

Chairman's Speech

M&M Annual General Meeting

August 4, 2017

Ladies and Gentlemen,

The Annual Report has reached all of you, so I will not repeat what it contains. Instead, with your permission, I would like to share some thoughts with you, first on some recent Big Bangs that have taken place and then on the shape of the future.

The Financial Year gone by witnessed some astounding changes. First, there was demonetization which was boldly executed at midnight on Nov 8, 2016. Your company believes this move will help foster a clean and digitized economy in the long run and have a positive impact on our economy. Like almost everyone else, we faced some hitches in the early stages, mainly because the lack of liquidity in the market affected our collaborators and customers. We took remedial measures to support the Government's initiative of creating a cashless economy. As a result, we were quick to recover and after a knock down in the early stages, our sales have risen.

Then towards the end of the Financial Year, the entire automotive industry was affected by the Supreme Court ban, on the sale and registration of vehicles that are not BS-IV compliant. There was a one-time material impact on the Company recognized in the Financial Statements of your Company.

The third Big Bang was the arrival of the long awaited GST which is expected to result in 'one nation one tax'. Your company welcomes this change and was well prepared for it.

While the flagship products of your Company attract higher tax rates, the certainty that this new tax regime provides, will enable your company to work on strengthening the portfolio of products that attract lower tax rates.

In the year gone by, we have delivered half a million vehicles worldwide, increased our sales revenues and maintained our position as the world's largest Tractor Company. Our Q 1 results too, show that we are on the upswing.

Excluding the impact of GST, for Q1 F18 Gross Revenues and Other Income of the Company together with Mahindra Vehicle Manufacturers Limited is Rs. 12577 crores as against Rs. 11961 crores during the corresponding period last year, registering a growth of 5.2 per cent. The Net Profit after tax (after EI) for the quarter is Rs. 862 crores as against Rs. 961 crores of the corresponding quarter last year.

These Big Bangs in India that I talked about, represent, in a microcosm, sweeping changes that are happening to the automotive industry across the world.

The theme of this year's annual report is FUTURise. Let me try and describe my vision of FUTURise. I believe the future will be shaped by anticipating CHANGES, making CHOICES and seizing the CHANCES that change brings.

Let's start with anticipating CHANGES. At our Senior Management Conference last year, a guest speaker started his talk by showing us a photograph of Fifth Avenue New York in 1901. The entire avenue was a sea of horse carriages. If you looked very hard, you could spot one solitary automobile. He then showed us a photograph of the same Fifth Avenue in 1914. The entire avenue was a sea of automobiles. If you looked very hard, you could spot one solitary horse carriage. This dramatic change took just 13 years.

I see similar tectonic shifts happening in the automobile industry today. The first and most dramatic shift, undoubtedly, is the rise of shared economy. Millennials today don't want to own things- they simply want access to the things that they need, for the period that they need it. And they use digital technology to achieve this. This is redefining the concept of "ownership". The vehicle market of the near future will split

into two clear segments – functional vehicles for ride-sharing and beautifully designed recreational vehicles for those who want driving pleasure.

The second tectonic shift I can predict is the increasing focus on clean energy in the automobile industry. Governments across the world have been making positive announcements off late. Here in India, Minister Nitin Gadkari and Minister Piyush Goyal have formed a committee evaluating the policies required to make India the first country of its size to run purely on electric vehicles by 2030.

That brings me to the next point on making CHOICES. If this is a likely future scenario, then what are the choices we are making? On the clean energy front, seven years ago, we bet that EVs would be the future and acquired the REVA Electric Car Company – which was then, the only player in the EV space. Today, your company has several feasible models. Government policy is now backing this bet as well. That doesn't mean that petrol and diesel cars are going to disappear tomorrow. But change will come and your company will be leading it. We are also preparing to play in both the future segments of the vehicle market with a wide range of products from value-for-money, reliable and rugged vehicles for ride sharing to Pininfarina-designed lifestyle cars which symbolize the pride of ownership. But more importantly, we have made the choice to invest in the ride sharing space and are currently exploring a variety of possibilities. As the prices of batteries for electric vehicles come down, electric vehicles will be far more economical to run than conventional ones for ride sharing applications.

One experiment in this direction was the launch of the electric vehicle fleet pilot with Ola in Nagpur. We also have an investment in Scoot Networks, an urban electric mobility solutions provider in San Francisco. We believe that the ride-sharing space is not a winner take all market – it will allow multiple players to compete and co-exist successfully. We are looking to invest in the right solutions across geographies.

We are also expanding the sharing economy model beyond the automotive sector through our new-age business 'Trringo', a tractor sharing platform, which is creating revenue-earning opportunities for tractor owners. All in all, I believe we are making some very important choices.

And now we come to the final point on seizing CHANCES. The changes I have described are but the tip of the iceberg. There are many dramatic changes sweeping the world, which will also bring chances. For example, whatever one's views on the Trump era, from a business point of view his goal of Making America Great Again, is going to make the US a very investor friendly place. This is a great chance to make the Mahindra presence felt in America. We plan to seize this chance and invest another billion dollars in the next 5 years.

Then there are the chances arising from technology changes. For me, the most exciting thing about technology is the chance it brings to make the lives of our farmers better. We are on the cusp of a new era in farming – one where the advent of sensors and connectivity to the cloud have resulted in access to unprecedented levels of data, science and precision for farmers. Add to that, the rise of autonomous technology and robotics, and we have a potential agricultural revolution around the corner. We are working in all these areas, because our mission is to seize every chance to give India what it needs, to meet its growing food demands. In our own Group, as technologies converge, we're finding that the new opportunities are coming at the interfaces of different businesses. And that's where the federated structure of our group is helpful. This means that many different businesses - whether it's rural finance in India, information technology around the world or solar energy - are coming together to leverage the opportunities of the new world. Modern business calls for collaboration, for joining the dots - and we are lucky that we have so many of the right dots to join together to seize the chances that change offers.

In closing, let me just sum up by saying that disruptive changes are now a part of business, and the ability to embrace CHANGE, make the right CHOICES and seize the CHANCES that change brings, will be the key to growth. We, in the Mahindra Group have a word for this. We call it FUTURise. We have seen the future and we aim to lead it.

I thank you all for your faith in us and for being our partners in that future.

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