

Meeting of CIOs with Mr. Anand Mahindra: Summary

Investor Relations, November 17, 2015

Date & Time	November 17, 2015; 2.30 p.m.
Event	Mr. Anand Mahindra’s Interaction with CIOs of Investment Funds
Participants from M&M	Mr. Anand Mahindra, Chairman & MD; Mr. V.S. Parthasarathy, Group CFO & Group CIO & President (Group Finance, M&A) Mr. K. Chandrasekar, EVP – Corporate Finance & Investor Relations and IR Team

An interaction of Mr. Anand Mahindra with CIOs/ senior persons of top fund houses, was held by Mahindra & Mahindra Ltd.(M&M). It was an exclusive opportunity for large investors to gather Mr. Anand Mahindra’s views on strategic issues & vision for the M&M group. Mr. V S Parthasarathy made the opening remarks & set the context for interaction on strategic issues followed by Q&A session. During his opening remarks, Mr. Parthasarathy highlighted the resilience of Mahindra / group businesses and the benefits of federation structure.

Some key highlights of the interaction with Mr. Anand Mahindra are as below:

Global economy update:

- There is optimism in international fora about three economies – US, China and India.
- The Government of India’s reform process is also being viewed positively.

India Macro update:

- Though India has been affected by successive poor monsoons, the actual kharif output may not be bad. The Rabi sowing might also be above par.
- Though festive season saw some good demand pick-up in automobiles, it may not be same across all the sectors of the economy. The rural slow-down is also impacting the overall economy.
- The investment scenario has also not picked up. What we understand is that the global risk appetite of the private money has gone down – investors do not want to fund new projects until all the clearances are in place and the first stage of construction activity has begun. They do not want to come even at the mezzanine stage of funding. Therefore, the initial funding has to come from government. Government of India also understands this and is working towards kick starting infrastructure growth.
- The ease of doing business in India has definitely increased. The approvals for the projects and refund of old incentive refunds are happening without much follow-up.
- The agriculture sector is also witnessing transformation with focus on irrigation and productivity improvements.
- Overall, we are seeing Indian economy with much more optimism.

Business update:

- The UV business has seen good demand during the festive season this year. The launch of new products (including TUV300) has helped the company to perform well during the festive season. S101 is the next UV that would be launched very soon and is expected to increase the UV volumes. With these new products, the

company would increase the volume and regain some market share. Going forward, the company would also aim to extend the brand to premium segment also.

- The proportion of SUVs in the overall passenger car segment is expected to grow. SUVs are still preferred by customer for its safety appeal. The recent proliferation of UVs increases the choice for customers.
- The company has greatly improved its R&D and product design capabilities over the years. The state of the art facility at Mahindra Research Valley , Chennai; Mahindra North America Technology Center at Detroit, USA and design facility at Europe have helped the company to refine its product development capability close to global standards. The company is also jointly developing aggregates with SsangYong.
- The group has been able to build a resilient culture with conservative financing policies (debt equity ratio of ~0.21) and strong cost control even during difficult times to protect operating margin. While the group is not risk averse, it would put in risk mitigation measures to ensure that the group does not take risks which are too large compared to its size.
- The common themes which the group is currently working on are: simplicity, digitization and leveraging synergy.
 - Simplicity: Sometimes with the scale, businesses get more complex and it adds to cost. The group would work towards simplifying its processes and systems. For example, Swaraj Tractors epitomises this concept of simplicity – one plant, simplified product portfolio, simple supply chain and focussed dealers.
 - Digitization: The group is working on many digitization initiatives which will help the existing businesses. For example, Club Mahindra is moving to a model in which more and more bookings happen through on-line, in turn improving transparency, customer satisfaction and efficiency of operations.
 - Leveraging synergy: One of the key advantages of the group is its ecosystem – ecosystem of dealers, channel members, service centers, repeat (loyal) customers, etc. This ecosystem is what helps companies like Mahindra is to do better than few other players in the industry. For example, the group is trying to see how it could use the knowledge and product offerings of its various businesses to offer a value proposition to new age technology players.
- The 2-wheeler business is part of the overall mobility strategy, much as in large global companies such as Honda (Honda is operating in all the mobility categories except truck); while the company was right in identifying that there is a sufficient profit pool is left to be leveraged and the scooters will grow faster than motorcycles, the execution has been an issue. The company is working towards a plan to ensure that it can stake its claim to the profit pool available in the industry.
- Defence is an area in which groups like Mahindra could play a leading role. The Government also has stressed the importance of 'Make in India' for defence products and would push towards implementing the same. The process of implementation might be long, but the potential is huge.

Evolution of the group in the next 5-7 years:

- The group has always stood for its core values and would never compromise on the same. Mahindra would want to be known for its purpose driven approach rather than its size alone.
- True to its federation structure, each business will chart their own growth path. The group structure can be described in terms of Banyan Tree – where, the branches itself becomes root and it is almost impossible to identify the parent tree from the new tree; similarly, many businesses might start from parent company, but in due course they can become independent listed entities.