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Anand Mahindra says electric cars will drive the ride-sharing boom

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Anand Mahindra, chairman & MD, Mahindra Group, is measured but vocal in his views. The 62-year-old boss of the tractor-to-aerospace conglomerate says retail sales have shown resilience in the face of demonetization and consumer spending may rebound faster than anticipated. In a free-wheeling conversation, Mahindra talks about ride-sharing, autonomous vehicles and his social media persona that's influencing the group's culture. Edited excerpts:

You run a conglomerate with a business footprint from urban to rural markets. Two months later, how do you view demonetization and its impact on the industry?

If I were to put labels on demonetization, it would be transparency and traceability. There's an argument that the purpose of flushing out black money has failed because of the quantum of cash that's come into the banking system. But the money which came into Jan Dhan and farmers' bank accounts is traceable now. It will be politically incorrect for the government to say: this is one of the biggest transfers of capital from the rich to the poor. This is quantitative easing at the base of the pyramid without hurting the exchequer.

In business, we are seeing resilience in retail sales. Our automobile dealers even in a market like Uttar Pradesh (where you expect cash economy to be strong) is telling us that sales were holding up in December. Our pre-owned car business, Mahindra First, came up with a better set of numbers in December compared to the year-ago period. Similarly, our farm equipment and financial services businesses (one of the largest rural NBFCs disbursing affordable housing loans) have all shown robust growth numbers in December. One of the demonetization benefits, in some markets like used cars, is that organized, transparent businesses are gaining at the cost of unorganized players.

So you believe a temporary economic slowdown won't hurt much?

It's anyone's guess when we will recover to 7.5% to 8% growth. It will depend on the consumer propensity to spend, and the renewed pace of investments. I am not saying note ban, which is unprecedented, is without pain. The Prime Minister reminds me of the gym instructor who says 'no pain, no gain'. But the resilience of consumer sentiments and a higher rabi crop sowing makes me feel that economy should recover faster than what most experts anticipate.

Of course, the government must talk up the animal spirits which it is doing. It's time to be aggressive in pushing public investments in infrastructure to propel growth. One of the sectors that's stalled is real estate, which has the the highest multiplier effect in job creation. This is also the time to give affordable housing a big boost. The government must also ensure money circulation in the rural economy, and not throttle it in what looks like a good year for agriculture.

You were one of the first Indian industrialists who spoke about the impact of ride-sharing on auto industry. How is Mahindra gearing up to meet the challenge? You'd announced a partnership with Ola for leasing cars..

I am optimistic and see an opportunity here. The vehicle market will soon fall into two broad clusters—commoditized vehicles for ride-sharing industry and the high-end, recreational ones for driving pleasure. At Mahindra, we are moving in this direction with a durable Verito brand focused on ride-sharing and the premium objects of desire. In fact, our acquisition of the iconic

Italian design company Pininfarina is aimed at helping us with the latter. I am convinced that electric cars will be at the heart of ride-sharing industry.

Thought leaders and entrepreneurs like Tony Seba and Masayoshi Son have spoken about it more dramatically. We are making a beginning with Verito Electric which will soon join the Ola fleet. The autonomous (driverless) vehicles will catch on initially with farm tractors, trucks and much later in the case of passenger vehicles. We are leveraging on the strengths of Mitsubishi Agri Machinery on autonomous tractors (Mahindra bought a 33% stake in the Mitsubishi unit last year). We also have a secret weapon in Tech Mahindra which has worked with several driverless car projects globally.

Are there any updates on your ambitious foray into defence. We hear that Mahindra and Airbus are in the reckoning for the multi-billion dollar order from Indian Navy?

All that I can say is that if Mahindra-Airbus combine wins it, we are most likely to locate the production in Gujarat. We would develop it into a boarder defence hub over a period of time. To your question, we are in the fray for naval helicopter deal and think we have a good chance as of now.

The persona of Anand Mahindra has evolved on social media, where you are especially active on Twitter? How has this benefited the Mahindra Group?

I am not a lonely person. I am happily married and not looking for companions on social media. Some years ago, Keshub (Mahindra) asked me why I am on Twitter? Social media is one of the most under-rated business tools in my opinion. It's an amazing cockpit for any CEO. I can narrate any number of stories how it has helped me to reach out to customers, dealers, protesting workers and even security guards. It's an effective culture builder for any corporation (hardly with a cost). All the Mahindra Group CEOs are on Twitter now... (laughs).