ICICI SECURITIES AUTO CONFERENCE
22nd August, 2019
V S Parthasarathy
ECONOMY
CHALLENGES & OPPORTUNITIES
### Economic Environment - Speed Breakers

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td></td>
</tr>
</tbody>
</table>
| - Weakened Global growth - IMF projects growth to decelerate to 3.2% in 2019 vs. 3.6% in 2018.  
| - US growth outlook modest - Expected growth of 2.6% in 2019 vs. 2.9% in 2018  
| - Chinese economy down tick - Expected growth of 6.2% in 2019 vs. 6.6% in 2018  
| - Risks - Personalities, trade and tariffs |
| **India** |  
| - GDP growth sharp slow down - 20-quarter low of 5.8% in Q4 FY19. Overall FY19 growth fell to 6.8% from 7.1% in the preceding year |
### Economic Environment – Green Shoots

<table>
<thead>
<tr>
<th>Indian Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ <strong>Monsoon deficit wiped away</strong> – deficit turned positive. Sowing picked up</td>
</tr>
<tr>
<td>➢ <strong>Inflation continues downward trend</strong> – remains under 4%</td>
</tr>
<tr>
<td>➢ <strong>Commodity prices remain benign</strong> – Oil price in comfort zone</td>
</tr>
<tr>
<td>➢ <strong>Interest rates lower</strong> – waiting it to trickle down to consumers</td>
</tr>
<tr>
<td>➢ <strong>FY20 GDP expectation @ 6.9%</strong></td>
</tr>
<tr>
<td>➢ <strong>Globally, accommodating Monetary policies may lead to surge in capital inflows</strong></td>
</tr>
</tbody>
</table>
India: Long Term Story Intact

India - Nominal GDP

- India’s GDP growth at the rate of 7%
- India is now the world’s 7th largest economy (Nominal GDP terms) – Will be 3rd largest in 2050
- 850mn of the 1.35bn people in India are under the age of 35
- Per capita income of around USD 1950 – Will be USD 13,660 by 2040

Source: PwC: World in 2050
AUTO INDUSTRY

CHALLENGES & OPPORTUNITIES
After a period of six years, all the segments in Auto showed a degrowth

<table>
<thead>
<tr>
<th>YOY Growth</th>
<th>F18</th>
<th>F19</th>
<th>F19Q1</th>
<th>F19Q2</th>
<th>F19Q3</th>
<th>F19Q4</th>
<th>F20 Apr-July</th>
<th>M&amp;M Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV</td>
<td>7.9%</td>
<td>2.7%</td>
<td>19.9%</td>
<td>-3.6%</td>
<td>-0.8%</td>
<td>-2.0%</td>
<td>-21.6%</td>
<td>-5.0%</td>
</tr>
<tr>
<td>CV Total</td>
<td>20.0%</td>
<td>17.6%</td>
<td>51.6%</td>
<td>27.5%</td>
<td>6.7%</td>
<td>0.7%</td>
<td>-13.6%</td>
<td>-11.4%</td>
</tr>
<tr>
<td>3W</td>
<td>24.2%</td>
<td>10.3%</td>
<td>54.0%</td>
<td>24.6%</td>
<td>-6.8%</td>
<td>-8.7%</td>
<td>-7.4%</td>
<td>-7.1%</td>
</tr>
<tr>
<td>2W</td>
<td>5.7%</td>
<td>4.9%</td>
<td>15.9%</td>
<td>4.9%</td>
<td>8.4%</td>
<td>-9.0%</td>
<td>-12.9%</td>
<td>-</td>
</tr>
<tr>
<td>Tractor</td>
<td>21.7%</td>
<td>8.0%</td>
<td>23.9%</td>
<td>-2.6%</td>
<td>19.2%</td>
<td>-8.4%</td>
<td>-14.2%</td>
<td>-14.2%</td>
</tr>
</tbody>
</table>
With -32% de-growth in Jul-19, PV has entered 13 months of de-growth patch

**Pressing Need of Domestic Industry**

PV Growth and Fiscal Stimulus

Excise Duty Cut for:
- Dec-08 to Dec-09: 6% Reduction
- Feb-14 to Dec-14: 4% Reduction

15 Months (5 Qtr.)
-23%

7 Months (2 Qtr.)
-15%

17 Months (5 Qtr.)
-12%

12 Months (4 Qtr.)
-18%
India: A Unique Market

2 wheelers
- ~80% of all automotive sales in India are two wheelers – 21m in FY19
- Close to 2m are involved in courier services – huge market

Fleet
- Routes are defined and they operate in a limited geography
- Utilization of vehicle is close to 25-30%

3 wheelers
- India is one of the largest markets in the world for 3w – 0.7m sales in FY19
- 3w address one of the most important challenges of urban transportation – Last mile connectivity

Commercial
- 60% of the overall goods transportation in the country happens on road – Huge market
- High vehicle utilization in the sector

Personal
- Penetration of private passenger cars in still low compared to other developed markets
1. M&M is most affected by the current industry slowdown.

2. M&M’s diesel portfolio is most vulnerable to BSVI norms.

3. Does M&M really have a first mover advantage in EVs?

4. M&M’s MHCV portfolio is still under the weather.

5. Is it the start of the Tractor market downcycle? Is the Tractor industry saturated?

6. M&M is known for Governance, is it getting governance premium?
Perception 1. M&M is most affected by the current industry slowdown.

**Mahindra & Mahindra: Performance**

Resilient performance in a tough environment

Gain in market share in all key segments of auto sector

<table>
<thead>
<tr>
<th>Auto Segment</th>
<th>Q1F20</th>
<th>Q1F19</th>
<th>Growth</th>
<th>Market Share YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV</td>
<td>59,399</td>
<td>60,539</td>
<td>-1.9%</td>
<td></td>
</tr>
<tr>
<td>UV</td>
<td>56,095</td>
<td>56,074</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>CV</td>
<td>51,594</td>
<td>56,940</td>
<td>-9.4%</td>
<td></td>
</tr>
<tr>
<td>3W</td>
<td>12,697</td>
<td>13,005</td>
<td>-2.4%</td>
<td></td>
</tr>
<tr>
<td>Domestic Total</td>
<td>1,23,690</td>
<td>1,30,484</td>
<td>-5.2%</td>
<td></td>
</tr>
</tbody>
</table>

**Auto Segment**

Best in auto industry margins for Q1F20

![Graph showing Auto Segment margins]

OPM higher than 2 of 3 prior YoY quarters (Q1F19 was an exceptionally good quarter)
Perception 1. M&M is most affected by the current industry slowdown.

**Mahindra & Mahindra: Performance**

**Tractor Segment**

Sequential jump in market share, YoY remained stable

- **Q1F19**: 43.5%, 97,360
- **Q2F19**: 39.8%, 73,902
- **Q3F19**: 40.5%, 87,981
- **Q4F19**: 35.8%, 57,499
- **Q1F20**: 43.3%, 82,913

**M&M Domestic Volumes**

**Industry Growth YoY**

**M&M Domestic Growth YoY**

**M&M Domestic Market Share**

*Including 5 new Players added in the TMA Data*

**M&M + MVML**

Sequential improvement of 50 bps

- **Q4F19**: 13.5%
- **Q1F20**: 14.0%

**Bottomline enhanced by Investment Portfolio**

- **Q4F19**: 1,257
- **Q1F20**: 2,260

Bottomline enhanced by Investment Portfolio +80%
Perception 2. M&M’s diesel portfolio is most vulnerable to BSVI norms.

Stage 4 to Stage 6 Emission Migration, Europe in over 10 years and India in 3 Years

India is the first country to skip an emission standard (BS-V)
Perception 2. M&M’s diesel portfolio is most vulnerable to BSVI norms.

**Key Challenges**

- Performance drivability
- Fuel Economy
- NVH
- Price

**Creating Opportunities**

We are fully prepared to meet the BSVI deadline

- **Global technology standards met** as we transition to BSVI
- **World-class gasoline technology** offering to give customers power of choice
- **Current cost levels better** than internal cost targets
- **Leveraging power of collaboration** (SYMC/Ford)
Perception 3. Does M&M really have a first mover advantage in EVs?

Driving Towards An **Electrifying Future**

- **Largest fleet** of on road EVs
- **135 Mn eKms done**
- **Full Range Player** – Class product for Mass to Best in Class
- **Offering of products, technology and manufacturing capability**
  - Higher voltage batteries, Drive train, power electronics, connected solutions
  - Leveraging collaborations

*New Technology Plant at Bangalore*
Perception 4. M&M’s MHCV portfolio is still under the weather.

**Robust MHCV Portfolio**

- **Cruzio** is a brand-new range of based on the ICV platform.
- **Bus Portfolio of 15 to 40 seaters**
- **Full range player from 3W to 49T**
- **Completed the CV portfolio with the Launch of FURIO ICV**

**EBITDA break even at ecosystem level**

**Temporary disruption due to Axle Norms**
Perception 5. Is it the start of the Tractor market downcycle? Is the Tractor industry saturated?

Historic Tractor Industry Growth rate ~ 10.5%

Medium Term Growth Outlook: ~8-%

Growth Drivers

- Rural prosperity increasing at a faster rate
- Increasing trend of investment on irrigation – direct correlation to tractor growth
- Increase in horticulture leads to higher agri revenue and income
- Current tractor population at 43% of peak requirement (est. 16.2 Mn)

Domestic Tractor Sales ('000)

From F16, Addition of 5 New players in the TMA Data
Perception 5. Is it the start of the Tractor market downcycle? Is the Tractor industry saturated?

**Fortifying The Core**

3 Brand Strategy

- Pioneering Technology
- Reliable, Powerful, Authentic
- Affordable Mechanization

Continuing Leadership

Includes Mahindra, Swaraj and Trakstar brands
Excluding 5 new Players added in the TMA Data
Perception 5. Is it the start of the Tractor market downcycle? Is the Tractor industry saturated?

**Farm Machinery**

**India is tractorized, not mechanized**

<table>
<thead>
<tr>
<th></th>
<th>India</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractor Industry</td>
<td>$ 5.6 Bn</td>
<td>$ 60 Bn</td>
</tr>
<tr>
<td>Farm Machinery Industry</td>
<td>$ 1.0 Bn (organized sector)</td>
<td>$ 100 Bn</td>
</tr>
</tbody>
</table>

Current farm machinery penetration level similar to that of tractors in 1980's

Farm Machinery – M&M India Journey

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Value (Rs Crs)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>279</td>
<td>43%</td>
</tr>
<tr>
<td>FY19</td>
<td>398</td>
<td>27%</td>
</tr>
</tbody>
</table>

India is tractorized, not mechanized.
Globalization

Vision to improve PBIT over the next 3-5 years to 5% by focusing on:
- Operating leverage through Volume growth
- Profit Improvement plan

Perception 5. Is it the start of the Tractor market downcycle? Is the Tractor industry saturated?
Perception 6. M&M is known for Governance, is it getting governance premium?

### Group Value Creation

<table>
<thead>
<tr>
<th>Mkt. Cap (31\textsuperscript{st} Mar19)</th>
<th>Rs Crs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mahindra &amp; Mahindra</td>
<td>83,779</td>
</tr>
<tr>
<td>Tech Mahindra</td>
<td>76,299</td>
</tr>
<tr>
<td>MMFSL</td>
<td>26,020</td>
</tr>
<tr>
<td>Mahindra CIE</td>
<td>8,882</td>
</tr>
<tr>
<td>Ssangyong</td>
<td>4,656</td>
</tr>
<tr>
<td>Mahindra Logistics</td>
<td>3,761</td>
</tr>
<tr>
<td>Mahindra Holidays</td>
<td>3,198</td>
</tr>
<tr>
<td>Mahindra Lifespaces</td>
<td>1,888</td>
</tr>
<tr>
<td>Swaraj Engines</td>
<td>1,709</td>
</tr>
<tr>
<td>Mahindra EPC</td>
<td>315</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,10,508</strong></td>
</tr>
</tbody>
</table>

Prices as on 31\textsuperscript{st} March \mid \$ = INR 69.32

25 Years - 191x \quad 15 years - 38x

F94 \quad F04 \quad F19
Perception 6. M&M is known for Governance, is it getting governance premium?

Profit with Purpose - The Mahindra Rise Way

Adding the 4th “P” to People, Planet, Profit + Process
AAA rating for five years in a row by all four leading rating agencies

- ESG Calls
- Integrated Annual Report
- M&M received the Business Vision Award for ‘Best Corporate Governance – India 2019’
Full Range Player

- UV
  Full impact of the 3 new launches

- SCV
  Continue to be a market leader

- MHCV
  Full range player with Furio launch and on path to profitability

Fully prepared for BSVI

- Diesel
  Effective, timely migration

- Gasoline
  New range of powertrain

- Costs
  Better than internal targets

Pioneering the Shared Economy

- Smart Sustainable Mobility Solution
- Glyd
- Zoomcar
- Smart-Shift / Porter
- Trringo

Win-win collaborations

- Ford
- SYMC
- Global R&D
  - e-mobility
  - EESL
  - SmartE
  - Uber
  - Thane Municipal Corp.
  - Govt. of Maharashtra

Leading the way in EV's

Well equipped for an exciting journey ahead both in India and abroad
Collaborations

- Mahindra
- Ford
- SsangYong
- UBER

SmartE
Fortifying the Core

Strengthening our leadership

3 Brand Strategy

Sufficient Headroom

Farm Machinery

Domestic business on a strong growth trajectory

Leveraging global reach through 3 key centres of excellence:

Harvestors: Sampo

Rice Value Chain: MAM

Implements: Hisarlar

Globalization

Strengthening Mahindra Brand in Global Markets by tapping the needs of small farmers

Profitable scaling up of global subsidiaries

Targeting 50% of revenues from overseas

Technology

Intelligent Tractors

Precision Farming

Tech-heavy new platforms

Digital Farming Solutions
Designed by BELIEF

Designed with GOVERNANCE

Designed for SHAREHOLDER PROSPERITY

DESIGNED TO

RISE!

75 75++

KAL, AAJ AUR KAL
THANK YOU!