

cover story | MAHINDRA

Q&A | PAWAN GOENKA, PRESIDENT, AUTOMOTIVE SECTOR

"The big fish for us is, of course, the US"

Could you tell us about your alliances with Renault, Nissan and International Truck and Engine Corporation?

Mahindra has an alliance with Renault for the manufacture of Logan. We hold 51% stake in the joint venture (JV). The product will be manufactured in Nashik and marketed by M&M. The second alliance is with the International Truck and Engine Corporation, US where we will develop a new range of trucks, to be marketed both in India and overseas. The JV company Mahindra International will own the IPR of this product range. If Nissan joins in we will make products for it too from the same plant.

What are your global plans in the automotive space?

We are targeting for 20% of our volumes

to come from the overseas markets in three years' time. To achieve that, we need to sell 35,000 to 40,000 vehicles per year in large markets. We have a strong base in South Africa and a small operation in Uruguay. We are creating a base in Egypt. Since Russia is a complex market, we are looking for a partner. Middle East is the fourth opportunity. But it is a petrol vehicles market while we are primarily a diesel product company. Europe is a difficult market due to its stringent emission norms and dynamic customer preferences. But even a quarter percentage of that market would be big. The big fish for us is, of course, the US. Though 50-60% of our global volumes come from Africa, US will be our biggest market in the next 7-8 years.



*PRAMOD THAKUR/FOTOCORP

from biggies such as Infosys Technologies and Wipro. The group also has an SEZ coming up near Pune and a biotechnology SEZ in Thane (Maharashtra). Satellite townships and residential properties for the upwardly mobile are also on the anvil.

Something else that fits very well with Anand Mahindra's much-favoured-word "lifestyle" is the timeshare business. Club Mahindra has already notched up 50,000 customers, and Nanda is now looking to expand his offerings for this segment by adding travel and other services.

Honey, Where's the Money?

Big plans need big money and the Rs 997 crore parked mostly in mutual funds at the end of fiscal 2005-06 won't be sufficient for the group to fuel its capital-intensive ambitions. But M&M enjoys a healthy debt-equity of 0.31 and over the years has lightened its debt load (from Rs 1,377 crore in 2001-02 to Rs 883 crore in 2005-06). It has also used the FCCB route to raise long-term funds and tightened costs to ensure that businesses do not bleed even in severe down-cycles (as a result, the return

on capital has improved from 7% in 2001-02 to 26% in 2005-06).

So how will the group fund expansions and acquisitions? "By leveraging the market-cap," says Doshi. What the company is also doing while delivering organic growth is to unlock value through the listing of subsidiaries. And the additional wealth created has been quite substantial.

On March 17, 2006, Mahindra & Mahindra's standalone market capitalisation was Rs 30,118 crore. On that day, M&M Financial Services listed with a capitalisation of Rs 2,003 crore. Five months

The Mahindra Terrain

SEGMENT	BUSINESS	REVENUES	FUTURE PLANS
Automotive	Utility Vehicles, Three-Wheelers, LCVs	5,344	Launch of Ingenio, an MUV in 2008; commercial vehicles developed with ITEC expected to be launched in 2009; a car and SUV unit to be set up at Chennai; and Logan slated for launch in the next quarter
Farm Equipment	Tractors	3,486	China operations to be streamlined, PTL's capacity utilisation to be raised and distribution leveraged
Auto Components	Engineering and Design	1,348	Recent acquisitions, Schoneweiss and Hinoday, to be integrated and synergies maximised, targeting revenues of \$1 billion by 2010
IT & Telecom Services	IT And Telecom Services	1,406	A 5-year \$1-billion order from BT will keep the business humming. Increasing business from other clients a priority
Financial Services	Rural Financing	585	Transform into an integrated rural financial services company. Add 50 new branches every year and expand overseas
SEZ & Infrastructure	Realty And Hospitality	300	Targeting 1 lakh customers by 2010, overseas expansion, an IPO from Club Mahindra and SEZs at Jaipur, Thane and Pune

Source: M&M

Figures in Rs crore