

First choice, One choice

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OSB

2018

Executive Summary

Issue

What strategy should Mahindra First Choice adopt to achieve growth?

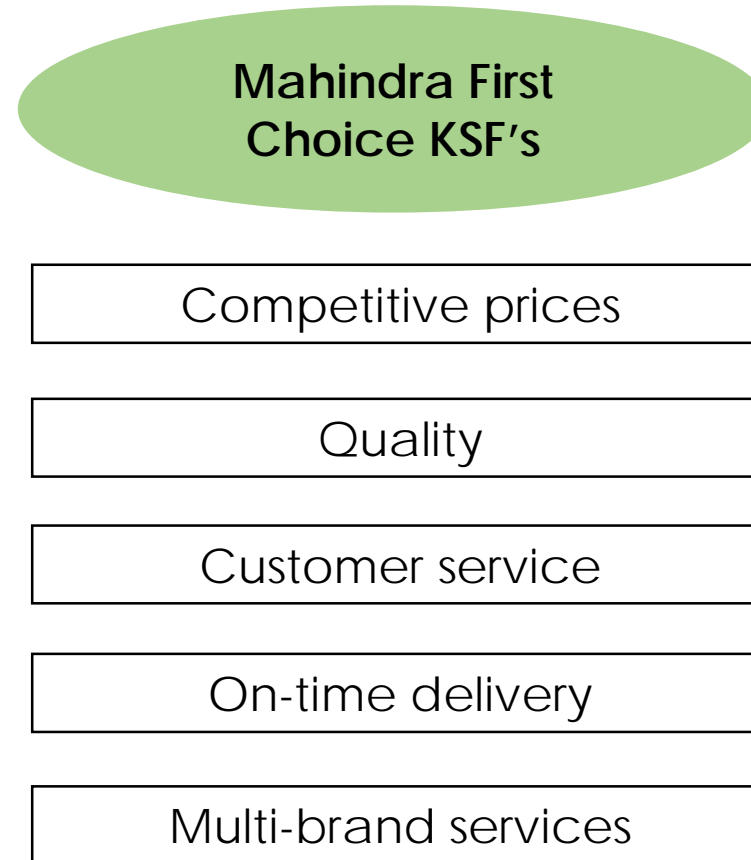
Recommendation

Combine MFCW and MFCWS to improve efficiency and increase customers

KPI's

Achieve Profit Margin of 4% of MFCW and 3% for MFCS

Company's success



Mahindra's value proposition of time, cost and quality made it a market leader in a highly competitive market

The competition



- *Customers have several options as alternatives for Mahindra First Choice*
- *Lower barriers to entry make the market attractive for international competitors*



Company needs to have a strong value proposition to differentiate itself in the market

Company's challenges

Increasing costs

- High customer acquisition cost
- No economies of scale in purchasing from suppliers

Pressure to grow

- Private equity owners requiring profitability and operational excellence

The company needs to have a solid business model to grow fast in order to achieve profitability

Opportunities ahead

Car service market in India expected to grow by 65%
by 2020

Used car market in India expected to grow by 2.6 times
by 2021

Partnerships providing opportunities to enter
international markets

The company can leverage several opportunities to grow

Alternatives

Enter Africa

Enter a fast growing economy (**Africa**) by offering **current business model**

Combine MFCW & MFCS

Merge both companies into one that offers **all services & products**

Divest Both MFCW & MFCS

Sell both companies and **invest in other subsidiaries**

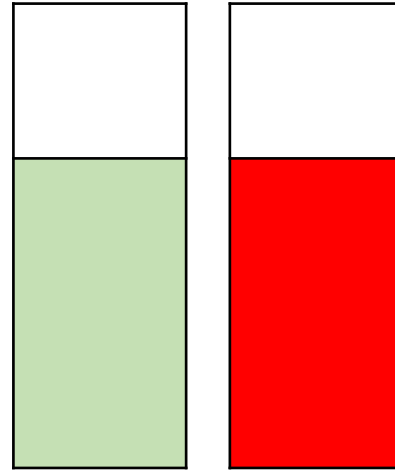
Enter Africa

Advantages

- Leverage international knowledge from investors
- Aligns with target of expanding globally

Disadvantages

- Difference in culture
- Lack of financial stability



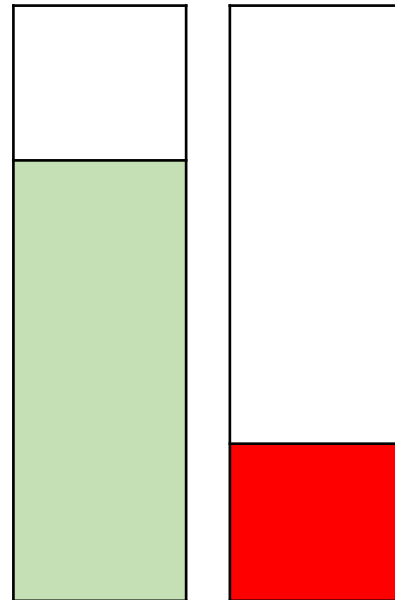
Merge Companies

Advantages

- Enhance efficiency → decrease costs
- Cross selling
- Higher bargaining power
- Enhanced convenience for customers

Disadvantages

- Complexity of logistics



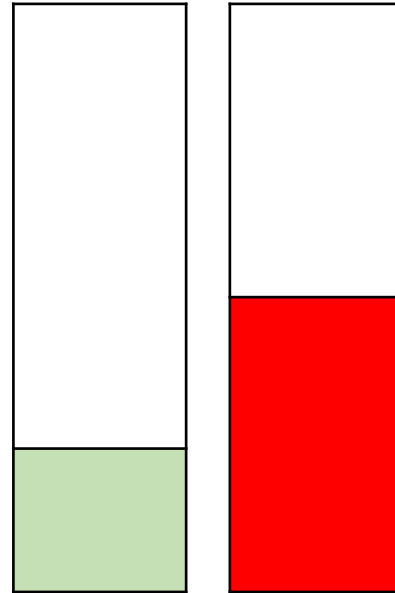
Divest Companies

Advantages

- Focus investments in other profitable subsidiaries

Disadvantages

- Neglecting growth opportunities
- Overlooking prospects related to digital trends



Decision Matrix

| | Enter Africa | Merge Companies | Divest Companies |
|---------------|--------------|-----------------|------------------|
| Cost | - | + | + |
| Opportunity | ++ | + | -- |
| Profitability | + | + | + |
| Time & Effort | - | - | - |
| Total | + | ++ | - |

Decision Matrix

| | Enter Africa | Merge Companies | Divest Companies |
|---------------|--------------|-----------------|------------------|
| Cost | - | + | + |
| Opportunity | ++ | + | -- |
| Profitability | + | + | + |
| Time & Effort | - | - | - |
| Total | + | ++ | - |

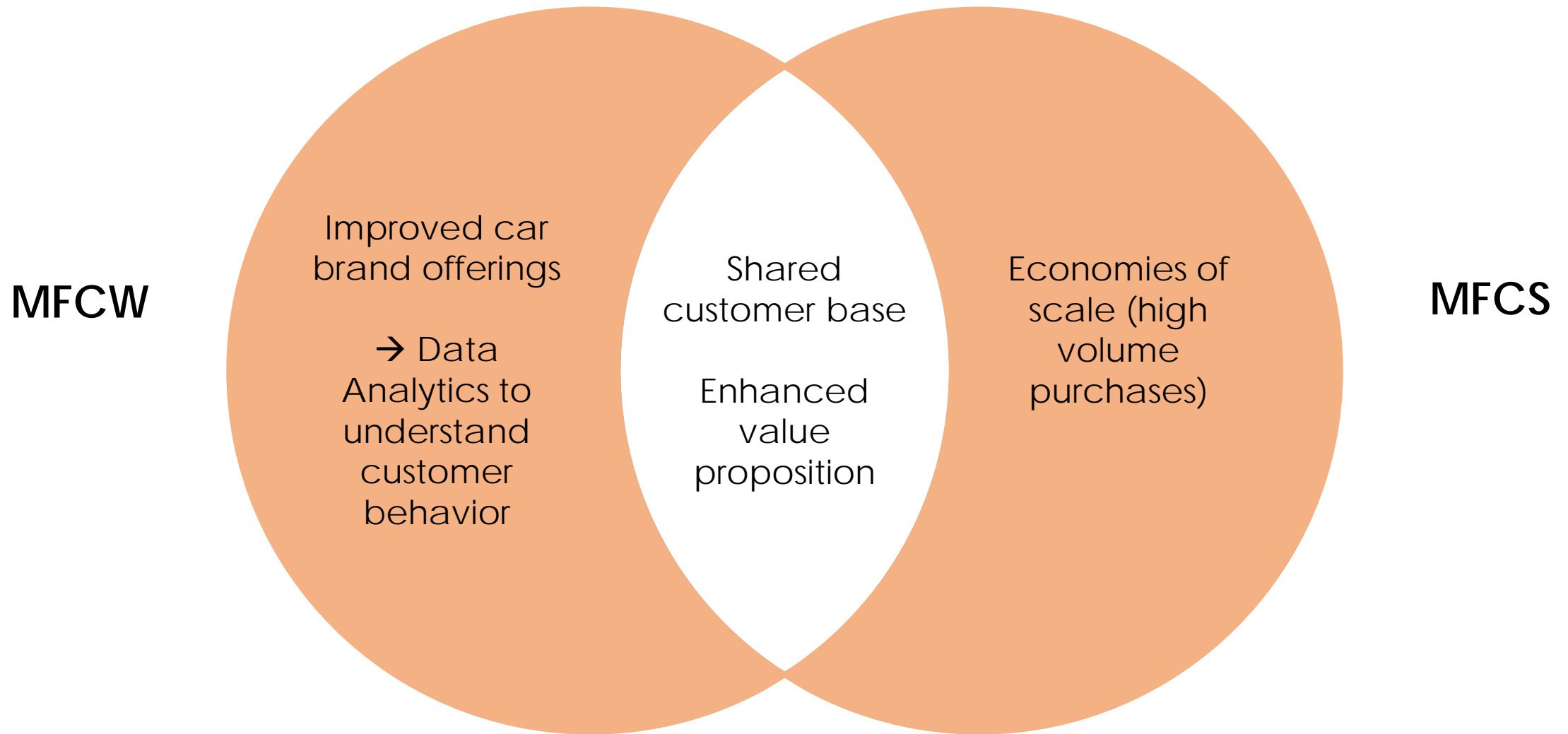
*Merge MFCW & MFCS to Improve Efficiency
and Increase Customers*

First Choice, One Choice

Improve
Efficiency

Increase
Customers

Synergies



Improve Efficiency

Franchising

1 contract for
Services & Wheels

Geographical
proximity or single
shop

Training

Train MFCW
employees in MFCS
training centers

Centralized Admin
Depts.

*Decrease
acquisition cost*

Combine
marketing &
business
development
activities

Increase Customers

CarWorkz

Aggregate used-cars sellers on platform

Data on popular car brands

Subscription-based revenue model

Conversion to MFCW Incentive

Loyalty program

More services, accumulate points, exchange for discount on used car from Wheels

Conversion to MFCS Incentive

Upon used car purchase, **offer discounts** on **car services**

Two-way conversion

Add feature to MFCS's mobile app to **locate nearest** Wheels shop

Timeline

| H2 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------|------------|--------------------------|------|------|
| Locate near shops | Map in app | | | |
| | | New franchisee contracts | | |
| Loyalty program | | | | |
| Gather platform suppliers | | | | |
| Centralized departments | | | | |

Financials – Strategy Impact

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|-----------|-----------|------------|------------|--------------|
| MFCW | | | | | |
| Revenues (Mill INR) | 2,381 | 5,356 | 11,249 | 22,497 | 41,620 |
| Growth | 150% | 125% | 110% | 100% | 85% |
| MFCW - Profits | 12 | 54 | 225 | 900 | 1,665 |
| MFCS | | | | | |
| Revenues | 1,108 | 1,773 | 3,102 | 5,584 | 9,493 |
| Growth | 40% | 60% | 75% | 80% | 70% |
| MFCS - Profits | - | 14 | 47 | 168 | 285 |

Profit Margins are to increase gradually due to reduction in marketing and administrative expenses

MFCW: PM to increase from 0.5% to 4%

MFCS: PM will increase from BE to 3%

Financials – Strategy Impact

| | H2 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------------|------------|-----------|------------|------------|-------------|
| Incremental Costs | | | | | | |
| Application Development | 20 | | | | | |
| Platform Development | 250 | | | | | |
| Discounts (1% of revenues) | | 34 | 71 | 144 | 281 | 511 |
| Total Incremental Costs (Mill INR) | 270 | 35 | 71 | 144 | 281 | 511 |
| Total Incremental Profits (Mill INR) | -270 | -23 | -4 | 128 | 787 | 1438 |

NPV = 1.1 Bill
INR


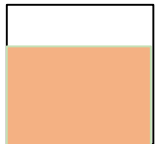

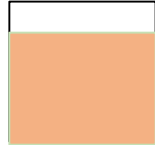
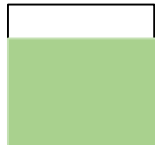

IRR = 60%

Modified Growth

| | 1.4 | 1.2 | 1 | 0.8 | 0.6 |
|-----|-------|-------|-------|-----|-----|
| 6% | 3,724 | 2,380 | 1,425 | 768 | 333 |
| 8% | 3,332 | 2,123 | 1,263 | 671 | 279 |
| 10% | 2,986 | 1,896 | 1,121 | 587 | 233 |
| 12% | 2,680 | 1,695 | 995 | 512 | 191 |
| 14% | 2,408 | 1,517 | 883 | 445 | 155 |

Discount Rate

Risks and Mitigation

| Risks | Probability | Impact | Mitigation |
|---------------------------------------|---|--|--|
| Internal employee resistance |  |  | Focus on training employees and clearly communicate benefits |
| Resistance from private equity owners |  |  | Focus on profitability prospects from company's sustainability |
| Increased competition |  |  | Continuously differentiate by leveraging data |

Conclusion

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