million Indian Rupee

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How to boost growth with the proposed business model?



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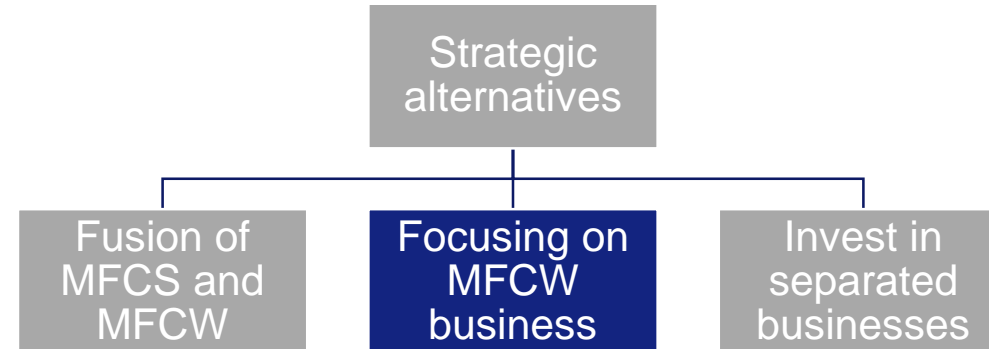


Fusion of MFCS and MFCW:

- Install holding
- Decreased overhead cost
- Two different franchises
 - Car selling outlets
 - Combined car selling outlets and workshops
- Benefit of use of workshops for inspections
- Opportunities for long-term customer relationships

→ Reduce headcount and use MFCS for technical needs in MFCW business

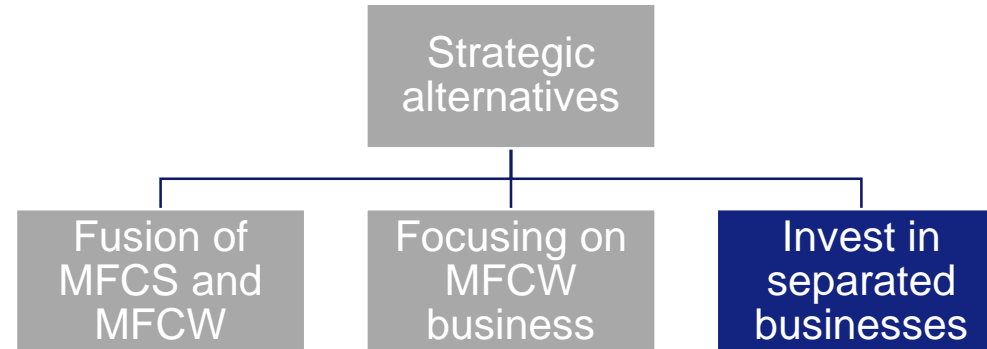
How to boost growth with the proposed business model?



Focusing on MFCW business

- International expansion
 - Scale of MFCS to finance expansion
 - Allowing strong growth
 - Quick profitability in home market
- Exceed growth expectation in car selling business and lay off risk of less profitable service business

How to boost growth with the proposed business model?



Invest in separated businesses

- Business kept as it is
 - MFCS: Market penetration exceeding current growth plans
 - MFCW: International expansion
 - High need for external cash
- Diversify risk through activity in different markets and leverage on economy of scale effects

Criteria for evaluation

1

Impact on growth expectation










2

Opportunity to become profitable

3

Leveraging on internal know-how

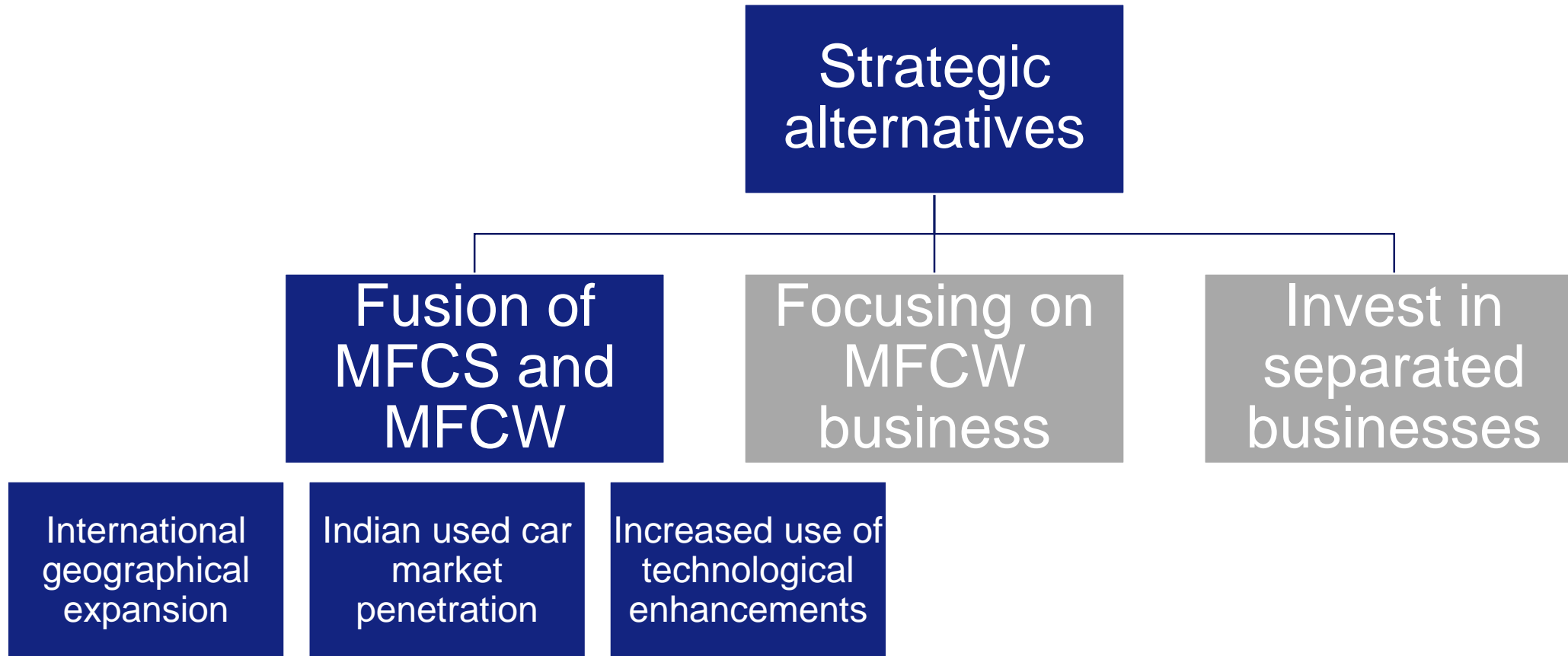
How to boost growth with the proposed business model?

	Fusion	Focus	Separated businesses
1 Impact on growth expectation			
2 Opportunity to become profitable			
3 Leveraging on internal know-how			










Chose fusion of the MFCS and MFCW businesses to have stronger growth and profitability

	Fusion	Focus	Separated businesses
1 Impact on growth expectation	Green	Red	Yellow
2 Opportunity to become profitable	Green	Green	Red
3 Leveraging on internal know-how	Yellow	Yellow	Green

How to boost growth with the proposed business model?



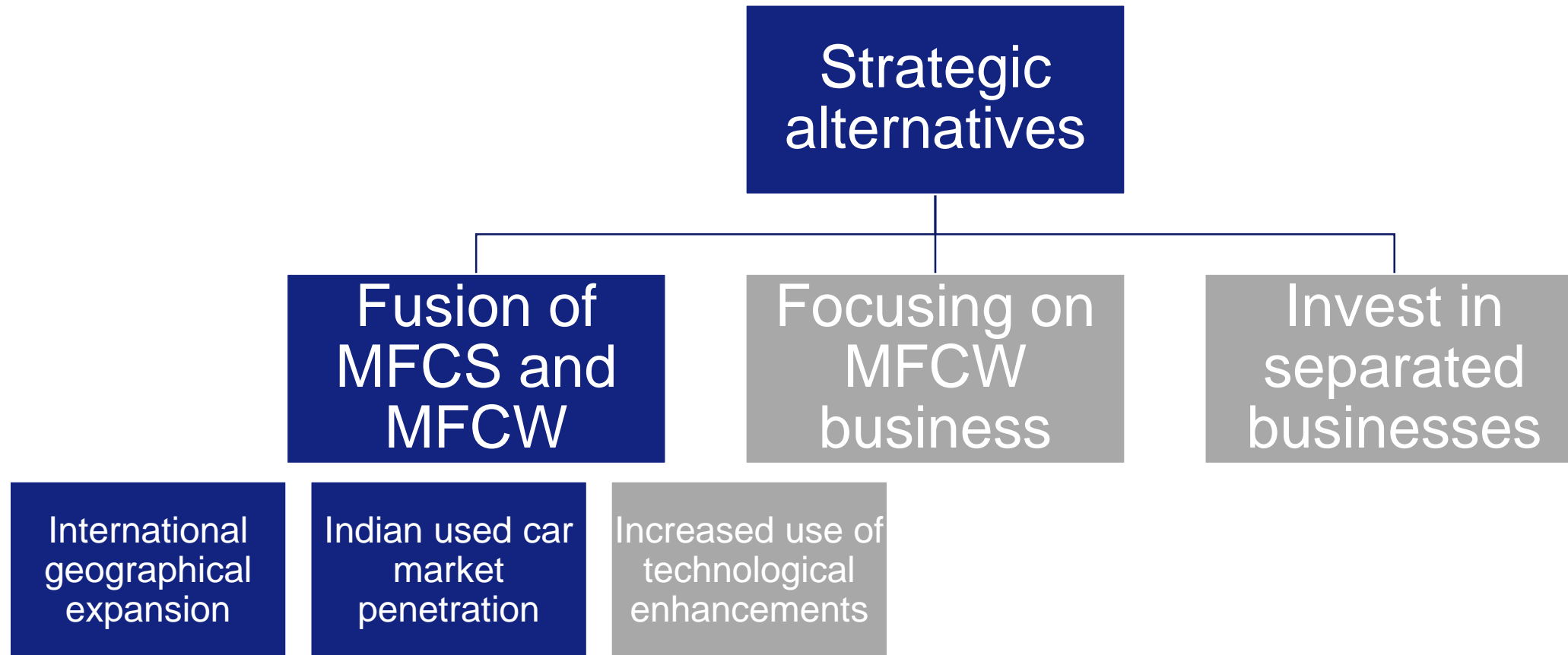
How to deal with fusion of the two businesses?

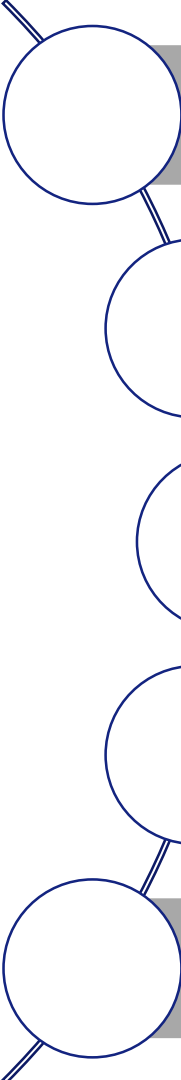
		Expansion	Penetration	Technological enhancement
1	Impact on growth expectation			
2	Opportunity to become profitable			
3	Leveraging on internal know-how			

Chose to penetrate the Indian used car market in order to grow

	Expansion	Penetration	Technological enhancement
1 Impact on growth expectation	Green	Yellow	Yellow
2 Opportunity to become profitable	Red	Green	Yellow
3 Leveraging on internal know-how	Yellow	Green	Red

Start with Indian market penetration and move to international expansion



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Implementing the strategic alternatives needs short-, medium- and long-term

1 Fusion of MFCW and MFCS

2 Short term: Indian used-car market penetration

3 Mid-term: geographical expectation

4 Long-term: technological enhancement

Implementing the strategic alternatives needs short-, medium- and long-term perspective

- 1 Fusion of MFCW and MFCS
- 2 Short term: Indian used-car market penetration
- 3 Mid-term: geographical expectation
- 4 Long-term: technological enhancement

In order to fusion the two business three main steps need to be taken into consideration

1 Fusion of MFCW and MFCS

a. Shareholder support

b. Set-up holding

c. Franchising current and future system

In order to fusion the two businesses three main steps need to be taken into consideration: Shareholder support

a. Shareholder support

Gain shareholder support for the fusion with specific talk sheet

Better future set-up

New investors expect geographical expansion with lean processes

Getting profitable

- Lower overhead costs
- Use good relationships of franchises to support each other and to gain customer trust

In order to fusion the two business three main steps need to be taken into consideration: Set-up holding

b. Set-up holding

Set-up the new holding for the future of MFCW and MFCS

Steps

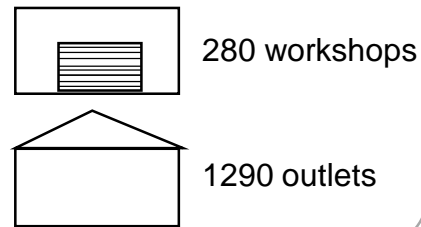
1. Find suitable board for managing holding
2. Build up administrative functions in holding
3. Connect to franchisers showing the benefits of the fusion
→ \$10,000 incentive for franchise partners

In order to fusion the two business three main steps need to be taken into consideration: Franchising current and future system

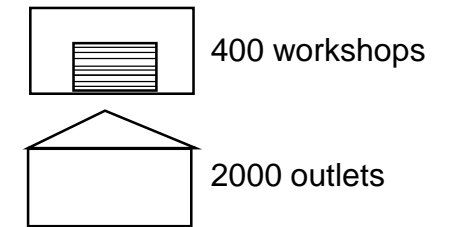
c. Franchising current and future system

In the next two years the fusion will consist of 700 workshops and 2100 outlets

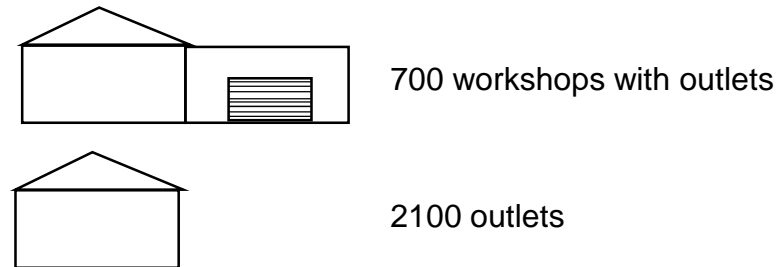
Current



Target



After fusion



Assumptions:

- \$250,000 per franchise
- 4 months to build up new franchises

- Combining workshops and outlets:
 - 280 workshops need outlet
 - 520 outlets need workshops
- Franchise partner:
 - Contracting
 - Convincing
 - Supporting in building up facilities

Implementing the strategic alternatives needs short-, medium- and long-term perspective

1 Fusion of MFCW and MFCS

2 Short term: Indian used-car market penetration

3 Mid-term: geographical expectation

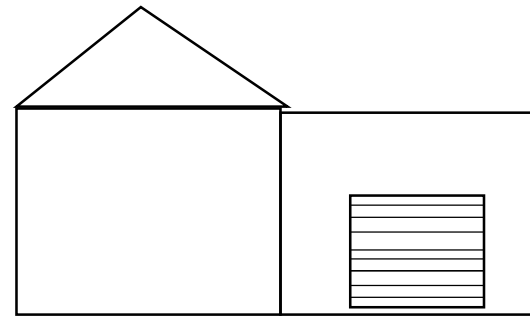
4 Long-term: technological enhancement

Advertisement in CarWorkz software to get customer in the new facilities and keep them

Marketing

Promote better service in software
Discount for 1st repair after bought car

Target



- Conversion rate target: 60%

Implementing the strategic alternatives needs short-, medium- and long-term perspective

- 1 Fusion of MFCW and MFCS
- 2 Short term: Indian used-car market penetration
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- 4 Long-term: technological enhancement

Planning the geographical expansion form 2020 onwards

Know-how

Support from current investor Cox on internationalization process

Market

Analyse Asian and African markets for suitable franchise partners

→ Criteria:

1. Distance to India
2. Competition in the countries
3. Economic growth in the countries

Implementing the strategic alternatives needs short-, medium- and long-term perspective

- 1 Fusion of MFCW and MFCS
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Technological enhancement to get the car selling process more efficient

Current

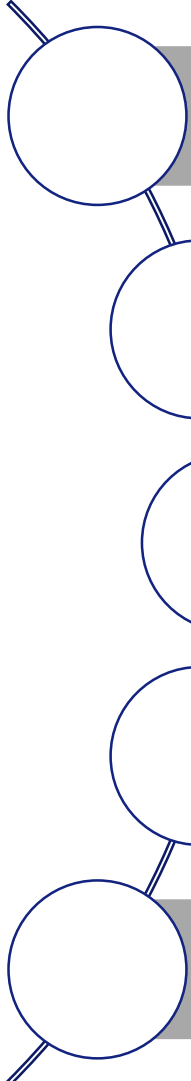
- Franchise partners need to check cars manually
- Talk to workshops to get needed repairs
- Manual cleaning process of cars
- Take photos to put it online

Future

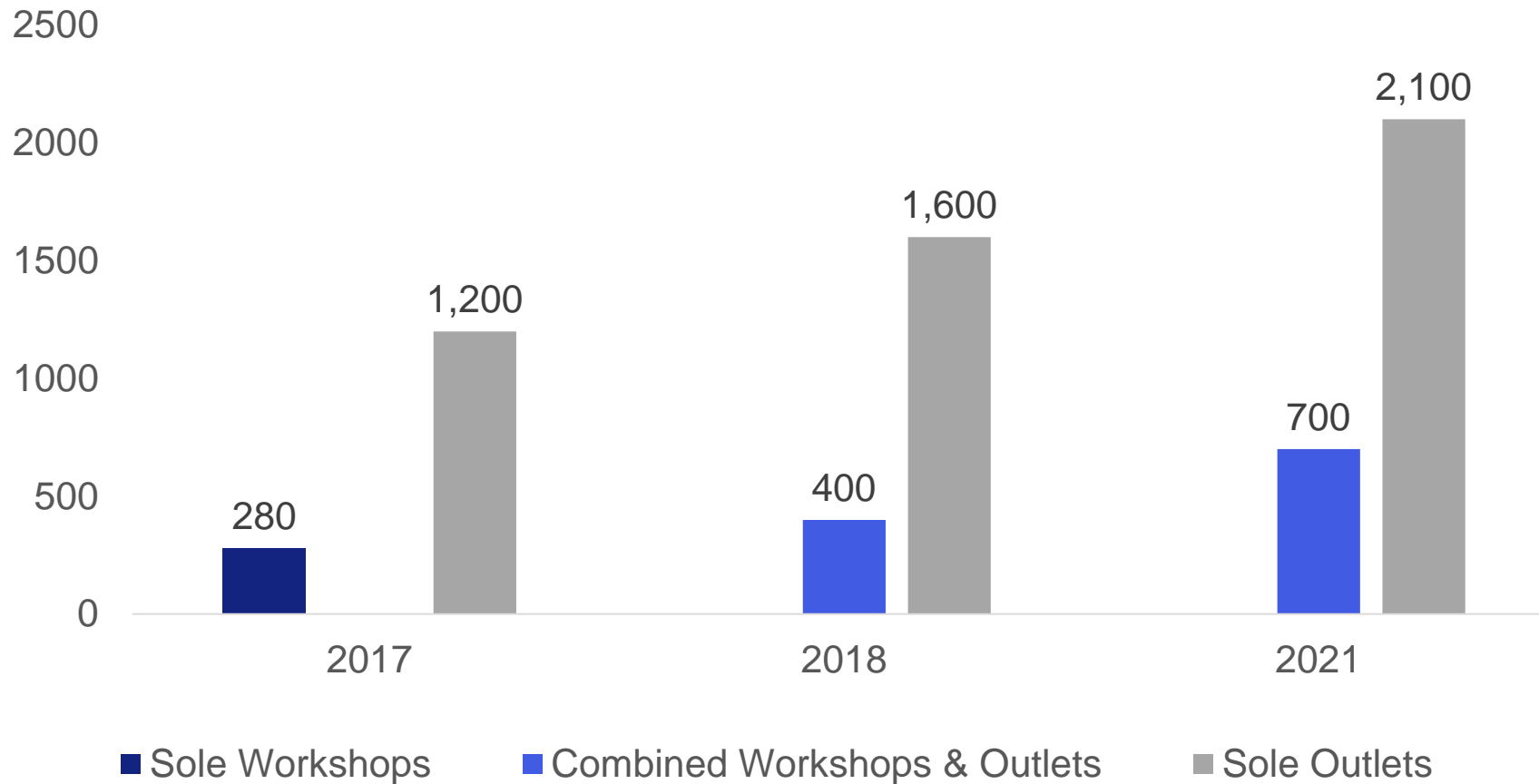
- Bought cars on assembly line, robotics and cameras check for needed repairs
- Repairs are given directly to workshops
- Cars are cleaned and photos are taken electronically
- Photos are uploaded directly to trade platform

Timeline

Activity	2017	2018	2019	2020	2021	2022	Costs
1 Fusion of MFCW and MFCS							
							\$ 5,000
							\$ 195,000
	\$ 2,500,000	\$ 2,500,000					\$ 5,000,000
2 Short term: Indian used-car market penetration							\$ 500,000
3 Mid-term: geographical expectation							\$ 500,000
4 Long-term: technological enhancement							

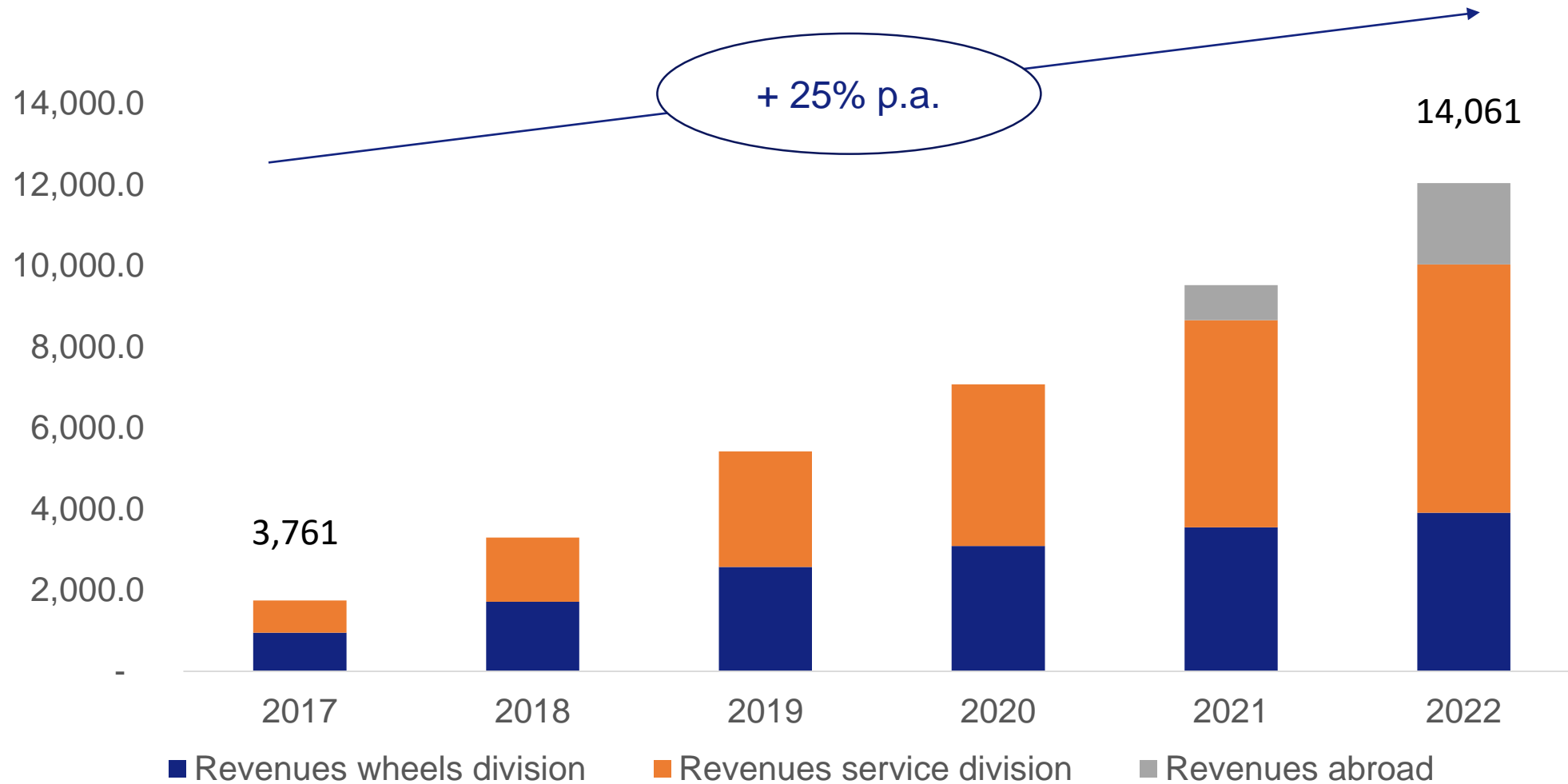
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Boost combined workshops and outlets to boost revenue growth



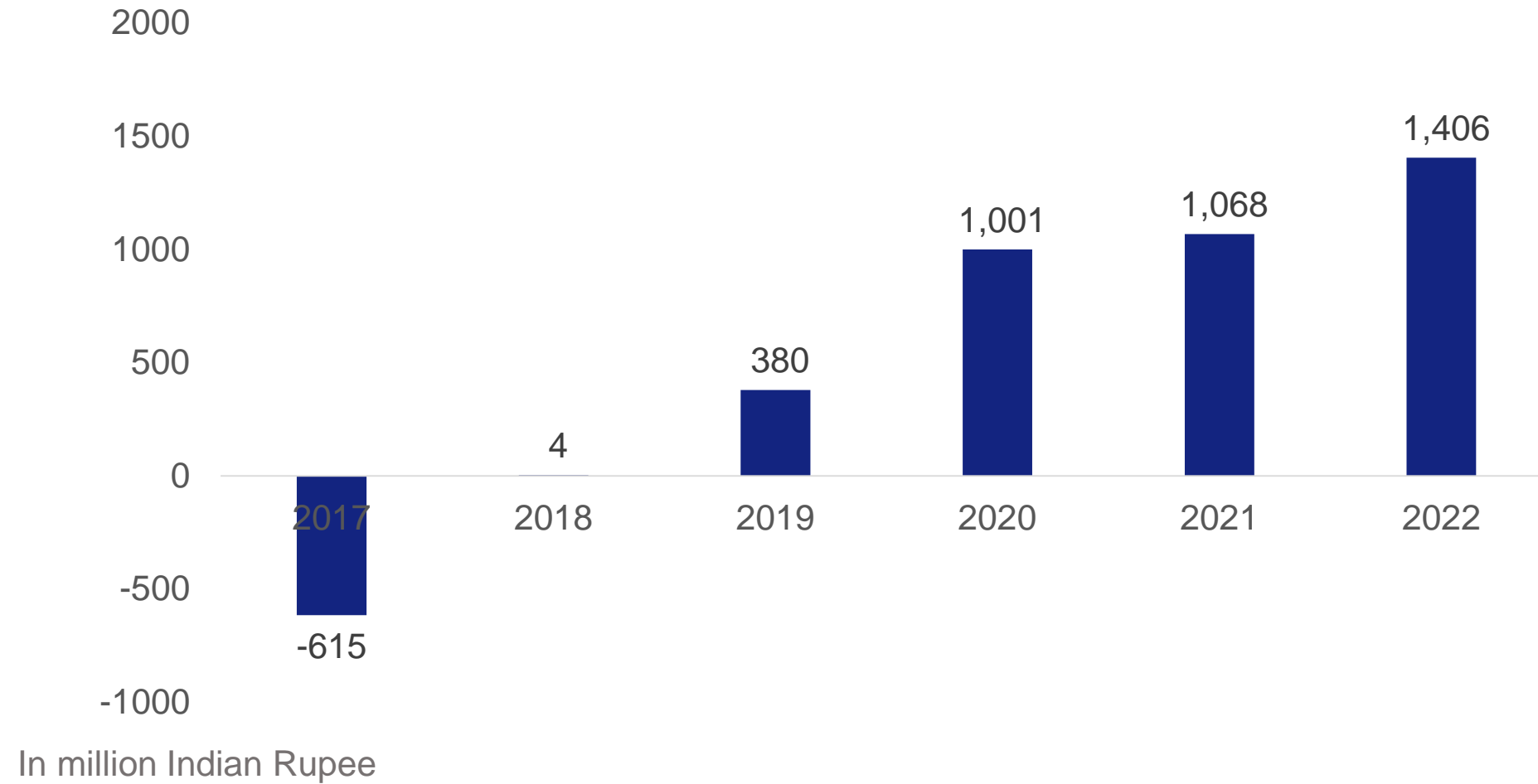
- Build on market growth expectations for car service market
- Boost outlet sales while combining with Workshops

Revenue will increase in future outlook with a 9% revenue CAGR



In million Indian Rupee

Use of economies of scale will improve profitability and achieve a profit margin of 10% in 2022



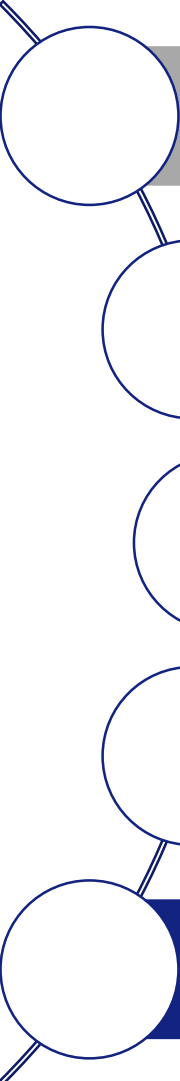
Convince Private Equity Company to secure funding

Cost

USD 6.2m

Private Equity Company

- Assumptions for valuation of company
 - 5.1x Revenue multiple
 - Build on 6.8x Revenue multiple from USD 100m valuation for MFCW (14.7m USD revenues)
- 140m Value of MFCW & MFCS (total 26.9 USD revenues)
- Offer 10% stake which will brings you 14m USD
- With milestone agreement get in 3 tranches:
 - 08/2018: 3m USD
 - 03/2019: 2m USD
 - 10/2020: 2m USD

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Executive summery

Action

1. **Short-term:** Fuse MFCW and MFCS and penetrate Indian used car market
2. **Medium-term:** Start expansion in other markets
3. **Long-term:** Enhance use of technological enhancement to decrease cost

Timing

1. Start 2018
2. Start 2020
3. Start 2022

Results

1. Become leading player in Indian car after market and increase profitability
2. Increase growth and minimize risk through market diversification
3. Lower internal cost and increase online sales