INSIDE: ENGINEERING COLLEGES SPECIAL

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# RISE, AGAIN

**The $15.6 billion Mahindra Group has embarked on a strategy under newly appointed MD & CEO ANISH SHAH'S leadership that while ruthless in demand and discipline is focused on bringing the 75-year-old tractor-to-tech corporate back on its growth track**

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EDITOR-IN-CHIEF'S NOTE

# MAHINDRA'S PIVOT ON SLIPPERY PATCH


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BACK IN 2019 and before the lockdown gripped us, I had the pleasure of interacting with Mahindra Group Chairman Anand Mahindra and discussing the muted growth of the Indian economy and the challenges of the uncertain world as evident then. Every bit the charismatic personality he is known to be, Mr Mahindra has the rare calibre of being able to not only make a conversation most engaging but also draw attention to issues that may appear large and distant but impact us as a country in the most granular way. His philosophy of People + Planet = Profits, articulated aptly in the single word 'Rise', inspire many.

Mahindra & Mahindra (M&M) was then witnessing an uncharacteristic phase of low-performance. Its stock, traditionally known to deliver generous returns to investors, was going through rough weather. To my mind even then, there was no doubt that the company would bounce back. I, like my peers and the rest of industry, were keen to observe how M&M would achieve that turnaround. More than anything else, this exercise was guaranteed to have a lesson in it worth learning.

Since then the Mahindra Group has reorganized, re-energized and reimagined several aspects of its operations, topped by a leadership transition by appointing Anish Shah as its MD and CEO. Obviously its turnaround journey has begun. If its earnings numbers are anything to go by, the group's new strategies are already paying dividend. The year 2021 hence, will become another milestone for this corporate house. This transition heralds a new chapter in the Mahindra Group's seven-and-a-half-decade-long journey – which incidentally, is the same as that of independent India. This journey sounds exciting in every way.

Our cover feature deep dives into the Mahindra Group's operations and involves detailed conversations with its key leaders, led by Dr Shah himself. We were able to break down the back-to-growth strategy, divulging why the reorganised Mahindra Group is different from its earlier avatar and what its stakeholders can now expect from it. In my conversation with Anish Shah, he says it would have been good to be in the VUCA world as we once knew it. I found myself agreeing wholeheartedly with this dynamic new corporate leader and now look forward to witnessing how Mahindra's preparations for its next big leap shape up.

In this issue, we also have a comprehensive study executed by the *BW Education* team on the engineering colleges and universities in India. This is among our special endeavours, reflecting the importance we place on India's education sector, which nurtures future growth drivers of the country. We have attempted to be transparent about the rankings of the leaders among engineering institutes, highlighting those who are really pushing the envelope. We hope you enjoy the insights this edition offers.

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Photograph by Neha Mighbawkar



*Cover design by* DINESH S. BANDUNI; *Cover photograph by* NEHA MIGHBAWKAR

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# PRIDE AND PURPOSE

## At 75, the $15.6 billion Mahindra Group has embarked on a strategy that while being ruthless in its demand and discipline is in sync with a future where purpose, made in India and value take precedence

**By NOOR FATHIMA WARSIA**

T**HE WORLD WAS FACING AN** unprecedented crisis in the last 18 months but for the Mahindra Group, the alarm bells had gone off much earlier. After being the top-performing stock in Nifty for 17 years, from 2002-2018, the company saw a phase of decline. "Our stock price came down 70 per cent between August 2018 to March 2020; that is a journey we don't want to see again," recalls Anish Shah, the MD & CEO of Mahindra & Mahindra, often described as the first professional MD & CEO to oversee all Mahindra businesses comprising 150 companies across 22 sectors, with a presence in over 100 countries.

Reflecting on this low phase that pushed the 75-year old giant to revisit its business strategy, Shah says, "We have learned our lesson. With the actions we took, our stock price tripled, and went higher and beyond (from Rs 250 to Rs 900 in 2021)." The 52-year-old Mahindra big boss is driving a wave of change at the company, a transition that began a while ago and was articulated in the company's 75th annual general meeting by Chairman Anand Mahindra.


**Big moves:** The $15.6 billion Mahindra Group is a truly diversified conglomerate with businesses across aerospace, defence, farm, technology, auto & hospitality and real estate sectors

An oversimplified summary is that Mahindra has divided its businesses into three groups, each of which has a specific playbook of tightening operations and establishing clear paths of economic returns, which, in turn, decides capital allocation. The respective strategies and goalposts are different but the larger objective is generating value for investors and consumers. In a nutshell, 2021 not only marks Mahindra's 75th anniversary but arguably an evolved Mahindra.

"There are changes but much will continue as well," Shah observes, reflecting on the new plan. He elaborates, "Our values, our focus on associates, customers and investors in terms of rewarding will all continue. What will be different is that in many ways, we will be much bolder in our approach."

He acknowledges that there was a short patch when

# A 75-YR JOURNEY

## Mahindra Group's key milestones over the years

**1945**
On October 2, 'Mahindra & Mohammed' is set up and officially commences steel trading

**1947**
The company brings in the Willy's Jeep

**1948**
Mahindra & Mohammed renamed to Mahindra & Mahindra


MAHINDRA & MOHAMMED

**1956**
Mahindra goes public; listed on Bombay Stock Exchange

**1961**
Mahindra's farm mechanisation; launches tractor to support India's green revolution

**1962**
Mahindra Ugine Steel (MUSCO) is incorporated; a JV to manufacture alloy steel

**1983**
Mahindra becomes largest selling tractor brand in India; leadership continues for three decades

**1986**
Mahindra enters the IT space through a JV with British Telecom

**1991**
Mahindra starts a non-banking rural financing company Maxi Motors Financial Services Ltd., to bridge the gap between rural and urban of a liberalised India. Later, the company became Mahindra & Mahindra Financial Services.

**1994**
Mahindra USA, a wholly owned subsidiary is established to represent the tractor business in the region. Mahindra forays into real estate business, now known as Mahindra Lifespace Developers Ltd.

**1996**
Project Nanhi Kali is launched under K.C. Mahindra Education Trust, with the objective of providing primary education to underprivileged girl children. Mahindra Holidays & Resorts India pioneers timeshare holidays, offering fun-filled and affordable vacations to aspiring middle class Indian families

**2002**
Mahindra launches Scorpio
Mahindra sets up India's first World City in Chennai

**2005**
Mahindra sets up Mahindra International, its truck & bus business through a JV with Navistar International and International Truck & Engine Corporation (ITEC), USA

**2007**
Mahindra acquires Punjab Tractors Ltd.

**2008**
Mahindra introduces the Aftermarket business to professionalise the car service and pre-owned car industry

**2009**
Mahindra Partners, the PE & Corporate Venture Capital arm of the Mahindra Group is born with a USD 1bn+ fund

Mahindra lacked in rewarding investors and that all the changes are geared towards correcting this.

Giving a topline, Shah says, "We are looking to regain our number one position in SUVs and lead the world in electric vehicles. We are number one in tractors in terms of volume globally, and we want to take this forward for farm machinery. All our businesses will create much more value for stakeholders and consumers. We are staying true to the Mahindra purpose of Rise, while taking leadership in ESG (environment, social, governance)."

**Businesses Blueprint Revisited**

To achieve these objectives, one of the steps Mahindra has undertaken is creating a new group blueprint that divides the group into three buckets — core businesses, growth gems and new businesses. The core businesses include Mahindra's companies in farm and auto, technology and finance sectors. Incidentally, this is the group that has done well for the company so far. Based on its recent financials, market experts tracking the group say that courtesy of the farm equipment and IT business, the group's overall results are attractive.

Shah states that all of Mahindra's 'core businesses' are strong in the areas they play in. "In farm, we aim to consolidate our leadership to enter new markets, taking advantage of our scale and cost position. In farm machinery, last year our tractor sales were at Rs 20,000 crore and farm machinery at Rs 490 crore. Globally, farm machinery is twice tractor sales — this is a huge runway for us. We have made several acquisitions with expertise in farm machinery, that we are bringing to India. There is new vigour on the auto side as well," Shah says.

M&M's standalone (farm equipment and automotive) Q1 FY22 results stood out in the auto OEM pack, driven by QoQ margin increase amid gross margin expansion. "Automotive demand is seen picking up pace with local lockdowns now largely behind us and the company's order book for key models like Thar (waiting period at 10 months), XUV300, Bolero Pickup, and Scorpio being healthy," informs Rajesh Pandey, Head of Research, ICICI Securities, adding, "The company's commitment to new launches (23 new products by 2026) across the core SUV, EV, as well as LCV category, is a big positive."

In its IT business, Tech Mahindra reported a robust Q1FY22 despite seasonally weak mobility revenues. The company saw improving order book, client mining (added one client in $50 million and another in $20 million), and large deal traction. Experts say Tech Mahindra is expected to be a key beneficiary of the revival of telco capex and 5G as around 40 per cent of the revenue mix comes from communication.

Mahindra Finance faced many challenges exacerbated by the pandemic. Rural India is a strength for the company but according to Shah, its ability to manage through cycles came in handy again. "Mahindra Finance has 1,400 branches across India and understands the rural consumer better than anyone else. We have to do several things to take this forward now. Much more use of digital and data

**In farm, we aim to consolidate our leadership to enter new markets, taking advantage of our scale and cost position**

**2010**
Mahindra Susten is established; today it is one of the largest players in the alternate energy sector in India
Mahindra expands its Electric Vehicle portfolio by acquiring Bengaluru based start-up Reva Electric Car Company

**2011**
Mahindra unveils new brand position Mahindra Rise, to communicate with one brand voice, one face & one Mahindra core purpose

**2013**
With Satyam merger, Tech Mahindra is India's 5th largest IT company

**2018**
Mahindra Classic Legends relaunches the iconic Jawa Motorcycles in India

**2019**
Mahindra unveils Pininfarina Battista, world's first all-electric hypercar

**2020**
Mahindra launches the All-New THAR to rave reviews and wide acclaim

## "ONE OF MY PRIORITIES IS TO DRIVE SIMPLICITY IN EVERYTHING WE DO"

### RUZBEH IRANI , President - Group HR & Comms

When we first articulated Rise, I recall Anand (Mahindra, Group Chairman, Mahindra & Mahindra) had said, 'Rise is converting sub-text into headline'. At that time, we were examining what drove us to work every day, what our purpose was and what were our shareholder expectations before coming up with a happy marriage of the two. Rise is not something we pulled off the wall but something that has been in our history; we just made it front and centre.This made the job of adopting Rise easier but it brought changes. Some values were enduring, and we continued them. Then there were others that we needed to adopt.

One of the pillars of Rise is alternative thinking. In the last decade, we have seen cutting edge innovations and not for the sake of it but in sustainable and relevant areas. We embedded Rise into our HR levers from recruitment to defining behaviours for all Mahindra managers. These behaviours are being collaborative, agile and bold. Collaboration is about helping others succeed. Agility is speed to ensure customer delight. Bold is about challenging status quo while remaining grounded and ensuring delivery of real outcomes. One of my priorities is to drive simplicity in everything we do to achieve desired outcomes. *(As told to Noor Warsia)*

will come in. We will have multiple products because our gross sell ratio is low. There is a set of actions outlined for the business that will take it to the next level," Shah informs.

**No Return, No Capital**

Shah's leadership has taken a tough stance on fiscal discipline, admitting that there was a point where the company had deviated from it. In this next normal of the company, Mahindra is stricter in its capital allocation, wherein a company will get fresh capital only if it meets its financial milestones.

"We are coming back on track. If you see our past, it is not easy to be the best performing stock for over 17 years. You need something special and it cannot be done without fiscal discipline. We had this in place but we saw a phase, where we deviated. This can happen, but now have course-corrected, going back to our fundamentals," declares Shah.

Market analysts appreciate these steps. "Company's clear focus on cash flow, return ratio, complete restructuring, revised capital allocation policy would improve overall profitability and optimise capital towards an efficient business structure," notes Mitul Shah, Head of Research, Reliance Securities.

The revised capital allocation strategy has emphasised capital efficient profitable growth. Explaining this, Pandey of ICICI Securities argues, "Mahindra sees this as a means for value creation for its shareholders with a consolidated return on equity (RoE) target set at 18 per cent." The same criteria will be applied for making investments both in the standalone operations as well as group companies wherein the listed entity i.e. M&M has set aside Rs 3,500 crore for group investments over FY22-24.

As the group took difficult actions, Shah informs that it also saw each of its companies look at it with the perspective of "going back to what it was". Some of these actions ended or stopped injecting capital in its joint ventures such as SsangYong in Korea or Mahindra Renault.

"We took a hard look at ensuring we reward our investors and allocate capital the right way. SsangYong was struggling in profitability and it did not have the path to returns that our investors demand. Hence, we could not invest more capital in it. Other investors may come in to take the company forward; we will continue to partner with SsangYong on multiple fronts. There have been other conversations, where we have had to either exit the partnership or potential partnerships. These are difficult decisions but essential for the business to be on the right path," Shah explains.

**The Next Billion-dollar Businesses**

While its IT business was experiencing a golden period, the listed entities — Mahindra Logistics, Mahindra Lifespaces

**We want to take leadership of a place where people buy Indian products because they are the best products you can buy**

— were impacted during the second wave, and Mahindra Holidays & Resorts suffered some slowdown too. For Shah, however, all these along with some of its other unlisted businesses that together form its growth gems bucket, have the potential to be billion-dollar market cap soon. "We will get some of them to IPO somewhere in the next three-to-five-year mark. These are exciting companies that have scale, profitability and the ability to become much bigger and create value," he says.

Logistics recently hit a market cap of 720 million dollars that was 2.7 times over the last time. Shah believes that with logistics, now it is about core execution as the industry will grow as India grows. Mahindra is eyeing acquisitions for this business. In Lifespaces, Shah says the business did not capitalise on Mahindra's strengths but with a new team and growth plan in place over the last year, it has shown success in projects launched, building impetus. The market cap of this business has grown 3.7 times over the last year as well. Shah alluded to the Mahindra Holidays' "unique business model" to indicate that the focus on growth and customer experience will take it to the next level.

**Loaded with tech:** M&M's recently launched XUV700

The more interesting action is expected on the entities that Mahindra intends to list soon. Mahindra Accelo, a business in auto recycling, speciality steel, and some areas of EVs, is among these. "Accelo will likely be our fastest to IPO; it has been very profitable and will generate significant value for our shareholders," says Shah.

The other frontrunners include Mahindra's renewables business that has one of the largest renewables portfolios in India, the supply chain business, the consulting business in Silicon Valley and also its agribusiness portfolio. There is also Classic Legends that resurrected the iconic brand Jawa with an electric bike. "These are a diverse set of businesses that are well placed, profitable and waiting to be scaled up," says Shah.

### Entreprenuerial In Spirit

The final set, which Mahindra defines as its new-age platforms, is the set of businesses where Mahindra taps into India's entrepreneurial spirit. "We have multiple examples where we have set up a business, merged with a leader and then let that leader take that business forward," Shah informs.

First Cry was the starting point. Mahindra merged its business Mom & Me with First Cry and the latter kept a 37 per cent stake. Investors including Softbank came in and the last valuation was at 1.7 billion dollars. Another case in point was the merger of Porter and SmartShift. Car & Bike, a new business emerging from Mahindra First Choice Wheels that is focused on the used cars, is also an example in this segment. "These are three different models but it all comes down to two simple things—living our purpose and as we do that, delight our customers and create value for our investors," Shah states.

### Proud To Be Indian

In its priorities ahead, returns take the lead for Mahindra. "If we can deliver the kind of returns that we did over 17 years till 2018, that is a great start for us. We are going back to that, which is focus on capital allocation and giving back returns. The second aspect is to do much more from a purpose standpoint. While we have been a leader in this, we would like to lead it not only in India but globally," Shah asserts.

Rise remains relevant in the future with the focus on driving positive change and enabling communities to rise. Commenting on what positions Mahindra for its next big leap, Shah says, "We are proud to be Indian and we make the best products. We have discussed this a lot in the last year. We want to take leadership of a place where people buy Indian products because they are the best products you can buy. This is a very important message because we need to meet that standard. And I believe our recent launches/ products are there already." BW

*(With inputs from Ashish Sinha)*

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# “IT WOULD BE GOOD TO BE IN A VUCA WORLD”

Sitting at the top spot of the Mahindra Group, **Anish Shah**, Managing Director & CEO, Mahindra & Mahindra took over the role when the company was braving some very tough times. Shah, however, is a man with a plan, and this has been more than evident in every step the company has taken ever since he transitioned to the role in April 2021. In this conversation with **Annurag Batra**, Chairman & Editor-in-Chief, BW Businessworld Group, Shah speaks about the challenges that leaders face today, the need to plan for anything and also details some of his early experiences and the things that will take priority in his mandate ahead.

Photograph by Neha Mithbawkar

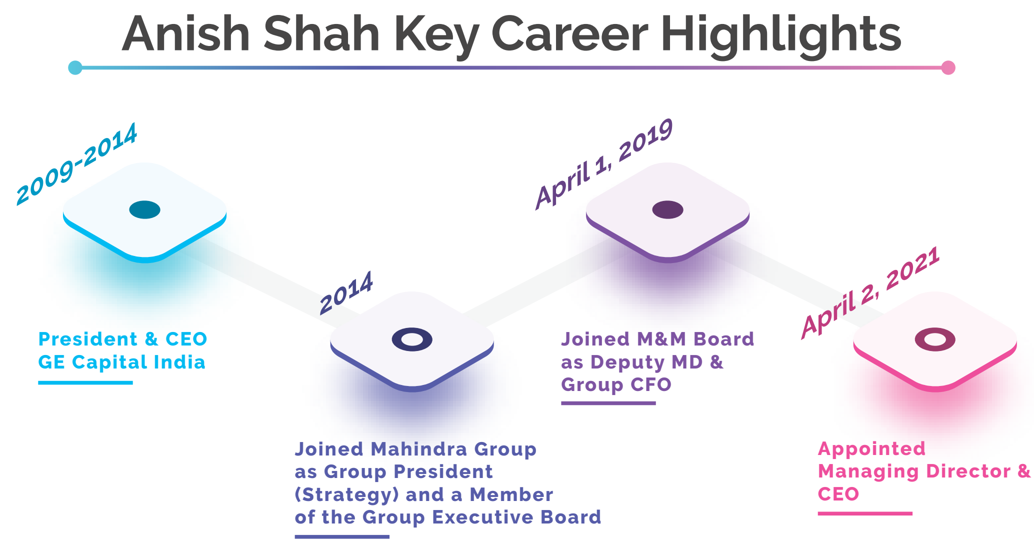
**Mahindra was undergoing a tough time and the world was submerged in an international crisis and this is the time when you were transitioning into what would lead to your current position as Mahindra's MD & CEO. Some of these would have been unprecedented challenges — how did you navigate these at the time?**

Let me begin from 18 months ago. The transition was announced in December 2019, but the first step took place in April when I took over as the Deputy MD and CFO. If you look back at that time, our stock price had dropped 70 per cent since August 2018. The pandemic had begun and the nationwide lockdown was imposed. We were seeing significant losses with all our international subsidiaries; in two years prior, we had been clocking losses of Rs 3,500 crore every year with the international subsidiaries. Many new challenges were surfacing daily. You add to that a new team coming in place, without the ability to come together in person, and there is a set of circumstances that would be demanding for anyone.

This was the case with me as well. What helped a lot, however, were the roles I had been through in the past. Sometimes when you face difficult streaks, you will feel frustrated and it can be overwhelming but those are the things that help build a career. If I had not been through several difficult roles in the past, it would be very difficult to get past this.

On the face of it, the transition was taking place at a tough time. But, and I have said this to several of my colleagues, the role I had before this, which was to turn around GE Capital in India, was much tougher in many ways. One big reason for this also is that this role has many positives to it. The culture of the Mahindra Group, the leaders we have, the strengths of our businesses, and the trust that the consumers place in us, are all very

Photograph by Neha Mithbawkar




significant positives.

**So, staying positive...**

Yes, as a leader, the first thing to do is to focus on the positives. It is very easy to get lost in the labyrinth of the tests and trials we face. But staying optimistic helped us tremendously. Also, we came from a great position of strength. We may have lost market share and market capitalisation temporarily but those things can be fixed.

The second is to be very clear on what needs to be done. The difficulty and its root cause must be identified. When we did that, everything became very clear. As we presented to the board, for example, the financial impact of Ssangyong and its impact on our market cap, the board unanimously advised we had to exit. Similarly, when we repeated this process with other businesses, it was the same reaction. Clarity of thought and required action is a must.

The third and very important is how do we do it. Taking the tough call is difficult but executing it is more so. Many emotions are attached and they have to be honoured because that is part of who we are. We have to balance the emotional with the practical aspect of what our investors want. We are here, placed by our investors. They invest capital in us and we have to return, generously. This perspective is very important and hence being able to execute is the most critical.

The fourth, and perhaps the most important, is the ability to build a strong team. Once you do that, you have to empower them and have them say what needs to be done. Working together makes a strong organisation.

One of my bosses had told me that, 'Anish, you are as good as your team'. I have taken this to heart. I have kept a very high bar of who we bring into the team. Once you have a strong set of leaders, you empower them to run and that is what has keeps the company going.

**While we are on the subject of challenges, let's speak more on some of the external challenges. What are some of the top three or four megatrends that you see in this VUCA world?**

The first is purpose. A company's reason to be, its purpose, is very becoming important for everyone. At one point, many would ask questions on why we are focussing on purpose and spending money that could be returned to investors in another way. We particularly did not face this because our investors have always understood our reasons. But many companies have been asked about purpose vs. profits. Today, that has disappeared. Even consumers are looking at companies and questioning whether they are really doing good for the community. They want to be associated with such companies only.

When I joined the Mahindra Group, that was my first question –– what is the purpose and the culture of the company? And that is what attracted me. In fact, that is what attracted many of my colleagues to the Mahindra Group. This is becoming a lot more important. Companies that need to thrive and want to be successful have to begin with a purpose. The advantage that we have at Mahindra Group is that this is in our DNA. It is not something we have invented, this is who we are.

**Companies that need to thrive and want to be successful have to begin with a purpose. ... at Mahindra Group ... this is in our DNA**

The second megatrend is around consumer expectations. Consumer's demands from companies have risen significantly, especially in India. It is no longer an option to deliver something mediocre. With digital acceleration in the last 18 months, consumers are seeing a different level of service already and that is becoming the benchmark. We have to do better than expected. Companies not only have to adapt to this change but also deal with the fact that there are even start-ups that are meeting consumer expectations better than larger companies. So, how do companies change their process, and become more agile and react to the voice of the consumer? How do they more collaborative?

The third trend is uncertainty. You mentioned the VUCA (volatility, uncertainty, complexity, ambiguity) world. I would say that looks like a great world in comparison to where we are today. One would look back at that world today and say, it would be nice to be in that world. The world today is a magnification and multiplication of where we were. Leaders have to be able to manage that, live with that and create plans around that. This is a world where we need to create optionality to move into the future direction quickly. And this can only happen if we are able to deal with uncertainty in different ways.

**You spoke about being collaborative and agile, and this reminded me of Rise, the one-word articulation of Mahindra's purpose if I can put it that way. In fact, in the 75th AGM, Mr Anand Mahindra while sharing the company's future vision also reiterated on Rise. How does Rise change in the time ahead?**

Rise and its tenets remain relevant in our future as well. Let's look at the foundation of the company. In 1945, our founders placed a newspaper advertisement, where they spoke about the principles under which the company was set up. That ad did not talk about setting up a money-making business but that it was there to do good for the community, to create an environment where diversity was valued. To create equality in the work environment that people would enjoy and ultimately to contribute to the country. That has been in our DNA since then. We hear about ESG (environment, social, governance) today but we have been living it for 75 years.

On the environment front, the work began for us in the early 2000s. This is where we took the leadership role. We put a team in place for this and made commitments around carbon neutrality goals, and launched projects to reduce energy usage. We have always felt that environment, social and governance are the key doctrines by which we operate. This is very important for us.

Even if you observed the leadership transition, the important aspect is the continuity in change. Our focus on Rise, on enabling communities to rise and do more with them, is going to continue in the time to come. During the pandemic, this happened naturally across all our businesses. None of our companies or our leaders waited for us to issue a central command on how to reach out to communities or do the needful to extend help during the crisis. All businesses had begun taking steps simultaneously because our leaders, and our teams, imbibe Rise.

**I have to agree with you. In fact, we see and hear much about how every business now has to be a social business. But this can be misconstrued by some as well. What is your advice on how to approach this the right way?**

Social business is not just about giving back to the community but it is doing so while growing and creating value. Anand (Mahindra) spoke about People + Planet = Profits. We see and live this on a daily basis. We know from our experience that we can balance doing good for the community and reward our investors at the same time.

It is known that Mahindra has been a top performing Nifty stock for 17 years but in this period, we also have been the leaders in ESG. The recent Havard Business School case study looks exactly into this and that is what we have to take forward. The more economic value we create, the more social value we can create. At Mahindra, we are also quantifying this. There are various methodologies used by experts around the concept of quantifying social value. This is important because then we can measure social impact as rigorously as financial performance and we can set and grow targets. Based on this, Mahindra Group roughly estimates that while we have driven 42 billion dollars worth of economic activity in FY21, the social and environmental impact we created was around 4 billion dollars. This is what we are driving together.

**It is not about the function but about giving experiences, grooming talent, and allowing them to fail and learn**

**On the subject of social, Mahindra Group has taken many initiatives on diversity. However, in your current set of business leaders, across all your companies, you still do not have a woman in a leadership position. Why is this the case?**

Diversity is very important, and I must tell you that in the first 12 hires we had at the group corporate office in our top leadership bands, nine of the hires were women. This is a journey that takes time because the most important aspect here is to ensure meritocracy, to ensure that the people we hire and promote are done based on merit. Hence, these senior women leaders have been hired based only on merit. This is critical for any organisation, and its people including our women colleagues. We have not compromised on this.

That being said, this is something we are focussing on in a much bigger way today. This is completely in line with our work culture as well, so I am surprised that we have not had more women leaders in our company. To some extent, this is also a function of what we are seeing across India, and the women leaders in India, even in the present day. We will change this and take leadership on that front. We will develop and groom all leaders equally, and we will give them equal opportunity. We have seen the value in diversity and we will continue to drive this as we move forward.

**Mahindra Group right now is in more than 100 countries. You have acquired, set up offices, design studios and plants, and you are also global leaders in some categories. Give us a sense of your international ambition and where we will see you headed.**

We are and we will be a global business. International is a very important aspect with regards to getting the best technology and being able to gain leadership position in international markets that also help us in India. Our primary focus here is to deliver the best global products to consumers. We have very high ambitions and at the same time being able to execute them. The expansion or entering new markets will depend on our specific businesses but broadly those are the guardrails.

**My last question is slightly broader. We see many CFOs succeed to become CEOs, you are an example of this as well. What makes CFOs such great CEOs?**

You are right that before this role, I was the CFO but in this case, it was a CEO that became a CFO. The CFO role was part of the transition. When the transition itself was first announced, given the complexity of our organisation, our board decided to do this in a very structured manner. As part of that plan, they advised me to take over the CFO role for a year. This really was a great move because it enabled me to see the details in all our numbers, to see our company and its various businesses up-close and be able to play a significant role in shaping it as well.

To your point, CFOs know the details of the company. They see all aspects and know the levers that need to be pulled in a world where investors are looking for more returns. However, I would still not generalise this. Because in the world today, we are also seeing the need to be creative, to innovate, to deliver much higher than expectations, to move quickly and handle uncertainty. There are leaders across all functions that can do this very well. The key is giving them early exposure.

This was the case for me. At the age of 29, I was in a very senior role in a large company like GE, where my peer was 12-15 years older than I was. At the age of 36, I was running a global company for GE across 30 countries, and at the age of 39, I was the CEO of GE in India. It is not about the function but about giving experiences, grooming talent, and allowing them to fail and learn. This is a very important element for any company in its future readiness, and we are very focused on this at Mahindra as well. BW

Some of the more difficult decisions that Mahindra & Mahindra took were in its farm and auto business, which also is the proverbial jewel in its crown. These two divisions have adopted a bold and focused strategy to shape its future play

**By Noor Fathima Warsia**

# CRITICAL CONSOLIDATION

**ONE OF THE SUPER ACTION** businesses for Mahindra & Mahindra (M&M) is Auto & Farms. The sheer size of these businesses is enough to create a ripple effect across group companies, should even a part of a plan not play out as per expectations. Not surprisingly though, some of the decisions that Mahindra took whether it was exiting partnerships, relinquishing stakes or a very firm view on capital allocation were connected with this division.

The company has moved goalposts in some areas — electric vehicles — and become more aggressive in others — global targets for the farm equipment sector (FES) and new launches planned till 2026. If there was one attribute that underlined most of its actions, it would be a laser-sharp focus, defined by a clear path of economic viability. On the face of it, there are no flaws in this strategy but the jury is still out on whether this will deliver the desired outcomes.

**Farms: Global Leadership**

M&M is already a world leader in tractors by volume, but the road forward is about broad-basing and consolidating this leadership across FES. "We have a very strong presence in domestic tractors and the leadership between the two brands, Mahindra and Swaraj, continues. We see a big opportunity to build farm machinery as a growth driver," notes Rajesh Jejurikar, Executive Director, Auto & Farm Sectors, M&M.

Globally, tractors' revenue is about 35 per cent of total agriculture machinery. In India, this equation is more than reverse, with non-tractors farm machinery being only at about 20 per cent. This is where the headroom for the next level of growth comes in for M&M. "We often say India is tractorised, not mechanised. Farm mechanisation penetration today is what the tractor market was in the 60s. We are doing much work to grow this for machines that go with tractors and also the self-propelled ones," says Jejurikar.

To tap the potential of this space, Mahindra has acquired, partnered and reshuffled businesses internationally to bring some of this technology to India and ensure its global footprint also builds on this strategy. There is also the likes of Krish-e initiatives, where M&M is introducing farming as a service. "The Krish-e initiative has a significant on-ground presence through our dealer outlets and digital presence through apps, precision farming, rental models and the likes. We are doing some exciting work here that we believe will generate value," Jejurikar says.

M&M's global story around FES is also very prominent with strength in markets such as North America, where it is the number three brand in tractors. The acquisition of Mitsubishi in Japan also, investments in Finland, business reshuffle in Turkey, and presence in Brazil, have all strengthened M&M's global presence, according to Jejurikar. The reason this is important is that one of Mahindra's pain points in its low-performing phase was the accrued losses of its international subsidiaries. "We now have turned around our FES subsidiaries from a profit management viewpoint, which was a major task last year. And we have seen three positive quarters in terms of profit in our FES subsidiaries," Jejurikar adds.

### Design & Digital First Approach

Technology became priority for the auto industry on the whole. This applied to Mahindra as well, and M&M looks at it through many legs. Internally, M&M made technology and digital work harder to improve cost structures and drive business efficiency. The company implemented everything in manufacturing 4.0, using digital sensors, internet of things (IOT), computer synchronised machines and so on. The second part was transforming customer experi-

**"Design is a strong building block for all our products including electric. That would be key in differentiating us going forward"**


**"Thar and XUV700 have created ripples and attracted large bookings. These models may allow M&M to recapture its lost glory in SUVs"**

ences. "This was especially important from a perspective of how consumers buy, discover and engage with the brand, content creation and everything in a customer journey from search to conversion," explains Jejurikar. Thar, for example, was completely digitally-led in its launch.

The third leg is how technology is used to get products to work for better impact, both in farm and auto sectors. "There are several use cases where we have been able to execute precision farming, predictive analytics, automation and the like for our customers, demonstrating the benefits in metrics such as productivity, output, cost reduction, etc," says Jejurikar, adding, "In auto, the XUV700 is a prime example of how we have completely transformed the intelligence of the product, programmed Alexa to work in a certain way, provide different drive modes, and customise even each sub-aggregate of the product. In product, we have used to connect it back to improve performance and experience."

M&M has also made design central to its strategy — it has launched M.A.D.E, the studio in the UK in addition to the India studio. Besides, it has hired former Tata head of design, Pratap Bose. "Design is a strong building block for all our products including electric. That would be key in differentiating us going forward. We will also build a strong human-machine interface capability since user experience will be the crux to success in the born electric space," says Jejurikar.

### Reviving The SUV Glory

M&M has refocused all its energies on SUV once again, identifying this as its primary force. The launch of Thar in 2020, and the recently launched XUV700 will see the group launch nine new products by 2026.

Commenting on the performance of the sector, Anish Shah, MD & CEO, M&M observes, "Thar did very well for us opening new segments. The XUV300 is doing well, generating 6,000-7,000 bookings a month. The Bolero Neo got 7,000 bookings in its first month. We are excited about the XUV700. I personally tested it and it is simply a phenomenal vehicle, one that we would be very proud of. A new launch is coming up early next year as well – in all, we have five blockbuster products in a 12-18 months timeframe. This positions M&M very differently."

Market experts, too, are optimistic about some of these moves. According to Deepak Jasani, Head, Retail Research, HDFC Securities, Mahindra's new leadership, fresh talent, and a sharper focus on its core


**"We often say India is tractorised, not mechanised. Farm mechanisation penetration today is what the tractor market was in the 60s"**

business underpinned by 12 all-new models in the auto space have set in motion the biggest transformation for the Indian SUV brand since the launch of the Scorpio. "Thar and XUV700 have created ripples and attracted large bookings. These models may allow M&M to recapture its lost glory in SUVs," Jasani notes.

On this aspect, Shah is confident. "We have a new logo, and we are looking at regaining our number one position in SUVs. With a very grounded platform, where we have many strengths, we are looking at reaching the sky and taking the company to a new level. The next step for auto will be electric vehicles and taking leadership in that," he comments.

### The Revisited EV Strategy

M&M sees EV in two buckets — the commercial segment, which it calls last-mile mobility like three-wheelers or small four-wheelers and shared mobility, and the personal segment. "In the last-mile mobility segment, there is a clear return of economic benefit for using EVs. In the personal segment, however, the additional investment in the asset does not really pay off. We are seeing traction in the commercial segment," Jejurikar says.

M&M believes that the goods last-mile mobility is ready for take-off and is its primary area of focus right now. "We have set up a separate vertical calling last-mile mobility. We see many opportunities to grow there in both domestic and export. We are well-positioned there with a strong product. The personal segment will take three to five years to evolve and penetrate. Our priority is to get a top-notch SUV electric portfolio ready by 2025."

This is a change from M&M's earlier strategy, where even the shared mobility segment was earlier in consideration. Some of these new products would be derived out of M&M current IC engines and some would be born electric. M&M's platform product strategy is to prepare it for 2025-30. For the born electric portfolio, the company is looking at its international presence once again, strengthening it with the focus on the right talent. All of M&M's plans place importance on sustainability as well, which is a group and company objective for Mahindra.

Having rejigged much of its plans, M&M's farm & auto sector intends to retain the might of an 800-pound guerrilla, but with an added hawk-like focus on targets. And this, very much, is in tune with the group's overall restructured strategy. BW

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COVER STORY

# THE NXT OF EVERYTHING

**A**mong Mahindra Group's specifically identified 'core businesses', Tech Mahindra's focus continues to be on new-age technologies such as Cloud, 5G, AI, data and analytics and Blockchain, which the company's MD & CEO, **CP Gurnani,** believes have enabled consistent and significant growth. Gurnani discusses this and more in this interview with BW Businessworld's Group Editorial Director **Noor Fathima Warsia**. Excerpts:

**It has been growth across metrics for Tech Mahindra last year. While the technology sector per se is growing but what are some of the levers that you think especially worked in driving this growth?**

Technology is the key that has unlocked the doors of opportunities, allowing us to soar higher and help people to experience the 'Nxt of Everything'. We witnessed an all-round performance and growth across all our key markets and all the industry sectors. We delivered 4.1 per cent quarter-on-quarter growth with 58 new accounts, 60-plus new wins, and the highest Rs PAT in Q1, delivering excellence and overall growth, working from all vectors. I think overall the company is in good shape.

I believe, the growth Tech Mahindra has witnessed is the result of all our associates, clients and stakeholders working together. In a world that is moving so fast, if you continue to stand where you are, you are actually moving backwards. Hence, we have made it our mantra to deliver the future right now. Our continued focus on cutting-edge technologies even during the pandemic has enabled us to cater to the strong demand from clients and has ramped up acquisitions and deals as well. New-age technologies such as cloud, 5G, AI, data and analytics and blockchain have helped us to grow consistently and significantly and build new, improved capabilities in the customer experience and customer management space. We expect to further rise in the value chain of the BPO (business process outsourcing) services.

**Please do elaborate more on some of the specific growth drivers for the company, some aspects that perhaps guide you in your acquisitions decisions or similar investments?**

At Tech Mahindra, growth is a never-ending journey; we may face adversities on the path, but we overcome them and continue on the growth path, which leads to a sustainable future. Nurturing the technologies of the future, such as cloud competency, 5G and investing in blockchain has helped us


to loop in large deals in healthcare and BPS sectors and allowed us important acquisitions. These, along with investments in the high-tech vertical have acted as the propellant of our growth story. While ensuring the wellness of employees and maintaining business continuity under all circumstances still continues to be our priority, we are now endeavouring to engage in collaborative disruption with new-age partners and 'FutuRise' together.

BPS, cloud and digital engineering are all driving growth. We expect double-digit growth from the cloud adoption business, while 5G and blockchain will bring new growth frontiers. The key focus will be on the following blockchain-led initiatives such as digital payments, government to citizen services, digital identities. Recently, we announced around six acquisitions in the cloud and digital space. That remains at the core of our business. Tech Mahindra formed a Cloud Advisory Board of 30 members divided across EMEA, America and the APAC regions. We have moved beyond trials on 5G; we are doing deals and continue to involve in conversations with the customers. The company will be investing in branding and marketing activities this fiscal.

With the efforts and investments that we have made, particularly in the last two to three quarters, in our client engagement programme, we have a greater potential to get a tailwind and we continue to build a pipeline across all our theatres. Whether it is APJI, EMEA or Americas, our funnel continues to evolve into a healthy trend.

**Even though technology is disrupting every sector, is there any sector in particular that you think will continue to transform in the times to come?**
The market is becoming flatter by the day, and we have to go back and understand what the market today is. For example, some sectors may be stuck for the smallest of components due to supply chain disruption. Market dependencies have become much more. If you were to ask me, verticals are overlapping and this only means that we have to focus more on digital transformation. Against this backdrop, our strategy is a digital strategy, our talent is digital talent and our differentiator is how we apply that into sectors. So, it does not matter which sector we speak to, we have to speak that specific sector's language. When I look at our customer's customers, every vertical is becoming digital, and the boundaries are reducing.



Photograph by Shutterstock

We are focusing on the high-tech verticals. We will now be formally reporting every quarter on this. For us, it is hyper scalars, product engineering companies, and some of the unicorns. This vertical has now shown us the highest growth. Over the last five quarters, and this quarter particularly, it grew over 8 per cent. We have also seen good results in BPS. Business processes as a service and platforms is a new business unit. This will become one of our high investment areas. We are back on a strong growth track with a focus on profitability and operational improvement.

Our areas of the future are connectivity, digital experience enhanced by design and ESG. Connectivity is the area of strength, globally. For example, Tech Mahindra designed, built, tested and operated the world's first 5G end-to-end cloud native platform for a Tier-1 carrier in Japan. Customer behaviour has changed fundamentally; physical space is being replaced by digital space, and this is where our focus on digital experience and design comes in. All our investments have been in 5G, cloud computing, data management through AI and more on human experience management.

**We delivered 4.1 per cent quarter-on-quarter growth with 58 new accounts, 60-plus new wins, and the highest Rs PAT in Q1**

**Let's speak more about what you define as human experience management. How do you look at this at Tech Mahindra?**

There are three parts to human experience management as we see it. The first part is about the sentiment. When you looking at this, how do you ensure that emotion is equal to a relationship, which in turn is equal to trust. The second part is about technology as an enabler. All of us use technology to do the same thing and add value to what we are doing. We use technology, as its consumers, to continue and enhance our experiences. And the third part is what is called feedback. We may believe that we provide the best service or product in the world and we may be engaging the customer as well but if we don't have the feedback loop, how do we build on that.

I believe we do a decent job of bringing all of these three together. This approach is more scientific now because the world around us has changed. It is no longer one method but several things that happen. In addition to this, there are also external stakeholders. These are all part of customer experience management. And we need technology to enable, measure and continuously improve it. This is why we took this a step forward and call it human experience management.

**How much does being a part of Mahindra Group help in achieving some of this?**

As a part of the eminent Mahindra Group, we are continuously innovating and challenging conventional thinking to enable customers to win through digital transformation, consulting and business re-engineering services and solutions. We deliver seamless and integrated experiences across digital, physical and convergent dimensions. With more than 126,200 employees across 90-plus countries, we are serving the needs of 1,058 global customers including several Fortune 500 companies.

As a company with a purpose, we have always endeavoured to build a connected world where all can enjoy connected experiences. In tandem with this view, we aspire to enrich the Indian tech ecosystem through collaborative efforts while striving to generate innovative and customer-centric digital experiences. Everything I read in science fiction is now a reality and today I feel proud to be at the helm of one of those organisations in the tech ecosystem, who have been creating this reality.

**As you just said, much has changed and at a very fast pace no less. What keeps you going personally?**

I salute the values and vision set by the founders of Mahindra 75 years ago. They were just about setting up the company but their values, a reflection of which can be seen in the company's first ad in 1945, had an orientation towards people, society and business. Every time I look at that advertisement, I feel I am among the custodians of these values, who must nurture and pass this dream forward. This is what keeps me going. In many ways, this is what I call the spirit of Mahindras and Tech Mahindra.

At Tech Mahindra, we spend a lot of time trying to understand the organisational vision, the individual vision and how we fit into society to deliver these. No vision is complete without goals. Hence, what is the organisational mission, the individual mission and how does this anchor into society?

The third part of the same equation is organisational values and culture. Culture is the collective sigma of 13,000 people. When you convert strategy to culture or the other way round, you have defined the organisation and individual. This is why we go back to the 1945 ad. It has been refined over time but the basics have not changed. Our purpose is bigger than our service offerings or the technology because it answers the basic question of why we exist. BW

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COVER STORY

# Makeover With A Phygital Model

**Mahindra & Mahindra Financial Services is at the heart of rural India meeting different financial needs over the last 25 years. The company is pushing this proposition forward by investing in data science and digital to diversify its products By Noor Fathima Warsia**

**IN MANY WAYS, IT WOULD NOT** be wrong to say that Mahindra & Mahindra Financial Services took financial inclusion with products such as housing financing, insurance, mutual funds and the like to rural India; in the process also joining the league of players that truly understand how consumers behave and what they demand in the deepest pockets of India. Continuing a journey of 25 years, where the company registered consistent growth, its focus now is to become 'phygital' in its presence and approach.

"Very clearly, we have begun to invest heavily in data science, in digital and have created a vertical called Digital Finco as part of our growth strategy. We have to participate in the consumer's lifecycle and not just stay with the products that we are in. These consumers need short-term, small-ticket loans for two-wheelers, consumer durables, for health and education needs and they are borrowing this in ad hoc ways," explains Ramesh Iyer, Vice Chairman & Managing Director, Mahindra & Mahindra Financial Services. He explains that given the company's customer base, penetration across India, and knowledge of the market, Mahindra Financial Services is looking to create products that can be delivered digitally rather than physically.

"We are transforming ourselves from a physical model to a digital model. But this is not to say everything will move to digital or stay physical; we are moving to a phygital model. In the next three years, you will see us become strong technology-wise, digitally and use meaningful insights from our database to develop new products for our consumers, while ensuring our core remains stronger," he adds.

While this is going to be a large area of investment for the company, the other would be in its people capabilities. The financial company is also strengthening its branch network to "remain closer to customers". "We will continue to remain the gateway for rural India. In three years, with these changes, we look to double our balance sheet," says Iyer.

**"In the next three years, you will see us become strong technology-wise, digitally and use meaningful insights from our database to develop new products"**

## Robust Rural Play

Mahindra's financial sector balance sheet is no small figure either, hence firmly keeping it in its group of 'core businesses' post the group's recent reorganisation. "We began with one branch and five people, at about Rs 30-35 crore in 1994-95. Today, if all the assets in the financial sector are taken together, our balance sheet would be close to Rs 1,00,000 crore," informs Iyer.

At its inception, Mahindra Finance chose to be in rural markets, as a service to finance the Mahindra vehicle. To understand consumer needs, Mahindra opened branches across India bringing its footprint to more than 1,400 branches today, covering all geographies, reaching more than 80-85 per cent of districts in the country.

"Our customers are spread across 4,00,000 villages. To understand them and speak their language, we recruit people from the local markets, making it easy for our employees to understand the challenges of our customers," Iyer says.

In its journey so far, Mahindra has financed more than 7-8 million customers. The products it finances are not aspirational but necessities. These consumers' livelihood comes from the vehicle, making Mahindra participate in the 'earn and pay segment' of the rural market. From financing vehicles, the company added products such as rural housing, insurance and even mutual funds, all to enable rural consumers to meet their livelihoods, safeguard their interests and grow. "Many of our customers considered opening bank accounts after we spoke to them for financing. In a true sense, it is financial inclusion that we have been part of in the last 25 years. We have also been instrumental in taking the insurance product to rural India," notes Iyer.

## International Footprint Continues

Collaboration was always part of Mahindra Finances' growth strategy. In its international foray, it took the JV route in the US and Asian markets as well. Mahindra Finance's international footprint followed that of M&M's. Mahindra Finance USA is a joint venture between Mahindra and Mahindra Financial Services and De Lage Landen Financial Services (DLL ) of the Rabobank Group.

"It has been a successful 10-year-old partnership. The balance sheet crossed $1billion. We have 12-13 per cent return on equity in that market and a 70 per cent penetration. We cover the whole of US and are looking at markets such as Canada, Brazil and Mexico where DLL has a presence, and Mahindra has a dealership outlet," Iyer informs. This is a similar model that Mahindra Finance has for Sri Lanka. Next on the company's target is Bangladesh. Even though this is still in a project stage, the company sees this as a "real opportunity".

## Expecting A Good Festive Season

Mahindra Finance did face a tough first half of the year but surviving cycles has become second nature to the company. A broad trend for rural would be that the second half of the year is stronger due to festivals, weddings and with lesser climatic impact. "Historically, the non-performing assets pick up in the first six months and drop in the second half," Iyer says.

He explains that rural has two streams of cash inflow – farm and infra. "If these do well, the consumption story begins. We believe the infra story will open up post-monsoon. All vectors are in place for rural to boom in the last quarter of the year," he adds.

Festival is a real buying time for consumers in rural India. This year, once again, there is pent up demand due to the first half. This is among the reasons why Iyer believes demand will bounce back. "The monsoon was good and government actions have been very positive with road projects, mining, coal excavation and the likes opening up. We are optimistic about the time ahead," he concludes. BW

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# 'We Are Not A Quarter-to-quarter Co'

Mahindra Holidays & Resorts puts the word 'long-term' at the very centre of its business model. Driven by membership concepts and focused on family vacations, this was among the businesses that managed to hold its own despite the pandemic's harsh hit on hospitality. **Kavinder Singh**, Managing Director & CEO, Mahindra Holidays & Resorts India speaks to **Noor Fathima Warsia** on the company's roadmap.

**On the long-term commitment model and consequent growth...**

Our business model has allowed us to be a zero debt company. We gained significant momentum in the last seven years when we almost doubled our room count from 2,000 to 4,000-plus. We also moved up our member count to 2,50,000 members. Even during the pandemic, we grew our cash on hand from Rs 781 crore to Rs 940 crore. This is an amazing feat because companies struggled in this period globally. We have no peer in the world that has this business model. Unlike other businesses that are around room rates, our model is driven by experience and magical moments, given the long-term commitment that is involved. For us, engaging the family is central to our business.

**On why brand Mahindra was crucial to the model...**

We began this business 25 years ago, on September 20, 1996, to be precise. At some point in the early days, the idea to create a business that served the needs for family vacations took shape. Vacation is about experience; people don't want to stay cooped up in a hotel or just do sightseeing, they want to do more. Our model needs members to sign up for long periods but why would anyone pay in advance, in this case, 25 years in advance. To put this in perspective, whatever we are selling today in 2021, we are committing to give the family great vacations till 2046. Not many businesses commit beyond a year or two warranty. This was only possible if the company enjoyed timeless trust. Brand Mahindra, hence, for this model to work.

The other crucial aspect was the long-term sustainability of the business. The business model had to be designed such that it could withstand the ups and downs of business cycles. This is where we looked to build additional income streams within this model. This acts as a hedge to the ups and downs. We are, therefore, in a position today, where despite the hurdles, we not only delivered profits but also increased our cash.

**On recovery post-pandemic...**

The recovery becomes even more pronounced if you have to look at it quarter-on-quarter. In the last quarter, we clocked 85 per cent without vaccine rollout. This meant we were able to inspire trust and confidence. We could do this due to various initiatives we undertook like creating a Safe Stay programme with contactless transactions, the best disinfection protocols and so on. We created physically distant but socially connected activities, travel with confidence program and other new concepts.

We added to our international business where we already have a robust presence in several markets. We acquired Holiday Club Resorts, which is the

> "Even during the pandemic, we grew our cash on hand from Rs 781 crore to Rs 940 crore. This is an amazing feat because companies struggled in this period globally"

tors. Mahindra invested Rs 18 crore when the business started. Today, we are at a market cap of Rs 4,500 crore and we are a self-sustaining business from a financial standpoint. If you look at all our stakeholders, whether it is our customers, investors, environment, or our people, it has been a steep climb upwards for us on all metrics.

**On what kept the company going...**

This journey is possible only if you keep an eye on the long-term because we are committing and engaging our members for the long term; we are not a quarter-to-quarter company. We are very confident that leisure tourism and domestic leisure per se will boom in India, in the times ahead. We keep growing our business model, creating new destinations. Today, on the back of consistent growth, we are the largest leisure hospitality player in the country and the largest vacation ownership company in the world in terms of the number of members if you exclude America.

**On investments ahead...**

In our business, there are three fundamental things that we should do all the time. Make the customer experience such that every moment is magical. From the time that a consumer wants to book a trip until they leave the resort, there are a million things that can go right or go wrong. In line with our business philosophy, our focus is on how we can ensure those millions of moments of truth give delight. The second is whether we are doing this well. We are a business of referrals and more people may want to become our members. We need to keep adding capacity. The third point connects back to this, which is to keep adding members to ensure that this capacity gets utilised well for a sustainable business.

In our way forward, we want to create marquee resorts, build on our ethos, and in line with that, we want to add 1,500-odd room units. We are looking to build capacity through acquisition, by building own resorts or by leasing. In terms of investment, the ballpark number is Rs 1,000-1,200 crore but as time goes by, we may even accelerate it. However, our confidence in our business model has only grown with time. We are a pure-play family vacation provider and that is what works in our favour. This is what we will continue to build on. BW

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largest timeshare player in Europe, based out of Finland, and we climbed up to 79 resorts in March 2021. We added nine resorts even during the pandemic. We grew not just in terms of profits but more importantly, by living our purpose.

**On living with purpose...**

We have spent time and energy in making our presence blend in harmony with nature while doing work with micro-communities and creating sustainable livelihoods for them. This is in line with our purpose 'Rise'. We are probably the only hospitality player that has signed all commitments related to the environment, renewable energy and being water positive, among others. Much of our initiatives have also been acknowledged on various platforms.

We have created value for our shareholders and inves-

# GROWING WITH INDIA

**Mahindra Logistics is among the group's 'growth gems' that are expected to become billion-dollar businesses in 3-5 years, a target that it believes it is 'uniquely positioned to achieve'**

**By Noor Fathima Warsia**

THE MAHINDRA LOGISTICS STORY began two decades ago from within the auto and farms sector of the group. What began as the logistics provider for Mahindra & Mahindra, less than a decade later, evolved into a separate entity eyeing the space of 'Mahindra for logistics'. For Rampraveen Swaminathan, MD & CEO, this transition means not only expanding and building its share in the ecommerce space but also continuing to move beyond its core strength from sectors such as auto to include the likes of pharma, FMCG, durables, manufacturing and others.

As far as numbers are concerned, Mahindra Logistics (MLL) is ticking all the right boxes. It is India's largest provider of contract and third-party services, focusing on the enterprise markets. Anish Shah, MD & CEO Mahindra & Mahindra informs that the logistics business recently climbed to a market cap of $720 million, which was 2.7 times over the last time. He says, "The business provides end-to-end services for various enterprises and has weaved in the latest technology to create a seamless set of services. We have marquee customers including various ecommerce companies as part of our focus area; the growth potential we see is phenomenal."

The logistics market is around $200 billion at present but the way the industry is structured, Mahindra's addressable market is at $17 billion. The company's vision is to accelerate commerce. "Our ultimate goal is to orchestrate all our services together in what I call the lego block strategy. In this, we use unique ways for each of our customers to offer the best value and best fit driving productivity and reducing costs," explains Swaminathan.

## A Resilient Business

Market experts are optimistic about Mahindra Logistics. In Q1FY22, the company posted a "better than expected" performance. Analysts say that Mahindra Logistics delivered a resilient Q1FY22, where despite the second wave, revenue dipped 10 per cent and the earnings dipped 26 per cent, beating market estimates. "The key positive is the company's high-margin and the return on capital employed. The non-M&M warehousing business continued to add space even as its top line dipped sequentially. Margin at 5.2 per cent (up 50bps QoQ) is again a testimony to MLL's strong asset-light business model," a senior analyst from Edelweiss observes.

As large corporates are outsourcing the supply chain function to specialised logistic players, Mahindra Logistics is among the beneficiaries. This is also a reason why it could withstand higher fuel costs and regional lockdown. "Mahindra Logistics displayed an agile business model, led

as well, stating that cargo is ready to take off on this aspect."This industry will grow more as India grows. With logistics, now it is about core execution. We will make some acquisitions along the way and grow it into a much larger business," informs Shah.

### Social Empowerment

Mahindra Logistics is also investing in talent in a big way, calling it the "fuel for an industry like logistics that is fragmented". Given all elements of its current strategy, Mahindra Logistics is very upbeat. In the middle of the pandemic, it raised its goal to become a Rs 10,000-crore company from a Rs 6,000-crore company. "The opportunity in India is far greater than outside for this business. As the industry formalises, we would have three or four very big players. We are working very hard on being one of them," Swaminathan comments.

"We have marquee customers including various ecommerce companies as part of our focus area; the growth potential we see is phenomenal"

by stickiness in its warehousing revenue. It also saw greater customer retention, cost-cutting measures and network optimisation (backed by strong IT infrastructure) in its transportation division," says Pankaj Pandey, Head of Research at ICICI Securities.

Pandey, however, does caution that the company should watch out for the downturn in auto. "The auto segment comprises 60 per cent of Mahindra Logistics' revenues, which could negatively impact the business," he says.

### Poised For Growth

This being said, the macros for the sector are favourable. "If you have to 'make in India', you have to move in India," comments Swaminathan. The pandemic accelerated trends such as changes in India's consumption economy, warehousing growth, and rise in omnichannel. The Mahindra Logistics chief points out that these, in turn, create demand for services integration, digitisation and automation. He says, "In the next decade, logistics companies will make money by creating the perfect orchestration deploying technology."

This was on Mahindra Logistics' radar even before the pandemic. Expanding its service lines, it is leveraging technology for productivity and cost reduction, re-imagining its customer experience. In last-mile mobility, the company is bullish on electric

Stating that the company is uniquely positioned to achieve this target, he points to the Rise philosophy as a key growth contributor. "Mahindra Logistics draws inspiration from Rise, where the bigger part of our purpose is to positively impact communities, and emerge as a significant social multiplier. We are proud of what our teams are doing in this space. We do this because it is proven that 'doing good' is 'good business'. The Rs 10,000-crore target is my job but delivering to the community is far more attractive for me," says Swaminathan. BW

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# 'Real Estate Is Waiting To Be Disrupted'

Mahindra Lifespace is among the businesses in the group that recorded losses in the past couple of years. The cautious approach at the time eventually transformed into a focused strategy on markets, project turnaround time and specific areas that the company wants to play in. In this chat with BW Businessworld's **Noor Fathima Warsia**, **Arvind Subramanian**, Managing Director & CEO, Mahindra Lifespace Developers, explains how this has now created momentum for the company that is pushing it forward. Excerpts:

**You began your journey at Mahindra Happiness, the affordable housing division. We saw some interesting propositions from the company at the time. What were some of your thoughts behind it?**

I must begin by stating that, in many ways, I am an accidental real estate professional. I joined the company seven years back after a long stint in management consulting, where a bulk of my work was around technology. Moving into real estate was strange but it naturally had an impact on how I view the sector and what I wanted to do with Mahindra Lifespaces. Many times I would end up asking questions that may appear even silly but eventually it helped uncover many things.

You are right, I came in to lead the affordable housing business, which was a bridge to another leg of my previous work. This was about customers who had the means but did not have access to various product categories. This segment made business sense but individual companies found them unviable. We saw innovation in that space come from cross-sectoral collaborations and industry intersections. There was demand but supply did not meet it. I came to Mahindra with the single-minded goal to crack this consumer group. We were looking to create a category for the country as a whole with Mahindra leading the charge.

**What were some of the early experiences in that objective?**

At that time, it was evident that this sector was ready for disruption. In the last many decades, family behaviour, people's lifestyles and ethnography have evolved but the design thinking from the supply side had not kept pace. In the production process, for example, the last major disruption in the space was cement and that was a century ago. We have not done any significant material or even a construction method innovation in a long time. Almost every aspect of real estate seems to be stuck in history. There was a need to make it contemporary from a proposition perspective, which was why was real estate important or what roles do homes play, and also from a delivery perspective of how do we construct better quality, faster, cheaper. Each of these was ripe for fresh thinking.

We hit some early success with these ideas in some of our first few launches. In one of the properties, for instance, we took out a proposition centred around maintenance cost. We said that in addition to what was otherwise promised in economic housing, we would also bring the maintenance cost down by half. We did this by embedding sustainability elements such as solar power, water saving and the likes, quantifying its impact on maintenance. It worked. There are several such examples where we lead this emotive and life-changing category with innovations.

> "From a demand standpoint, customers have become risk-averse. From this perspective, our past may look chequered and flat but our future looks much brighter"

**This is on the residential side. Give us a sense also about the industrial parks, and how some of the plans on this change in the wake of changes in the sector.**

We pioneered industrial parks. We set up the first one in Chennai almost two decades ago with a philosophy of livelihood (creating jobs), living (residential) and lives (social). This concept holds much promise. During the pandemic, Mahindra World Cities in Chennai and Jaipur were among the first to restart operations. The business continuity and ability to bounce back came to the fore and this was appreciated. This is a theme for the next few decades, of how we create resilient communities, living spaces and developments.

**Give us a sense of some of your plans to be back on the growth trajectory, especially in the backdrop of the losses you have reported recently.**

That is a fair critique; the losses have been more recent. Prior to the last two years, we were a profitable company. That was a period of external and internal reset. External factors are known but internally, we rethought where we were headed and what we sought to achieve. From a growth perspective, we were flat, and that is where we are now much more energised, committed and clear on where we want to be. Our cautious approach at that time paid off and we were not saddled with legacy issues. Our balance sheet is strong. We are almost a debt-free company.

Tectonic shifts are happening in both the demand and supply side and there lies the opportunity. If you looked at the classical parameters of land, labour and capital, the organised sector will steal a march. Land sellers are more cautious. This is one business, where capital is the raw material. By labour, I mean talent, and in this, the smartest are not putting up their hands to join the sector. But within that, players like us who have a conglomerate behind us attract the right talent. From a demand standpoint, customers have become risk-averse. From this perspective, our past may look chequered and flat but our future looks much brighter.

**Your future strategy appears to be very focused in terms of markets, lands you want to buy or the turnaround time. What are your expectations from this?**

There are two things to this. The economics of this business was once about buying cheap lands and building on that, hoping that as land price escalates, the properties will sell higher. This has changed today. The competitive advantage is in the conversion cycle. If we can do this faster, shave a year and some cost off, there is much more economic benefit. We need to hence buy land that is ready to market. We want land parcels of a certain size that comply with our overhead costs but do not need too much time to complete. Geographically, real estate is a local business. Most developers do well in their home markets. We have chosen to be only in two cities to build more depth and relevance to our customers. We are a small player and we want to be salient, and punch above our weight in brand recall. We expect this to drive our growth. BW

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