



“Mr. Anand Mahindra’s Interactive session with CIOs”

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**V.S . Parthasarathy:** Welcome to this one-on-one exclusive interaction with Anand Mahindra, and the focus of this meeting as you all would appreciate is with strategy and strategic nature of how things are for Mahindra. So, I am sure you all want to talk to him about your various strategic questions and I am always available for your quarterly conference call for the operational questions at any time that you want and that is how we have been interacting. So, I am sure you will focus on the strategy and whatever questions you have on that front.

Before I hand over the floor to you in order to directly ask questions, two small things I wanted to do, Sriram if you can stand up for a minute please. Sriram Ramachandran has joined as Head of Investor Relations (IR), he will be reporting to Chandra, and therefore he will have a lot more interaction with you. He has been with the Group for eight years, and for some time with the Planning Commission as well. He will bring a lot of insights to IR I suppose. While we are globally seeing some early signs of revival in the USA and some signs that we will in future see some revival in Europe as well, and even in India while we are seeing all the big signs of things to happen, on the ground level in the short run as they say, "*Haunsle buland hai lekin dil thoda kamzor hai*". So, today it is a little bit of small things which have to happen. Everything is poignant in the future but today there is a little bit on the short term. There is not so much of clarity, but with the kind of a background, the future looks bright. Anand do you want to make an opening comment?

**Anand Mahindra:** I usually find that whenever I engage in long, open and introductory remarks or sermons there is a glazed look that comes of everybody's eyes, they almost seem to be waiting for me to finish the brief so that they can ask their questions. Let me just jump right into it and open the floor up. I am happy to take questions so that we can determine the context, I mean the format of the discussions is really up to you. Format and direction, I am happy to wander wherever you want me to.

**Sanjay Kumar:** Just taking over from what Mr. Parthasarathy commented, you know obviously there has been a lot of positivity in India, we have seen what is happening globally, and in India for the last one year, and a lot of enthusiasm that we have seen, Indian markets have been almost euphoric, we all have seen the run up. So, two things I want you to understand, and as your view on.....

**Anand Mahindra:** The word euphoria implies a kind of false happiness. You realize that you guys are the ones who determines the markets and where it goes, because I am worried about the word euphoria. Do you think it's valid where the markets run upto?

**Sanjay Kumar:** Not at all, in my opinion I would say it is at a 10-year average, the valuation that we are sitting at.....

**Anand Mahindra:** So you are saying it is all right, it is rational you are saying.

**Sanjay Kumar:** Yes, So two things I wanted to understand that one is, looking at the positive mood especially in Corporate India at least in the near future, what is the global risk that you see, A) from Corporate India's point of view in general and more specifically for M&M's businesses.

**Anand Mahindra:**

Interesting, I did not think that would be the first question about the global situation. Because some years ago, I started opening my blue chip presentations, blue chip some of you may know, it is an annual conference we do, with our 500 top managers, and I meant to lay out the kind of perspective on the world and where it is going. I usually used to go continent by continent, and when I look back I looked over some our material, and I am not claiming I am an oracle by any means, but I was pleased to see by and large the potence I saw there have borne out, and that is why I was always bullish on America even when people were negative and it is more of a view which is holistic as opposed to markets or bond rates, or QEs, it was more about the resilience of the economy, the nature of that country, you have to live there for a while to understand their strength. People make casual remarks about Oh the US is finished, if you remember post Occupy Wall Street, very-very resilient. They keep hitting themselves on the head, they are the first to criticize themselves, but they have tremendous ability to gather themselves together and move forward, and the demographics of course support them. So, I think America is on the verge of a fairly benign upward cycle. A benevolent, benign almost sounds as if not to tumor that is benign, but I am saying it in a more positive way, there is an up cycle there, and you can feel it when you are there, it is palpable in the housing markets, and just to bring it closer to home, so I will be swaying between your two questions, what does it mean for us and also what it means for global risks. Our highest growth this year in the tractor business has been in the US, so my favourite comment which also throws people for a loop there is when I say US is our emerging market and when you tell them that it is sort of, as I said, takes them off balance first and I said well that is where our highest share growth is. Of course that is also because our tractors there are addressing the right needs as that tractor market shifts through smaller more rugged tractors, more organic farming, to more back to nature, private farming, so we are capitalizing on that. The industry growth is only 5%, we grew by 35%. So that is of relevance to us, but from every point of view, and we have been seeing even in the automotive market, both on an aggregate sense as well as the sub-segments of that market do offer opportunities to companies like us. I will not say more about the automotive side except the one thing that is in the public domain, Genzee this electric two-wheeler that we are doing, and I still believe for anything that is innovative, that is disruptive, America is the place to be. Both because it has a market for the innovative disruption, it creates scale very quickly, but also when you build a brand there, that brand is enormously valuable to go into any other geography. So, both for our tractors and for these innovative two wheelers that we are doing, which are electric, it is all over the internet so you can see what exactly it is. For me that is also a very interesting experiment we are doing as an organization, because what we did was the inspiration came from here, but very quickly when we looked at what the opportunity was we moved the design team, we moved the location of the design team and the composition to California, so it was designed there, and then the manufacturing plant was at Michigan, what we are trying to do is, trying to see where the cutting edge innovation happens, how does it happen, what is the benefit of creating small teams which everybody talks about, we sit and we read articles about it and then we discuss it in business schools. Why shouldn't an Indian company take advantage of learning about that eco system? We always say, let us create a Silicon Valley here, that will take 10 years, whatever it is, then you also have this on the one hand, in the meantime if you are true global company you want to create a disruptive product, well go to where the action is, if people say smaller design is best in

California, well we can do it there. If there are incentives available in Michigan, we will go there, so this is a very interesting experiment if it works even half way through. In terms of allowing us to get a product out in a very short timeframe, and which is a disruptive product, it could positively infect the rest of our company and have huge learning. So America, coming back, I will finish of saying both have seen upward cycles, but I also see it as a laboratory for us to develop disruption, to turbo charge our own innovation, that is how I see America. Europe I always said is going to limp along, which in retrospect turns out to have been an understatement, if you look at the cycle. Happily, we restructured our main business in the Group which was dependent on Europe, which was Systech. We started this whole restructuring by the joint venture of CIE, and I have to say that compliments to Partha and his M&A team and Hemant Luthra who did this, they just went after this. CIE came to us with only one interest, which was a stamping plant, and we looked at them and saw a much bigger opportunity, and so we have taken what we had created here, which was a clean sheet, 900 million dollar business in automotive components and turned it and converted it into a second largest shareholding of one of the top 25 auto component makers in the world. And the market as you can see has applauded that, our investment of which we took, the CIE stock has doubled. We invested €6, and the quoting in the market is €11 today, and touched €13. They had an analyst conference the other day where there is a buy on them so that stock at €13.5 now. Even for Mahindra CIE which was created here, where we turned our holding into a 20% holding, that stock prices has gone up in multiples, so overall our entire foray into that business has converted into immediate profit plus upside. And management that is very competent in the European sphere, so if you look at CIE, they have managed to do well even in the worst years of Europe, and they have managed and they are very lean, they are very glued into understanding how the various countries work in Europe, so my view is that our play in Europe, our large play which was Systech. It is now in the hands of people who have shown an ability to manage in the worst periods of Europe, and therefore there will be only upside. And where I have started directly with the M&M risk, otherwise frankly in Europe our only other very major dependency comes from Tech Mahindra. First of all I am presuming, I am talking about the Group, if you want me to stick only to M&M let me know and if you have any other questions relating to it, but I think from a Group perspective. Tech Mahindra obviously, gets little less than half its revenues out of Europe now. Most of them are US based, both Satyam and the growth in AT&T. The European slowdown and the limping which will continue to happen for a while is in fact a boon for TechM. Because as those companies come under pressures, the pressure on them to lower cost and to outsource but not outsource only to sweatshops, give higher value added work to Indian IT companies, that pressure is going, we are seeing it happen. There are carve outs happening. There are businesses which we virtually take over from their side, so the nature of how you do business is changing, it is only to our benefit. Am I missing out any other dependency in Europe? From the M&M point of view, as I said, neither from tractors nor auto do we have a great dependency on markets in Europe as of now. That is the only area of risk I see. The Middle East which at one time was looking like it was going to be a major growth engine, Middle East plus Turkey, is for reasons you all know is really on hold right now. Fortunately for us we did not make any big bets there, nor does our global expansion based dramatically on the Middle East. I will not go into a geopolitical discussion right now, but there are some major, major concerns about what is going

to happen in that part of the world. And Turkey which was seen as a major BRICS champion, is under severe questions right now, because somebody, I was in New York with some business leaders from there, and they have lost faith, and like what has happened in India, they have lost faith in their leadership and saying that we started out, they were friendly with every country around Turkey, and at this point there is no friend they have around there, that is what has happened to their position, so the champions in the Middle East are looking scarce. But on the other hand, Africa in my opinion, is a success story in the making. We only get the negative news, we hear about Ebola, we hear about Boko Haram, but if you look at Africa in general there are some incredible success stories in the making. incredible might be too strong as an adjective, but relative to where they were, if you look at Ethiopia. 90 million people, stable government, dramatic growth in GDP, you pick and choose, but Africa is an incredibly promising nation, and happily that is where we have been making inroads, have placed some bets by going to South Africa, South Africa is slowing, but we have if you look at our numbers and so on, volumes in both tractors and vehicles, pickup trucks largely are growing, and that is one area where we see tremendous potential for our two wheelers as well, because in two wheelers in Africa we don't suffer as a big player unlike in the local market where you are coming up against monoliths, in Africa arguably the Mahindra name is probably better known than other players. Because a large two-wheeler player here, was not really allowed to play in Africa, it is only going in now, so we are all in a level playing field in Africa, and that is where we will make, increasingly you will see Mahindra making its footprint visible. That is the overall picture I can give you, I don't know whether I went off track, is there anything more specific on the global side if you want me to talk on.

**Sanjay Kumar:** Basically I was looking at your comment on this disruptive opportunity, once the market throws up, do you see it as just the US?

**Anand Mahindra:** Maybe the US.

**V.S. Parthasarathy:** US and in the medium term he referred to Africa.

**Anand Mahindra:** Disruptive opportunities or disruptive innovation. You are talking about, let us call it an exponential opportunity, that was Africa. Even in America, I think it can be exponential, you come out with something, which clicks over there, and which catches peoples fancy and it is innovative, you can reach global scale overnight in America, that is the way, opportunity is there, so in both cases there is an opportunity for exponential growth. In America there is an opportunity for disruptive innovation. Africa, frankly innovation is not necessarily the immediate opportunity, it is going, everything we do, all our product portfolios that we have now ranging from the autos, tractors, trucks, two wheelers, all of them will find application in Africa because they are behind us in a sense in development and customer aspiration. But again, I don't know whether that is on the track you wanted, anything else you wanted on the global picture?

**Sanjay Kumar:** Any huge opportunity, this kind of disruptive business opportunity that you see in India in your businesses?

**Anand Mahindra:** We are always looking, we spent the whole day at our automotive sector strategy war-room and I dare say that there was some disruptive opportunity that came up, but I think if I told you what they were, I will be fired and rightfully so, so cannot really tell you but you know I ended it, I said I am going into an analysts meeting and I am going in with double confidence that I never had before the strategy session, so yes, cauldron is bubbling with a lot of ideas and let me just give you a general clue as to what the opportunities are for companies like ours. Are in the areas of bundling services, on what you do, if you have a very strong brand franchise for something which is hard product, then opportunity in the next five years and decade of course, beyond is how do you convert your offering into a bundled product plus service offering, that covers a lot of the ideas, you can spend a lot of time, one day I am sure you guys will also have ideas as how one does it, and the second idea is how do you digitize, the new digitization, and the digitalization of the market coupled with your products to create new businesses, that is where our focus is. Beyond that, going back I am uncomfortable talking further, it would be wrong if I do so. Those are the opportunities in India maybe not just for automobiles, but for every business, it is really about service bundling, and digitization of your business, and for Mahindra in particular the exponential opportunity is in getting synergy of our businesses. There are unexplored synergies that one can create, and if this was a brainstorming session, I would have laid this problem and said, take M&M's businesses, put them all in front of you, all of you, ranging from even retail and then say if I take services, and add a bundled offering of services digitalization and the synergies between all of these, what would be the new ideas. That would be a very interesting setup to a brainstorming session, and that is the kind of stuff we are looking at.

**Navneet Munot:** Something like defense do you think would be a very big opportunity?

**Anand Mahindra:** Certainly, I remember when we first went into it and Prasad was the Defense Secretary, and I remember I would walk into the Defense Secretary's office and he said you are wasting your time, you are only doing jeeps, but you have been in this business for a long time, defense is the area, government is going to take all the ordnance factory boards and going to find PPPs for doing them, you are missing out, so I started the whole defense sector, and the rest is history. I went to see him three years later, he said, I may have been a little premature in my comments, and yes, that is the understatement of the year. Everything they did you know they had some title they had made that they were going to create some certain companies would be designated with this... all that went by the wayside, so you can forgive me for some healthy skepticism about how quickly these things have happened, but all the signs so far are good. Processes are changing, I remember that we have got this aerospace factory in Bangalore, and where it took us normal painful time to get the industrial license, we got that, and then we were asking for defense license, they do offset stuff in that, nothing was moving, and then with the new regime I am told our people went there and they said you do not even need a license, you just need to fill an online memorandum and off you go. So there is definitely, our experience has been that there is a change in attitude and there is definitely a speeding up of the kinds of bureaucratic red tape that was there earlier. So, to that extent I am definitely hearty, they have also talked about larger outlays, the areas we are interested in are initially to do with wheeled products, some of the big spending that they were mentioning, those areas have not been announced yet, they have

largely talked as you know about the naval opportunity, they talk about missiles and so on, so right now we are still waiting for that renewed momentum to affect the areas we are directly into. But yes it is an opportunity.

**V.S. Parthasarathy:** I just want to hasten to add just because there are some consensus, that we are not directly into ammunition or things like that, we are into the defensive part of it, the first is radar space, that is the first, a joint venture, but we are into armoring, and things like that, we are also into being suppliers in these kind of areas, so we are not directly into ammunition and that is the reason I am mentioning it very specifically.

**Anand Mahindra:** That is not as a result of any kind of external pressure on us, it is becoming our Rise philosophy and it is interesting, the moment we coined Mahindra Rise, and drive positive changes, I know the younger people in the organization said, you said Rise, but then you are talking about getting into armaments and getting into defense, and we had a lot of thinking about that, and we articulated the policy that what we will do will be nothing that will involve incendiary purposes or that would be directly involved in offensive areas to the extent that we would focus on areas that were really about security, about defense, and accordingly we have built on some of our strengths, like in wheeled products for example, but we would not be getting into let us say arms and ammunition for example, those were the ways in which we have in a sense reconciled where we stand with our Rise tag line and that is sort of internally driven.

**Participant:** Are your two wheelers mainly going to be your export strategy, or is it going to be a domestic present number?

**Anand Mahindra:** It will be both, but I will say that I think the export opportunity is a bigger one for us to have a larger share in the pie, our share in the pie, aspirations here are not for example to be one of the big three, but we definitely in keeping with the Mahindra's overall approach, even in the auto business, we have segmented this, we are not in the entire car business, so in the same way we do better when we carve our niches. When we acquired Kinetic, I remember, people forget today, particularly the media, I remember I got some questions, why are you are investing in the two wheeler business, because at that time the market had declined, it was one of the troughs, and even the market leader also had some declines, and somebody in fact told me, why are you going to this business, it is going to decline because the Nano will make two-wheelers go down. I was feeling they were saying this guy must be smoking something, we think that the country of 1.2 billion people is going to have a decline in two wheelers because people forget this. They come up with stuff like that, then I was told okay, you are right, but scooters will go down, motorcycles were going up, and as you know there is a particular gentleman in the industry who talks about only motorcycles is where the action is going to be, and he has been saying that for some time, and I looked out and I said, why don't you just go out and see what happened in the rest of the world, you don't have to be a rocket scientist to understand how markets develop. Look out, around the world motorcycles have become leisure vehicles, it is the scooters that have mobility, and I remember telling one of the people who are at the helm of electronic channel who was interviewing, and I said, look turn on CNN and you will find there are Wall Street workers now who are taking scooters to work. And it is for reasons of congestion, it is for reasons of ecology,

women getting empowered means scooters. And so now they argue scooters are the fastest growing segment for the last three years, so nobody has the courtesy to remember the ridiculous questions they ask, so frankly speaking we believe that scooters, we went into scooters when it was a “niche opportunity” we think that we want to have a strong presence there, which is why Peugeot is the oldest two wheeler brand in the world, we think that the problem for us as two wheeler makers in India it is brand, because it is an urban brand, Mahindra not necessarily the strongest urban brand in our products, so that is why the Peugeot acquisition at a very economical price gives us a brand to play in the urban markets. Gives a foreign brand cache, plus gives us enormous distribution clout and particularly in Africa where we see a huge potential for two wheelers in Africa, most of Africa, Peugeot is very well known brand, so right way coupled our frugal engineering, our manufacturing capability with a brand that will help us in urban areas in India plus in the most promising markets overseas like Africa, and LATAM Peugeot is a well know name hence Peugeot. So, we still believe that we will play in growing markets I think in every business that we start up there, there are learning loops, that some things you don't do right, which retard your growth, question is how quickly can you learn, how quickly can you can recover, so initially for our products in the motorcycle area, I think if you move back perhaps we were too quick to go into the products that were not engineered by us. We have showed with our products that we can recover, arguably the Raksha Udyog Ratna I think the label they give, I think that is out of the window. Anyway this is what we will do, even in two wheelers we will look to carve our niches. We will look to carve our space for ourselves, where eventually our brand gets recognized, Our Mahindra brand gets recognized for value, and for innovation, just as with the Gusto, we were the first to come out with adjustable seats, it is incredible to think that nobody thought of that earlier, for the scooter that which is used by three generations, for three members of the family, older generation, the wife and the husband. The greatest problem was the seat adjustment, nobody had done it. So, one of the reasons why we are getting a very good response for that scooter is for a simple thing like that. Hopefully we innovated, and we will carve out our own niche, and we will do it in a segmented way, which means that we will always be a differentiated player in India, but overseas I think the game is wide open and coasting on the Mahindra brand in Africa and Latin America, we are not fighting as small players coming up against big players, we can fight with the biggest Indian players without our hands tied behind our backs overseas, so that is why I do think exports would provide us with a bigger opportunity.

**Amay Hattangadi:**

Two wheeler market, you rightly spoke about scooters. In the 4 wheeler market, let us talk about the trends particularly in the crossover SUVs, and what are the trends you see there as opportunities, also the fact that most of these crossover SUVs have come from the sedan, the guys who were popular with the sedan segment, you will be moving from the SUV UV segment into this crossover, so you think you have the right mindset, DNA to be successful in that as well?

**Anand Mahindra:**

So that is a great question as to who will be the winner, depending on where you come from. My proposition, and anyone who knows which will be right. Why are people buying crossovers? It is because they want to look like they are riding an SUV, that space and all that. The Duster is the Logan. We saw the Duster design when we did the Logan joint venture, in fact that is why



we knew the joint venture will not last forever. Everybody asked us, did your joint venture fail, I said it never failed, it was programmed to time itself out. Because we knew after a while we will be in competition with them, it was very clear. Rajesh Jejurikar who headed our Auto at that time, knew that very clearly. But why people are buying Duster, they want those muscular wheel arches. They want to feel like I am getting to be muscular but without having to pay that much or with the comfort of a car. But essentially the mindset is an SUV mindset, so I think unlike in any other area, we are coming into an area where our brand begins to have relevance. One could argue that if we went purely into sedan, it is a much tougher job to take the Mahindra brand and make it with fine attributes, we used to say that the Logan was the closest product we could do in Sedans because it was rugged, it was fuel efficient, it was durable. If you talk to anyone, talk to the Meru Cabs people and they will tell you their most profitable vehicle is still the Logan, so that ruggedness and durability were the attributes that is shared, but all said and done it was still moving to a sedan segment. If the world moves towards crossover, my argument is it is easier for us to leave them, because people want those attributes. What is technologically the issue, we have to then prove ourselves is that we can make crossover as comfortable as a sedan is. And that is our challenge that is what we have to do. But let me put it this way, the Ssangyong acquisition for example gives us additional capability to do that. In January, you are going to see the launch of the X100, which is the Ssangyong entry into the crossover world. I cannot guarantee its success, but if it is even modestly successful, let me put it this way, do we have access to the technology and engineering to make a company crossover, yes, I don't know whether you have seen the X100, Google it and take a look at it, and you will see that it is already creating a lot of expectation in the Korean market and I will leave it at that, because then I am giving a little too much but we certainly have the capability already within the Group to make a modern crossover, don't forget Ssangyong, when you evaluate our ability to do crossover. Your question about where the markets are going, certainly crossover. Earlier we had identified that more people will move towards SUVs, I think we were right. The SUV has morphed into many variants, it has become the crossover, and everybody wants muscle. Everybody wants to have a greater presence on the road. Even women, 20% of our Scorpio drivers are women or SUV a little higher, because they feel safer. In India, unfortunately the road is not definitely a safer place for a long time, that is just the way, but I hate to say that, that is how it is, because of our congestion, because of lack of discipline, and so on, so people simply feel safer. We will never use that in our advertising, it just does not feel right, but the number of pieces of evidence I have, tweets, e-mails, and people telling me, look we had an accident in our vehicle, and the only reason why we are alive is because we were in a Mahindra vehicle, that is not the kind of stuff that I can put out in an ad, it is just as distasteful to do that. But seriously if you go down and ask and do some customer research, one of the main reasons they buy our vehicles is because there is a perception, "Mahindra ke gadi mein tum bach jaoge" it is a very strong attribute to have. We leave it at word of mouth. Sometimes it comes out in a forum where if somebody says I had this why don't you go post it on **Team BHP** so people understand, that is most we do. So we think that safety element comes in to crossover, the brand cache of SUV is muscularity and we will carry over there, and as I said, the technology of more sophistication and refinement and we are already in the make. I think we have a good shot as the world moves towards more SUVs, the other broad trend that I see which has been dormant for a while is hybrids and plug-ins. I

definitely in urban mobility, see a move in small cars, shuttles and common transport, more uber-like transport, we are going to see a major tipping point in electric plug-in vehicles. Reva is the other question mark, people have had, we have already seen an uptake in the demand there, because we came out with power steering and we increased the range to 120. We are also going to come out with four door, which was the other complaint people had, if I am getting a car, then I don't want a two wheeler. So when we had that we are going to see an uptick there, and my feeling is that look at some point Government is going to have to do something about major cities, about congestion and gridlock. Delhi is almost impossible, at some point whether they follow the Singapore example, or whether they create areas where only EVs and plug-ins are allowed, or pooling, the more people begin to think in the urban areas of cars as transport functionality as opposed to an expression of who you are, plug-ins begin to grow. So, I see a trend towards plug-ins and other things but I also think that the broader trends will be hybrids. Hybrid gasoline and electric, or hybrid diesel and electric, and there as you know we were the first non-Japanese Asian company to do hybrid concepts, so we are on the way there, we could enter that market the moment it gets to a tipping point. But again SUVs I think will once again prove their worth there.

**Amol Gogate:**

Five or 10 years out do you see Tech Mahindra to become the heart of the Group as opposed to UVs or Tractors?

**Anand Mahindra:**

That's strange, sometimes we read about people who have given birth to freaks, they have five hearts, multiple organs, for us it is not a deformity. I would never say this is the heart of the other, I always feel that is the wrong thing for me to say, the moment I say that there will be shrieks of horror and pain from somebody else, and my job is to make sure that the smallest startup feels they get my attention as well. In fact to be honest that is where I pay a lot of attention because when you have business in auto pilot or on cruise or mature business, whichever term you want to use, that is not where I am needed the most, I really try and spend more time on interesting startups at the frontiers of things, so we will never say anything is the heart, but the funny thing is that a long time ago somebody predicted that TechM will soon have a higher market cap and higher profit than auto. Pawan took it as a challenge and said nonsense. This kind of thing fuels everyone's juices and he is saying I am still ahead both in profit and market cap, and now you say 'Hum aa rahe hain, Hum aa rahe hain' they have had a great run, and they are doing well, who knows, but I am not this kind of tango that they keep going, and I am not prepared to make a bet as to which will be larger or more profitable. What is nice is that I do not mandate anything, because the structure of our Group that came through where I keep using a word federation means that there are many companies in which I don't have the locus standby to suddenly say you will do this, we have independent Boards, they all are listed, they are not accountable to me, expect through my nominees, who are the largest shareholders, so you have to be very careful from a governance point of view, I cannot sit here and write and speak about this as to what they should be doing, so this annual conference what we do is a way of getting synergies, extracting synergies and more by way of provocation, by way of brainstorming, by way of raising opportunities for synergy, if we take Rise for example, the company which uses the whole Rise tag line the most is TechM and you think about it, it is not surprising, that half

the Group in terms of people, 95,000 people out of 180,000 are in TechM and they use it to attract people, they use it to retain people, they use it with josh, they do the “Swachh Bharat” and they are all over cleaning that is because of Rise, it is a great cultural tool that CP Gurnani realized is of most use to him. So that is the way things will work, and I have seen each synergy now because we have waited for a while, people are beginning to see how things measure, to give you an interesting example, long time ago CK Prahalad came to one of our Blue Chip conferences, and I had asked him to give a keynote. You know CK, you cannot tell him what he will do. He had been hitting me for many years, saying focus, focus, and in the whole Group of ours. And I used to keep arguing with him about how the federation allows you to grow, use the benefit of a Group, and yet not lose focus because they are independent. Blah Blah. So, he came and he saw me outside the tent, and he said Anand, you know you are going to be interested in my presentation. He said, I am finally agreeing, I see the logic in what you are doing. But you don't understand, I mean this is CK, you don't understand, I understood the logic of what you are doing. Okay, He goes on to the stage, and he puts this screen out there, and he had on his X axis, he had competency, Y axis he had this sectors and put squares and grids to each other, so you write down for example marketing, or logistics, telematics, or whatever, IT skills, and then you had the sectors, and then he started saying look for where they intersect, and then he said, very dramatically he said, say when you think of strategy, do you think columns or do you think rows, and then he just kept quiet, and had everybody sort of cogitate on that, what he was saying was that you have created an engine which allows you to look at, creates wide spaces for yourself. The second chart was, he showed a map then, he said if you look at this now, here is a map of India, and this is the cluster of the automotive areas, he showed Gurgaon, Chennai and the Western region. So here is another map on the IT clusters of India, Noida, Chennai, Bangalore, and Western region. He said doesn't that make you think...and you are the fifth largest IT company, why should a Western company lead in making a fully electronic car, or the IT driven car, this was before the driverless car was in, 10 years ago. But what he provoked us with was his thinking, which is what we have been telling you is the real opportunity in the Group is not who is the head and who is larger, it is are we utilizing the intersections of these businesses to build new opportunities and tractions for ourselves? So, I don't know whether you know enough about Tech Mahindra's engineering services but it is one of the fastest growing verticals for them. I mean, some of the biggest marks of the automotive world are being serviced from an engineering standpoint by TechM and that is a strength in the Group too. To me that is one point, and I love it when people like you begin to even look and see those kinds of points of intersection as the opportunities for our business.

**Ashis Kumar:**

Sir the automobile sector has seen a lot of labour issues and Mahindra I think is no exception, so how do you feel about this situation way forward?

**Anand Mahindra:**

It has been a long time since I have really worried about labor. That is when I started my career frankly back even in the steel industry, and even in Mahindra & Mahindra, I basically started by having to have rather let us put it this way noisy confrontations with labor, because to me there was nothing else to do if you are going to survive and once we were post those confrontations, our productivity started growing at almost 125%, what happened since the time that I gave up

the IR portfolio, not this IR, industrial relations portfolio, it is very interesting, I used to negotiate every second, and it was a pattern that ultimately the union will always wait till things came to me before the final compromises were made, that is just the way it was, and since I have left, but I give full credit to have left that post, because full credit to Pawan, and he very proudly says that today Pawan does not get involved in the labor settlement, it is not even his auto head who gets involved, that is Pravin Shah, it is the plant head who settles it. So, that kind of delegation and that empowerment comes by earning the trust of the work force otherwise frankly they would play the role game. So I think the biggest achievement from Mahindra has been building a climate of trust where labour negotiations and settlements are reached at a very decentralized location. That creates a climate of trust between the people. We would have small eruptions here and there in either a new plant or in acquired business, but by and large the culture of M&M starting from Kandivali now is a very mature one. When we took over Ssangyong, I mean you know Korea is notorious with its labour issues.... their unit came here. We even sent our people there and our people were the proudest ambassadors to tell Ssangyong how we do labour relations. So I must give credit to Pawan and the others who carried on this tradition of good relations. I do not recall the last, from maybe it was in Chandigarh or some small SUV. They do not last very long. I am not trying to say we are immune from this problem. As the economy recovers, as business gets better, there will always be pressures for more sharing of wealth, but I think there is a wealth of internal culture to deal with.

**V S Parthasarathy:** We have not seen, there has been some things which have affected, but luckily because of this culture and because we are proactively engaged and we believe that there is shared value creation that we can do together. We have not seen too much of disruption as far as M&M and its Group companies are concerned. And in fact Mr. Rajeev Dubey actually said something in the counseling in terms of taking the relation forward.

**Anand Mahindra:** What was the last time we had any problem...

**V S Parthasarathy:** Nashik.... that was more like he saying I want something unreasonable. So we said we will hold for sometime.....Nothing major.

**Participant:** So how do you see the rural landscape evolving for Mahindra?

**Participant:** Let me just put some remarks to set the context. One is that in the last 5 years we saw fairly good increase in the rural wage growth, thanks to sharp industry increases, it seems to have moderated in the recent past. Also you are talking of much better road connectivity in the rural areas, something which was also alluded to in the conference call and so that also had some relations for demand for SUVs vis-à-vis cars. So how do you see that?

**Anand Mahindra:** So, to summarize what you are saying, the terms of trade has been very positive for rural India and we forgot what last 5-6 years only MSP has a lot to do with it and NREGA has a lot to do with it. Clearly that is not sustainable and as the objective person, I would not want it to be, I think that some prudent management, fiscal management requires us to moderate those kinds of movements upward. So, what will it mean yes, there will be a trend of that terms of trade becoming less

flagrantly in favour of the rural areas. However, we have to take into account that there are two other things happening. First of all, the roads you talked about, I remember in 1988 or something I wrote a column for a business magazine called Roads. Whoever I argued that investment in roads is the biggest single benefactor to rural prosperity more than irrigation. There is evidence to show. Reason is because the large people have diversified their income and when you diversify your income, rural households get more money. The spread of roads is tremendously raising the purchasing power of family. So that is goes counter to the trend of subsidies going up. If you look also in irrigation, the second biggest factor, quietly there has been double work going on here. There is also a tremendous amount of better governance that is happening in villages. So if you take all of this and I will begin to sound like a political manifesto right now, but if you take all these things that are happening, digitalization, information, there is a very interesting ad it has got price discovery, transparency all of these things are going to be dramatic increases and rural income which will counter the strength of the subsidy led rural income growth. You will get genuine factors that would lead to..... So, there will be more disposable income. I know your question might imply the roads get better, will they need our SUVs. In my opinion I think the whole demand will go up, people will want all types of cars. But let me put it this way which was the old roads that was the best in rural areas. Usually Punjab and Haryana, you remember in the old days before any other good roads came in Punjab and Haryana, that was always the best roads for our SUVs as people get mature they also want larger cars, they also want more muscular cars. I think sedans will go up in sales because roads will be more comfortable, but I think all Boards will rise frankly. So in terms of relative market share, both because diesel prices have gone up and roads will improve, it is clear that the nature of skewing of the market towards diesel and SUV, may not be in advantage for us, but I think the whole market will rise. We have not even begun to see the real boom. In the next 5 years, in my opinion the auto industry will boom because finally we are going to start following the pattern that China did. What it does to our congestion on the road is a different matter, I do not want to comment on that but certainly we have not even begun to see the kind of work China has done. Penetration is pitifully low here in India so there is nothing but upside and in that yes, sedan will grow much more than they were feeling threatened a year ago if you remember, all converting to diesel, all are saying time to make crossover.

**Participant:**

In the last five year I think SUVs grew faster than sedan except one year.

**Anand Mahindra:**

So the market share difference changed. In my opinion, maybe the market share will go back to resembling what they are in the rest of the world. But all boats will rise.

**Participant:**

You know and if you look at the design element of your own vehicles there is a group say as to what are the spreads that you have and the areas that you still need to work on.

**Anand Mahindra:**

Technology and design. I tell you it is not something we need to work on as in do we have the technology. Believe me today for two reasons. Both due to Ssangyong and due to the fact that technology is freely available. In 30-40 years ago, you had Fortress Detroit where every R&D guy who was inside we could not access it. Today with the internet and with boutique engineering firms, I can get the best technology I need from anywhere. If I wanted to have cars, move with the power and performance of an Aston Martin I could do that. You could acquire at a cost, but nothing

is unavailable to us. We must tell you that do not look at it as a technology gap. Technology is freely available maybe this is a simplistic statement to keep in mind you could make a nuclear weapon today by going to the internet, what is a car. So the question is osmosis of knowledge is wide spread. So we can acquire. The key thing for us I think as M&M as an emerging market player in India is how do we keep the right mix of frugal engineering and what we put into our cars so that we are meeting the rising hygiene aspirations of people without going beyond the boundary of what our brand can charge. As I said, I want to build Rolls Royce today technologically I can. Nobody is going to buy Rolls Royce fitted car with Mahindra on it, I mean let's be realistic. Brands make a car. So, we have to gradually move our brands up. Can you do it, of course you can. When I joined, I reminded people we did not make a hard top vehicle for God sake and we have been seen as just some damn commander creators. Now we sold a 13 lakh car. If you told me 10 years ago, that one day we will sell a 13 lakh car I would have said you are crazy but we did it, we moved up. Slowly you move your brand up. I remember when we launched the Scorpio Rajesh Jejurikar said we should just put Scorpio and "By Mahindra" somewhere because that should be a reassurance because may be would not be able to sell a 7 lakh car with Mahindra. Now, we proudly say Mahindra Scorpio, Mahindra XUV because people have accepted that Mahindra has moved up. So is it possible for us to ever move up there? Of course, it is but it takes long. So the question is, that is why you acquired, that is why you look for brands because you can do it even Hyundai it is not treated as a premium as a premium car maker. So it takes a great deal of time, but if Hyundai wanted to make a car that was very expensive, of course they can do, but the brand will not support them. So I think the fun of doing business for us is okay, what becomes hygienic. What is it that have to give at a minimum and at a frugal cost which people will not buy a car. Let me be honest that people who are buying the Scorpio, they will not buy the 2002 Scorpio. So there are certain things which people now find non-negotiable that maybe the word that I should use. The frontier between non-negotiable and what we can charge for it is what we have to constantly manage and predict because do not forget it, cause it took four years to build that with design. So we have to sitting here, predict four years from now what will be the minimum non-negotiable that people will want and will they be willing to pay for that at the cost at which we will have to install it for a Mahindra vehicle. It is a wonderful balance. I think we have done okay so far on that and as you keep seeing we come out with new products, we saw with the new Scorpio given how it is doing. We have just managed that well. Could we have made it even more luxurious? Of course, the question is what how much we would have charged for it would the Scorpio base would have paid for it. So again, I hope I got the point across that we have no technology problem the game is nice performance, features, managing the ratio.

**Participant:**

If were to look at the Japanese, see the engine is an engine. But you in one place you got an engine which does not make any noise, sound, vibration because they have got small things and one is we also make an engine which has all the other elements. Just to get it perfected over the period of time. Is there a gap there?

**Anand Mahindra:**

It is all about cost and all of this again. One other thing you mentioned noise was becoming non-negotiable. Please read the reviews of the New Scorpio. The first thing they tell you is remarkable improvement in the NVH it is almost a noiseless vehicle. I don't know how many of you ever used

to drive the old Mahindra Jeeps. Talk to an army guy, they all grew up in that and they learned. I mean you could not talk when you were sitting in a Mahindra Jeep in the 80s. You could not talk in the damn car. It was terrific, it was rugged but you could not talk in that car. It is as simple as that. Look at drive there is a joke in the company my wife when she first drove the Scorpio she put some lipstick on the back but she could not do it, it was bumping. So I told Pawan, there was Allen Durante who was running the company I said Allen you know Anuradha my wife cannot put lipstick on the back seat. So, informally they called it the lipstick test. And they constantly say is Anuradha able to put lipstick on the back and what do we do to make it happen. So look at it, is not so funny. It is serious because that's what the customer feels. You can give them engineering data but ultimately the wife will say damn this thing is jumping too much, I cannot do it. You keep moving up that frontier. As of now the new Scorpio has passed the lipstick test.

**Vibhor Talreja:**

Since you mentioned Ssangyong...how different could be your product with the expected UV launches, both in terms of the economics and design exterior and interior if we had not acquired Ssangyong?

**Anand Mahindra:**

How different would they be? In other words you are asking how much they have helped? Right now it is not in the look and feel so much. Where Ssangyong has really helped already because we have been very careful. Be very frank about trying to merge the two with the big bang or get all the synergies. There is a sensitivity, there is a cultural aspect you want them to feel left alone. They have had a miserable time with the Chinese before that. They always feel people are trying to steal technology so we have to manage that cultural relationship very carefully. Where we have focused is on aggregates so there is a joint engine program. So the real benefit of that is yet to come as a new engine family is coming to be but we have got tremendous scale without that we would have not been able to deliver new engine family at such a low cost. And I think there has been benefit for both because arguably the M&M engine capability is very-very strong. We have stronger engine capability than they do so there has been benefit for both but there is an economy of scale. The other benefit is on sourcing, we were shocked to find that we thought we will be able to help them by sourcing from India and sending out from Korea and we found that we were able to buy stuff cheaper from Korea. That has been kind of shock but now I think there will be a two-way flow coming up. In the look and feel it all comes down to what I was answering to him which is that the X100 price for which it comes in Korea obviously is a price frankly we don't think it is worth for that size of car. So you have to not take one to one transfer from those. So in the looks and features you will not see much benefit. In sourcing there is already been a benefit and in the engines there is a benefit coming in which is enormous but look and feel we could do at any time. You can take a look at the Rexton for example there is an upmarket interior that they have got here. If we put it into the Scorpio we would do it tomorrow but will somebody pay for it?

**Navneet Munot:**

You mentioned earlier that the businesses which are on auto pilot or which needs less of your time and you would rather give you more time to those businesses which are in the frontier but obviously you have to optimize your return on investment so looking at the opportunities side in the next five years which are those where you would give more time...

**Anand Mahindra:** I will give you a very boring answer. But as I said this it has a huge repercussion. People start saying oh he is not interested in that business so he is not....hence, I have to be very careful.

**Participant:** But where would you like to spend more time?

**Anand Mahindra:** Take a look at the Mahindra Partners portfolio. That is our incubator for new business as we look because we have different cycles and planning cycles they follow. They are more lean, they are more intrusive at the same time, more empowering. They work like bees. So if you look at that area one of the stunning successes has been in solar power. I think there is enormous value coming in for that. So Rise business as we call it. That is a tremendous business that they have gotten into to improve which is a huge value. They are the one who turned around logistics and raised this value where Kedaara Capital has invested in. So logistics and services are very interesting. If you could just look at their portfolio and one of the most interesting idea if you receive outside Mahindra partners in other sectors is affordable housing. So right now there are two very interesting experiments one which is in Boiser here in Mumbai and in Chennai. And it is a fascinating module because everybody thinks there is no margin. This is CSR. Margins are higher if you can meet the timeline. You have to run it like a factory. You have to run in with the projects skill. If you can say, this is my time and you don't have more than an X percentage deviation from your projected budget, IRRs are very high. Then you are creating big value for the company. So Prime Minister Modi is able to make the ease in doing business in India better, then frankly where largely the delays were regulation and permission of facilitation if that can be sorted out and we are only going to those cities and states which often do that we are surprised given in Chennai we finally got the permission faster than we thought. I was worried about Chennai for obvious reasons given our ethics and how we work. I was wondering whether we were able to get that we got them. We are only preselling Boiser and preselling Chennai. So, I think the affordable housing market is enormous. It is not very low. There is a level below, area below 15 lakhs below 15-12 lakhs has become CSR. Then the government has to do it. But in this sweet spot that is one area that I am very keen and if you can make our mark there we feel good end of the day. We changed the landscape.

**V S Parthasarathy:** But just let me summarize by saying that it is like a symphony and an orchestra Anand gets to do it in various calls. Everyone when we say 3-2-3 each of the businesses comes up and say I can do more not less. So we have had the ability to do that.

**Anand Mahindra:** Thank you.