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9th May 2022

To,
BSE Limited, (Security Code: 532720)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Ltd., (Symbol: M&MFIN)
Exchange Plaza, 5th Floor, Plot No. C/1, "G" Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai – 400 051

Dear Sir/ Madam,

Sub: Transcripts of the Investor/ Analyst meet held on Monday, 2nd May 2022

Further to our letter(s) dated 29th April 2022, 2nd May 2022 and 3rd May 2022, and in compliance with Regulation 30, 46 and other applicable provisions, if any, of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith, the transcripts of the Analyst/ Investor meet held on Monday, 2nd May 2022. The transcripts have been uploaded on the website of the Company within the stipulated timelines and the same can be accessed on the following link:

https://mahindrafinance.com/media/392586/q4-fy21-22-transcript.pdf

This intimation is also being uploaded on the website of the Company at:

https://www.mahindrafinance.com/investor-zone/

Kindly take the same on record.

Thanking you,
For **Mahindra & Mahindra Financial Services Limited**

Brijbala Batwal
Company Secretary & Compliance Officer
Enclosure: As above

Mahindra FINANCE

"Mahindra & Mahindra Financial Services Limited Annual Analysts Meet Conference Call"

May 02, 2022

Mahindra FINANCE

CHORUS CALL®

MANAGEMENT:

DR. ANISH SHAH:	NON-EXECUTIVE CHAIRMAN
MR. RAMESH IYER:	VICE CHAIRMAN & MANAGING DIRECTOR.
MR. RAUL REBELLO:	CHIEF OPERATING OFFICER, CORE BUSINESS
MR. VIVEK KARVE:	CHIEF FINANCIAL OFFICER

Vivek Karve : Good evening friends. It gives me great pleasure to welcome all of you who are with us today in-person and also, many of you who have joined us virtually on the web. So, I extend a warm welcome to all of you, to our Annual Analysts Meet, which I believe is happening after almost two, three years.

First of all, it feels so good to meet people in-person, to whom you have been interacting only virtually for the last so many quarters. And I really thank all of you for coming in today. So, without much ado, I will request Mr. Iyer to start the presentation.

Ramesh Iyer: Good evening, everyone. Thank you very much for making it personally here. I mean, most of you I have met, but then suddenly everybody looked new to me. So, we are now used to people only with the mask, we are only able to spot people through the eyes, but suddenly when you met everybody; but it gives you a lot of energy to meet personally. So, thank you very much. And also welcome everyone who has joined virtually.

Before I go any further, since we have the whole management team, maybe it's a good idea to quickly introduce all of them.

Extreme left is Raul Rebello, who has joined us from Axis with more than two decades of experience, and he is the COO, looking after the Core Business.

Anish needs no introduction; I will make a mistake if I introduce him. All of you have met him.

Vivek is our CFO, who has come in from Marico, same more than two decades of experience. Then we have Amit Raje, who is in the first row here, he heads our Digital Business. We have Mohit Kapoor, who is our CTO, advising us on all our Technology journey. Dinesh needs no introduction. Atul is our HR Head; he comes from the M&M System. He was the HR Head for Auto, Tractors, and therefore he has similar experiences as he comes from there. Rajesh, Priyesh all of them you have met before.

So, the Core Management team is here and during the dinner or otherwise, we can interact and meet all of them.

So, now come to our business, like every time I will kind of layout to you what we see in the market that we represent. And then we will go into specific numbers, which Vivek will take you through. And then we will lay out to you where we go from here.

So, the way we look at rural, and it's important to go back at least a year or two. The first quarter, as you all know, we had one of the worst quarters ever for this business that we witnessed. But we always knew that, why was that happening? What were the customers going through? And therefore, we had this confidence to believe that these customers would bounce back. I have said this before, I am saying it again here is, these customers always almost all time when they default, they are for circumstantial reasons and never for intentional reasons. And that's a segment that we worked with and that's where the confidence was to believe that as things change, these customers would bounce back.

What's happening in rural now is the real fundamental question? As we see the market, I think the sentiments have turned positive. People are really energized to do more things. And we clearly see them all around doing all activities getting back to normal. But the customers are a little cautious. And when I say customers are a little cautious, it's not that they don't have money, now they have money. But do they want to spend all they have, probably not. They are still thinking oh, if there was some continuing of the wave and if I have to spend a little more money for my health and medical reasons, where do I get it from, so all of them had their own experiences in the last one, two years. So, they are becoming little cautious, and this can be seen by the behavior of that market for different products, differently.

Very interestingly need based products, whether it's vehicles, tractors - these vehicles have been bought because that is a productive product for them or a productive asset for them and they are earning from that asset, and they don't want to miss this opportunity of earning.

On the other side, certain aspirational product are the ones that they not investing in or buying in. Now very interestingly two-wheelers we are seeing is not doing as well as a vehicle is doing out there. And for two-wheelers, the reason probably it is not doing well is people are trying to graduate to a pre-owned vehicle. And therefore, two-wheeler sales are going a little slow. And they are saying why invest in a product that way. And likewise, we are seeing in certain consumer durables or any of those kinds of spends we are seeing people are a little more cautious. But they all have money. And it's reflected from our own collections. And we will come to that a little later. But clearly, the earnings of the customers are going up.

And I just want to remind you, and I have said this before, what we saw between 2010 and 2014, we are seeing resemblance of this, in this round. And as you know, the rural market thrives on two clear cash flows, the farm and the infra cash flow. The farm cash flow has held up pretty well, monsoons were good, yields were good, support price was good. And also very interestingly, they got their cash flow in two or three installments, unlike many times before, where they got it in more than three, four, five installments and delayed many times. But in this round, it was all bought on time, and they were all promised to be given on time. And they all got in two or three installments. So, the farm cash flow is definitely holding up. And the good news is, at least the reports that we read says that the monsoon is likely to be average. So, that's a very good news from a rural point of view, so that cash flow is surely to hold on.

Then you look at the infra. Again, within infra it’s road, it's mining, coal excavation, all of these projects. And good news is road projects are doing at its best. And we are seeing a lot of investments going in that direction. And also, we are seeing clearly on the mining side major markets, whether its Bihar, parts of UP, parts of MP, Karnataka, we are seeing opening up.

So, if infra cash flow and farm cash flows are going to do well, we have no doubt in our minds that our customers will do well. And typically, the way the rural market also behaves, they always have money for the next season. They don't spend unless they have a confirmation of where the cash is going to come from in the next season. So, when they see the monsoon is likely to be good next season. And they see that definitely in that direction or the infra cash flow is going to be good, then they start spending in this round.

So, clearly, they have money, they will start spending as they see the future. And I believe for sure that next three years, you will see this allocation towards rural infrastructure is going to play a very important role. And we are preparing ourselves for that, very clearly that's what we see. And if farm cash flow does well, these two cash flows, they do well as I said these customers will definitely do well.

I also think our own disbursement could have been even better than where it was, or where we ended, but for the availability of vehicles. The inventory continues to be a short supply item. And therefore, the sales are a little subdued while the demand is still high. You talk to any dealer across the country the footfalls are very high. Definitely the inventory is an issue out there. But I think that as it gets sorted out, you will see the disbursements pick up and that will lead to an AUM growth for us.

Pre-owned vehicle is on-demand. Again, short supply, cost by finance companies repossessing last whole year. It's only this year that we closed, that we all went on to better repossessions so stock of repossessed vehicles are less. Due to non-availability of new vehicle, the exchange programs are going slow. Normally, I would have sold my old vehicle and bought a new vehicle. But if I have to wait for six months to get a new vehicle, why do I sell my old vehicle now, because what do I do? So, therefore the exchange programs are not doing too well. So, these two are the main supplies into the market for pre-owned vehicle and you will see that's something going slow. As the inventory starts to pick up on new vehicle, you will start seeing even the pre-owned vehicle availability goes up and that's going to be on fire, that's on demand.

So, I very strongly think that we are correctly positioned in that market with our deeper penetration. We are adding more branches to the extent that's required to be able to capitalize on this opportunity. And we believe that we will want to take full advantage of what's happening out in that market.

As far as our collections are concerned, you may recall in the 1st Quarter when we had one of the most difficult times we had reached out and we had said that what's our confidence, to turn it around and we have shown that very clearly that it's possible to turn around from this market through pure collections in that market. The numbers are with you and Vivek will speak about it in detail. But every quarter after the 1st Quarter we spoke about it and we have shown that very clearly in Quarter 2, Quarter 3, and then now Quarter 4 - how in each quarter, we have been able to improve and bring down our gross NPA level. And this is where we are as of today. Our collections efficiency has been very good. And that's helped us to be able to bring down. Importantly, also the Stage II has moved on substantially.

So, with all this put together, opportunity for growth visible there, collections have done extremely well, and this is backed up by the market sentiments, the positivity in the market, activity has gone up. We have talked about several segments, what was not doing well, the reasons why we were struggling out there. So, we have seen every activity recommence. Tourism has picked up. Schools have started. Temples have started. The religious tourism has started again. People movement has started big time. Infrastructure is doing well, as I said. Farmers held up. So, there is no segment today that we can complain of that it's not doing well. And therefore, the results are reflective of all the segments doing well. We believe it is likely to continue in this direction.

We don't expect any major disruption from here. Even if the pandemic was to be, in some form continuing, I think all of us have learned to live with it in some way. And we don't expect the severity of the pandemic as we saw in the 1st Quarter. And therefore, when we speak of what we think going from here, you would see what's our confidence when we think of the future.

Putting all this together, we have sufficiently raised capital, we are strong in our capital, we are able to raise funds at a very attractive rate from the market, from almost all lenders that we worked with, with no exception we have a very good mix of fund. So, both on the asset and liability side, we are completely ready.

We are investing on our people. I just introduced you to the senior management team. But we also got team fully ready below that. And we want to capitalize on this scenario, the next three years.

I think we have taken some corrective action even over and above the normal correction. We have also taken some management decisions to correct and bring the base to a level from where we can grow even much bigger and better.

Our Digital Finance business is something that we will bet on and we will talk about it in our future segment. Leasing is a segment that we will talk about it in our future segment. But I think we as a vehicle sector financial, we once again are fighting hard to get that leadership position. And I am so happy to announce to you that in every segment, we have once again become the #1 NBFC, whether always for the Mahindra Auto Business, in the tractor, we have regained our leadership position to be #1 financial; on the pre-owned vehicle as an NBFC we are #1 and we are just next to HDFC out there. And likewise, in every product that we have, we are there. We have a #1 leadership position in this vehicle business. And these three years as I said, rural is definitely going to be the boom story to watch. And we are already to capitalize on that.

I will stop here with that and then hand it over to Vivek to take you through the financials, and then come back and narrate you how we look at the future from here. Thank you so much.

Vivek Karve: Thank you, Mr. Iyer. So, I know we have already uploaded these numbers on our website. But I also know that today has been a very busy day for most of you, back-to-back meetings, I guess. So, what we have said is, we will quickly give you a snapshot of how the numbers have been for the 4th Quarter as well as for the full year.

So, on this particular slide, you will see both for Q4 as well as for the year, how our performance has been. So, as Mr. Iyer earlier said, the disbursements both for the quarter as well as for the year there has been a handsome growth upwards of about 50% for Q4 and more than 45% for the full year.

If you look at the total income for the year for the 4th Quarter, it is down primarily because of some provisions that we had to make towards refund of excess interest. And in the media release you will find sufficient explanation for that.

For the full year as a whole the income was down, also because of the fact that last year was not a growth year. When I say last year the FY20/21 was not a growth year for us. So, primary that is the reason why the incomes you will find lower as compared to last year.

However, on the profit front, we have done extremely well, whether it is for the quarter or for the full year. So, we exceeded the Rs. 600 crore mark for the quarter. And we just fell short of the Rs. 1,000 crore mark for the full year.

And if you look at some of the KPIs that we track internally and we thought, it's important for us to talk to you about. The NIM, which is the Net Interest Margins have remained stable, in the current year, at about 7.6%. So, while we did consciously took a knock on our lending rates, while onboarding better quality, affluent customers, the low borrowing costs have helped us to maintain our Net Interest Margins at a very healthy level of 7.6%.

The year 2021 was an abnormal year on OPEX, year 21-22 had a reasonable mobility, except probably for the 1st Quarter. So, we ended the year with a 2.7% Opex ratio. And as we look at future, when Mr. Iyer and Raul will talk about how we plan to grow our business in the coming two to three years, we believe that the Opex ratios will likely remain slightly elevated, before they start coming down once again, once the balance sheet reaches a certain size.

If you look at the credit costs, there is no impact of provisions. So, as Mr. Iyer alluded earlier, the provisions were completely written back by the end of the year. So, what you see here is primarily the bad debts that we have written-off, some aggressive calls that we have taken. And resulting from an aggressive repossession strategy, almost 55,000 vehicles were repossessed during the year as compared to 38,000 in the previous year, has also led to a higher charge on account of, the losses on account of reposition. However, as we look at future, we believe this level will normalize to a much lower level.

You guys will recollect that in 2021, our Return on Asset was much lower at 0.4%. We have made a good beginning in the year '21 and '22, we have now reached 1.3%. But that is definitely not our end game. And we will talk about it as we look at the future slides.

And last but not the least is capital adequacy. We are sufficiently provided for - capital adequacy is pretty high at 27.8%. One may say that it's a low leverage. Yes, we agree. But it also means that we have enough capital on the books which can help us grow without raising further capital in years to come, at least for the next couple of years.

So, I will stop here and hand it back to Mr. Iyer as he takes you through how we look at the way ahead, Thank you.

Ramesh Iyer: So, where are we going from here? That's more important than what we did all these years, right. I mean, this is a model which has been built for much bigger, better growth. And we have chosen a market, which is now showing promise for growth. And we have put in place all the requirements to be able to take us there.

So, the first thing I have been always asked this question, what's the gross NPA that we should consider for this business? And you will recall I have several times said after we moved to IndAS, first when we moved to 90 days, then 20 days and I have always said rural will be a little higher NPA business compared to urban. But we were always a shade much higher than that for the last few years. But we believe that we have now come to a situation where we can clearly feel that it's a 6% gross NPA business. And therefore, there are very clear ways of how do we get there. So, that's our first approach of stabilizing this business, and ensuring that we don't breach this number.

The growth opportunity, we will still remain a very dominant vehicle financing company. We are adding new verticals to that. And the two together, so if you read the two bullets out there, we believe that the new businesses that we are adding will add to 15% of our total growth story that we are talking of, but the core business by itself also has that ability to grow much faster.

I think a point that I would like to make on the core business, even if the vehicle volumes were to remain same, definitely the next two three years you will see the vehicle price going up. I don't think it's not going to go up. And as the vehicle price goes up for the same volume, our disbursements will be much different.

Then add to that is the opportunity to grow volumes. Even if we were to imagine that we grow in the same range as the auto industry is likely to grow, and we just marginally gained market share, even that by itself will be a substantial number.

So, to that you add a piece of how all the OEMs are looking at the semi-urban rural market for their own growth. And that's an opportunity to work with more brands, which are all penetrating. And that's the new number that we are talking of.

The pre-owned vehicle, as I said, is going to be a definite growth engine. And we are very clearly seeing the demand for it comes from, as segment of consumers you want a vehicle but are unwilling to invest in a new vehicle. Also imagine that there are certain operations or activities out there, which for a new vehicle sometimes become uneconomical, and therefore people invest in pre-owned vehicle, given their own revenue stream to earn from that vehicle, and which is why the pre-owned vehicle always remains a very important growth story from the rural market.

Tractor infrastructure, we have still not seen the contracting side picking up, the replacement volumes coming in and that should add to volume. So, we are very confident, and Raul will speak about each of these bullets in detail on what exactly are we doing in each of this. But that's the growth that we are talking of.

The NIMs to maintain at 7.5%. Again, mix of products, as the pre-owned vehicle goes up, tractor goes up, they always come at a high yield. But as a total product mix, if we see, we are confident that to retain a 7.5% NIM should not be a challenge, and we always borrow at the best price, therefore we will have an advantage from the borrowing side. And I still don't believe that there is a pressure on the lending side. Yes, there is competitive pressure undoubtedly, please don't get me wrong when I say we don't see a pressure. I think the lending rate is not just a factor of the competition, it's also a factor of your ability to reach customer, your ability to self-generate business, your ability to be in deeper pockets. All of this also play a role in your ability to price a consumer. I think put this all together, we are confident that we will retain and if you historically look at, we have been able to maintain our NIMs, NIMs was never our challenge.

As far as operating cost is concerned, again, there is a question that get raised to us all the time that we are a little high-cost company. And we recognize that for a simple reason that we are still a physical model, upward of 50% of collection still comes physically. The lending still we interact with consumers to understand their earning potential, their application of product, etc. And therefore, there is this cost and that's a recognized cost. And that's built into our pricing. But what we are today seeing is we have actually invested into future, right. If today what's the capacity we have is not fully getting utilized, I mean, you can see from the capital, how many times I have been hearing it, that means the volumes are not at it's full. As the volumes pick up, we may not have to add any further cost to gain from that. So, therefore we are already invested in, and you will start seeing this cost to start coming down as the balance sheet starts to grow. So, we don't need to incur new costs. So, you will clearly see the reason why we are willing to stretch ourselves to take this number from where we are, is a better utilization of the invested capacity.

And all of this, therefore, for sure will lead to the ROAs that we have put out here, that we are looking for. I have always said this is a very simple model that we actually built it on the basis that we can get a 3% ROA, and where does it come from. So, we have said that we are going to have a 7% to 8% NIMs. And if your cost of operation and cost of credit is restricted to the 2 and 2%, then you make your 3% return. So, we have factored in a little stretched out in both the cost and the credit cost levels. And we still believe we can get to this 2.5% to start with, from where we are today. And we have demonstrated that in the past. And as I said, just go back to the 2010 to 2014 slowly, if that's what is unfolding in rural, and if these are the steps that we are taking to be able to get there. I think we are pretty confident to believe that this is a doable story. And which is why we want to reach out and stretch ourselves to say that where are we on all of this journey. And then all of the new businesses that we talked of contribute to that growth story. Again, Raul will deal with it in each of this box as he speaks.

So, clearly the priorities for us on which we are going to work as a management, are these four priorities very clearly. We want to continuously focus on the asset quality stabilizing. This is one question which has been bothering all of you and you have been asking us and we have been explaining to you, but it's remained at an explanation level that when will you stabilize your NPAs - there has been volatility in NPA.

We have explained you the truth of that market, we have explained you the truth of our customer segment and what was happening out there. I think a time has come for us to now demonstrate to you that as the market corrects itself and the segment gets more stronger there is a clear story in our minds for how do we arrest this volatility and bring stability to NPA.

Similarly, on the growth, we talked of the ability to double the AUM, and we were doubling our AUM, it's the last three, four years that we have been kind of explaining that demon was the first time we explained. We thought we are coming out of it slowly, 2019 was a good year then the pandemic came and hit us. So, we have had these tough times in rural, but I think we stayed to that market. We understood that market. We have continued to believe that that market has the capacity and the capability. And that's where we have stayed invested there. And I think we are confident, will demonstrate that.

We are investing appropriately and adequately into the space of Tech and Digital. We are not saying that our business will transform and will be only done digitally, that's not this business. We know that there is a room to bring in technology wherever necessary and possible. There is a room to use digital very sensibly, both from a point of view of better service and cost being brought down and control the large volumes that we are talking of and use data very sensibly.

So, we don't want you to start believing are we transforming this business and modernizing this business, that's not what we are talking. But there is enough scope for all of this, it will be a phygital business, the branches will play the role, the people will play the role, and technology data will play its role. So, that's our approach in this for sure.

And will the same people serve the requirement of tomorrow is a question that we have very seriously addressed. And we know that there are a lot of people who have been hired at the local market, who speak local language, who understand local challenges, will play that local role extremely well. But there are people that we have hired laterally to be able to help us transform to the extent that we are focusing on. And we will invest in our people to be definitely future ready, to use all the new changes that we are talking of. And then collectively, therefore people and technology will become true key enablers of success of tomorrow.

As we talked of capital being sufficiently available, we talked of sufficient debt being available, and the marketplace is offering us all this opportunity. So, if you kind of collectively look at it we are appropriately and adequately investing in each of the space of these enablers well, with the fundamentals being in place we think that what we are talking to you is something that we are going to focus on continuously. We believe what we are going to focus on is something that will make it a reality. And I think, MMFSL is bouncing back to what its true potential is. And you will see that in the next three years as we demonstrate and execute. Thank you, and over to Raul.

Raul Rebello: Good evening, everybody. Thank you for taking the time to be here, as Vivek said, it's been a busy day for you and of course my greetings to all our guests who have joined us virtually.

So, Mr. Iyer has definitely talked about the aspiration for 2025. I think it is my duty to explain and decipher the toolkits that we will use to get there. And I am sure as he talked about the leadership position that Mahindra Finance has gained over this last two and a half decades to be a vehicle leading NBFC we have actually built this on a very robust model. And I think one of the very key differentiators and distinctiveness of our model is that we both understand the RUSU markets, and we have an expertise to serve these markets. So, we will hold these core principles and these core capabilities close to our heart, as we now take the ambitions to the next level.

So, the first key priority that we have, that was articulated on stabilizing our GNPA, we have five very specific execution agendas on getting there. And let me give you more details on those five execution agendas:

i) Is our right customer mix, while today we have a very heavy dependence on the earn and pay segment, we will continue to operate in that segment. But what the pandemic has taught us is there are very fragile customer segments, also in that long tail. And as we address that customer segment, the very small segment of those customers who have cash flows that are, as I said, very fragile we will look at reassessing that customer segment. What we have also done in the last nine months, and because of our appreciation of the RUSU markets there is a burgeoning amount of affluent rural and semi-urban customers. And we have built some very interesting propositions, and very interesting products for that segment and got very quick good results in that segment. And as we go forward, we are making heavy bets to be a lender of choice for the RUSU affluent customer segments.

ii) The second execution agenda that we have is on product diversification. Now, today our book is primarily vehicle lending. And we have seeded what we think are complementary business segments in the form of SME, leasing business and of course, the Digi FinCo business which Amit heads. We believe that these businesses will also provide good counter cyclical advantage to our main book.

iii) Our third execution agenda, which we are on is on Digital and Tech and when Digital and Tech has multifold benefits for an organization like us, if I were to specify what it does for us on a risk containment front, we have invested significantly this year and we have also on-boarded an API tech platform, which will give us and we have already started digitizing various leg of our loan journeys, both at the acquisition and fulfillment stage. And this in our mind will cut off operational risk, credit risk and largely help us have more granular visibility of the risks associated with this business. As we do that, we have also in the last nine months, significantly upped our engagement with the Credit Bureaus, we today have multi-bureau engagements. We in fact, use the Credit Bureaus for micro-market segmentation. We use the Bureaus for monitoring these micro market segments. And also, of course, giving us alerts on our various customers. Today, the NTC and the application scorecards that have been indigenously built are getting sharpened. We look at our application scorecards across businesses and look at how risks are being, whether they are sloping risk and the efficacy of those toolkits are working or not. So, there is a big play on Digi and Tech as I said, both on the business side and specifically on risk.

iv) The fourth execution agenda, with regards to stabilizing asset quality for us is and we have talked to you about our Collection War Room. Now our Collection War Room was set up at a time when, as you know, our gross Stage IIIs were elevated. And what we wanted to actually deliver from the Collection War Room was on two fronts. 1) is build our muscle on collections on the ground and 2) build our collection analytics muscle. And I think we have progressed very well so far. And today, the Collection War Room actually has become an integral part of the way in which we look at collections.

v) The fifth execution agenda is on the legal front. And as we look at legal today, it's just providing ammunition for our collection teams. But we have also done, and we have also recently done is onboard legal tech solutions, which helps us, an organization of our size, which has litigation going on across the country. It gives us granular visibility of all the litigation that's happening, and also helps us use the most potent legal toolkits, for different customer segments.

So, this is our execution focus when it comes to stabilizing asset quality. And as you would appreciate from the results, we have posted, directionally we have come down significantly from where we were in Q1. And we believe to have stable GNPAs, we would need to focus our execution on all the five agenda that I talked about.

- Moving now into the second agenda on growth and very steep aspirations here, yes, doubling our AUM growth would mean a lot of heavy lifting. But we are confident of achieving this. We have four execution agendas on growth too.
    i) The first being our strength, which is the vehicle lending business. While vehicle lending is slated to grow at upwards of 18% over the next two to three years, we do believe in the segments we operate, we can grow at a higher clip. What gives us that conviction is the fact that we have made the right investments for the last few years if you look at our reach, we are servicing four of the six lakh villages in the country. We have 1,400 branches, we operate, we have physical presence in 3,500 dealerships. We work with the various vehicle brokers etc. So, we have the distribution which is setup to success.

    And Mr. Iyer kept talking about the pre-owned vehicle which today we are the #1 NBFC, which also gives us an advantage on NIMs. You would have seen in the recent results that we posted; the used vehicle business today incrementally is close to 20% of our sourcing. So, this is a key business for us. And we believe that growth will come from here too.

Adding to that is the benefit that we have with the parent, the anchor. And our market share increase is reflective of our execution focus there. We have increased our penetration both on the tractor and the auto front, and we still see headroom for increasing market share going forward.

ii) The second execution focus that we have and Mr. Iyer talked about is growing our new growth engines, our businesses other than vehicle business. Today they are materially very small, but whatever we have done so far gives us conviction, our NPAs are down, the incremental business that is coming in is coming in at a good clip. So, we are going to invest heavily on the new businesses, SME, LAP, Leasing, Digit FinCo, these are all for us our green shoots and businesses where we will be putting our muscle behind these investments. Besides that, we have the advantage of leaning on our parent whether it comes to our, we have done some significant bill discounting volumes in the last year. We think that this is also a growth engine for us going forward.

Having these options of other than vehicle, gives us also the ability to cross-sell in our customer segments. We have, as you know, life to date is close to 7 million customers. And we acknowledge the fact that we have been single product, and we have not really sweated out our customer segments to sell multiple products. But now that we have scaled these new products, the ambition is to have many more products per customer penetration. And that's actively been a goal for all our employees this year. And we see that as a deliverable that we will achieve going forward.

Coming to, these are all our in-house businesses. But it's a connected market today we know that partnerships are key. And we have also upped our game on the partnership front. We have today signed up in the last quarter with three vehicle aggregators. We have created end-to-end digital journeys, we are not yet launched, we are in the process of building these end-to-end journeys. And this will actually give us a huge potential to scale. As you know, there is a whole lot of volume, which is happening in the market today, thanks to these aggregators. And what many lenders have demonstrated as end-to-end digital journeys. Adding to that, we have had some very interesting conversations on co-lending with one of the biggest banks in the country. And you will hear soon on our progress that we will make there.

So, in a nutshell, we have taken a huge ambition of growing our book, doubling our book, in fact, in the next three years. But we believe with the execution focus that we have on these four specific agendas, will be the pillars for us to deliver on that growth.

To enable us to get to that asset quality, which we have committed to and the growth would mean strengthening the core and for us core is, is also strengthening technology and digital. We recognize that our core systems today have to be upgraded. And Dinesh has joined us as our CTO, and we are making significant strides in strengthening our core systems. We are also appifying our core system, exposing them for us to be agile at the front end, we have onboarded an API platform. And today, that's in fact going to give us a license for growth.

At the same time, we also recognize as I mentioned, it's a connected world and the partnerships that I talked about are actually using technology for helping us materialize most of those aspirations.

So, what tech, as we see going forward going to do for us:

1) One it's going to provide the necessary customer experience that customers today expect from any New Age player. So, we are upping our game in delivering a customer experience, which is second to none.

2) We are giving the capability for our employees on the grounds to have hassle free work experience in onboarding their customers in having productivity. We are also in the process of building dealer apps and dealer frontends for our networks, to be agile and to be as potent as possible.

So, we are looking at, as I said, customer experience, productivity of our partners and productivity of our employees. And all this is, thanks to the huge investments that we are making in technology.

I am happy to share that doing all these means that we have got to make significant investments and we are recruiting heavily for our data engineering team, our data analytics team, thanks to Mohit and as I said Dinesh who are actively giving us wind in our wings to aspire for the growth and the asset quality that we have put for ourselves.

The last and definitely not the least transformation agenda that we are on, we do recognize for us to meet these aspirations means an organization which is future ready. It means that we invest in human capital, it means that we have a culture of high performance. And on that path, we have on-boarded Atul, who heads our HR has over the last year significantly improved on, significantly delivered on toolkits for our employees to reskill themselves.

For the new products that we have launched, we have skillset gaps here and we have onboarded, folks who can really take our aspirations on the leasing front, on Digi Finco, on the SME front. We have taken talent and we are on the journey to onboard talent for those aspirations. But at the heart of it, we are looking at building a culture of high performance, we are looking at building a team that looks at outperforming. And we don't shy away from giving them the requisite toolkits for them to be productive. And we are kind of investing in all that can set them up for success.

So, these are our four agendas and our four-execution focus that we think will give us the license to deliver to Vision 25. With that I hand it to Anish.

Dr. Anish Shah : Good evening, everyone. I wanted to share some perspectives more in my capacity as a Chairman of Mahindra Finance rather than my role at the Mahindra Group. And I would start by saying that while the performance this year has been outstanding, as you have seen, that alone is not enough. Over the last year, there has been a lot of work done on revalidating the business model. Is this a business model that continues to be strong? There has been a lot of work done on looking at some of the challenges we have faced, which is volatility in gross NPAs, looking at the talent, looking at technology and digital that we deploy in the business.

And here are some observations I would share in terms of the strengths that personally I have seen in Mahindra Finance, is one around the business model that still continues to be very robust. It is one that was unique, and still has a strong element of uniqueness in it in terms of the understanding of rural and semi-urban customers. It's a model that overtime, has continued to be very profitable. But we haven't liked the volatility in gross NPAs, even though credit losses have been fairly constant and have never really gone up that much even through various different crisis. We have seen gross NPAs spike up and then post crisis in three to six quarters come back to normal.

And what the team is doing now, as you saw, is really putting a strong effort in ensuring that those spikes don't occur, to stabilize gross NPAs, through a variety of methods, through products, through customer segments, through technology, through the collections efforts, legal efforts, but ensuring that in future crisis situations, whether it's demon or COVID, or anything else, the gross NPAs should not go up very high and should be stable. That will prove a robust business model.

The financial returns is something we have seen over time. And that is something that if we can show a robust business model overtime, we will continue to see the healthy financial returns as well.

I talked about rural leadership, but beyond rural leadership, there is a huge element of opportunity in cross-sell. Our cross-sell ratios today are lower than where they should be. And this is where with technology and the efforts that the teams are putting in, it's a huge potential for us to be able to cross-sell multiple products and really drive the transformation agenda.

And finally, most importantly, I am going to come to the point on talent. We have a very strong team now. Many of them have strong experience in banking. As you heard from Ramesh, Raul comes with over two decades of experience in banking from Axis Bank. Our Chief Risk Officer comes in with again over two decades of experience in banking, from HDFC Bank.

Mohit Kapoor, I would highlight that is not only the Head of Technology for Mahindra Finance, but also Head of Technology for the Mahindra Group. And this is a commitment that the group has made to Mahindra Finance, which is ensuring that the best of talent is available. So, in fact, Mohit spends 50% of his time with Mahindra Finance, often, it's a lot more, to help build the technology that's required for this business with a strong CTO in Dinesh. And Mohit comes with again strong banking experience with DBS Bank.

Amit Raje comes in from Goldman Sachs is helping build the digital part of our business. And there are many other leaders who have come in, Vivek, obviously, who you have heard from

Marico, having run finance for a strong listed entity, comes in with a wealth of experience there and many other leaders.

Beyond that, the development programs we have put in to build strong talent is very high, the commitment from the Mahindra Group is very strong in terms of ensuring that all the talent that's required is available. So, that gives a lot of confidence in terms of where this business will go.

So, in closing, it's not just a strong performance for the year, what I am most enthused by is really the transformation agenda that has been set up. And this is a transformation agenda that with the talent available, I think is going to go a long way in building that very strong robust model for Mahindra Finance. Thank you.

Vivek Karve : Thank you. So, probably what we will do now is, it's an open house. So, request any of you who want to ask any questions or want any clarifications to raise your hand. We have hand mics; we will reach to you. And then on the online, there have been some questions that have been posted, which I will read out and request either Mr. Iyer or Raul to address them, if that's okay. Please state your names and then proceed to ask the question. Thank you.

Mahrukh Adajania: I am Mahrukh from Edelweiss. I have a few financial questions and then a few broad strategy questions. So, at the end of 3Q we had highlighted, that if we migrate to new RBI norms, there will be around 8 billion hit. And obviously, that was not crystallized then, right because there were recoveries pending in the 4th Quarter, and in general, if the macro improves there will be recoveries in the 1st Quarter. So, is it possible to quantify the pool right now?

Vivek Karve : So, as you would know, the November 12 circular, RBI later came out with another circular, wherein it has given time to NBFCs to setup systems and processes for an implementation effective 1st October. So, while we have started tracking that number, our emphasis would be to use this six months period, to reduce the gap between the NPAs under the IRAC methodology and the IndAS NPAs, such that by the time we come to Q3 next year, because that will be the first quarter when, if at all we will have to provide for the difference between the IRAC NPAs and the IndAS NPAs, that we are able to minimize the difference. And because the circular is not applicable today, we have not published the number as per the IRAC NPAs, but we are tracking it on a daily stamping basis.

Mahrukh Adajania: And there was a lot of emphasis on pre-owned vehicle in your strategy update. So, obviously pre-owned vehicles would be across segments, but would you be competing with Shriram there?

Ramesh Iyer : We are looking at pre-owned, in the UV car, tractor which is where our dominance is. So, commercial vehicle will be a very small part of our pre-owned approach. So, you would see us as a very aggressive leading player in these three segments.

Alpesh Mehta: This is Alpesh from IIFL. My first question is regarding this RBI inspection, what is it all about, I couldn't go through this press-release completely, but if you can just throw some light on that, please.

Ramesh Iyer : So, in the inspection, there were some observation that we should indicate to the customer, the IRR at which the business is done with the customer. So, as you know, in rural, we give structured programs, on tractors that's a very different structuring, three-wheeler is a very different structuring. While all information as required to the customer is indicated in the offer letter, because there was no IRR mentioned, it was computed. And then the feeling was that, since you have not indicated, the opinion was that you are charging a customer a little more than what has been indicated to him.

So, that's an independent discussion that we would have, but we want to go ahead and make a provision as observed, because it's a regulatory observation. So, therefore, we have gone ahead and made the provision, and we will have to refund to the consumers, if wherever we have not indicated the IRR to the customer. But we have changed the pattern now. It's not a recurring one, it's a one-time event.

Alpesh Mehta: The difference would have come because of the processing fees, that you would not have --

Ramesh Iyer: No so typically what happens is you give somebody a 36 months loan, but you recover in 34 months. So, you give 60-days moratorium. So, typically, when the calculation was done by the regulation, they said that it's a 36-month loan you are taking it in 34 months. So, therefore, when you compute the error, it is higher than what it should be, because you have not put an IRR number out there. So, we have put 36 months loan, which we are charging them for 36 months, right. But we are recovering in 34 months. Since we don't put an IRR, maybe you should charge only for 34 months.

Alpesh Mehta: And this is kind of a, I think it's a business as usual, then why is it coming now?

Ramesh Iyer : That is between you and I, we can discuss later, right.

Alpesh Mehta: Okay.

Dr. Anish Shah: I would just add that, you know when this came up in the RBI inspections, the regulator will look at various different aspects and say that there are things that we feel may be a little fuzzy, you need to address them. The business has addressed it already. And that is where the provisions come in, the refund to customers has started. We obviously take everything the RBI says very seriously. And it's something that we are just making sure that we are fully in compliance with RBI's guidelines, in both letter and spirit.

Alpesh Mehta: The second question now, two or three strategic questions. First is on the SME business, I read in your presentation that you are putting the new team related to the SME business. So, the kind of changes that you guys would have done, the product segment that you are targeting within the SMEs, like one of the comments from Raul was, you did a lot of bill discounting in FY22. So, any other product within the SME, because the segment also has become extremely competitive at least in FY22, and that's not only in urban, at least from the banks what we are seeing that even on the rural and the semi-urban locations they are extremely aggressive right now for the SME financing. So, if you can just layout your strategy related to SME financing, that's a first one.

Second again related to growth. How do you see M&HCV segment behaving from here on? Our core competency has always been UV, tractors kind of products, but in the past, we did M&HCV, now the segment is looking up, would you be aggressive doing that business again based on your learnings of the past?

And the last question related to the asset quality, we have gone through a lot of cycles. We have seen how the rural behaves, ultimate credit costs may be lower, but the volatility of our NPAs are higher. Quite a few comments related to you have taken a lot of steps related to reducing this volatility. So, if you can just explain more in detail about the steps that you have taken apart from the digital-related changes that you guys have done, but on the ground level the changes that would have been done whether at the branch level, the KRA would have changed or what all changes that you guys would have done related to reducing this volatility.

And lastly based on this cycle would we be having a significantly lower credit cost in FY23/24 considering the way the rural and semi-urban cash flows are behaving or are looking up quite strong now?

Raul Rebello : So, I will take the first question on the SME front, like you rightly observed, bill discounting has been one of the largest upsides for us this year. And that’s because we have the ability to lean on the parent as an anchor. So, when it comes to our bill discounted rate, probably 80% to 85% is done only within the Mahindra ecosystem. But when it comes to the other SME, I would like to clarify, we are largely, I mean, we are probably only on the secured side. And there, we provide term loans in three specific industries, which is Auto, Engineering, and the Agri processing side. And that's because we have over the last five years built a competency to operate in these sectors. So, that's our play today.

The only change that we are making going forward is we feel that a lot of our customers, when we look at our customer segments, a lot of our customers also take micro-LAP from competitors. So, we felt it's just a logical thing to do to extend our portfolio and start doing micro-LAP. So, that's one new product that we are building. So, that's on the SME side. I will come to you; you wanted some more color on our collections and how we have gone about doing --

Raul Rebello: No, we haven't, we have not done it for I think about 24 months right now. And while we have not started yet, but I can't give you a forward guidance on whether we are planning to do it right now or not, I can just say that we have not done it for the last 24 months.

Coming to your question on the collections side, what we have actually done and just to expand on what I said is two aspects, one is to just get better visibility of the two million customers and many of them are at different stages of their collection cycle. So, we have a central nervous system, what we built and the central nervous system helps us understand how these customers behave not just on us but on outside too. And also create certain customer personas basis their behavior in the past and behavior on other lenders.

And this central nervous system is able to appreciate and relay feedback very quickly to the ground team. And the ground team today also and you know all of our team today operates on handheld devices. So, we have reallocated contracts basis GPS coordinates of customers. So, we have actually been able to use technology in reallocating contracts to specific employees so that each employee doesn't have more than about 250 customers to handle. And that helped us in getting much more sharper outcomes.

So, we have, in a sense built, I would say a competency to address collections in a much more sophisticated manner. And we don't believe we are all there yet, but it's a journey and we are on the right path.

Dr. Anish Shah: I will just add to that, which is your question on volatile GNPAs, and beyond the collection competencies, beyond technology and digital, there is lot of effort that's going into Product and Customer segment, because rural affluent is a customer segment that is in the same channels that we operate in. But we haven't really focused on rural affluent in the past. Now, if you have got x percent of the book has rural affluent in future, they have a much lower GNPA in general. So, the overall book gets a lot more stabilized. Similarly, products like loan against property, as we grow that that will also help stabilizing the book further.

So, there are various different actions being taken to stabilize the book for the longer term, where certain segments maybe have a higher volatility. At the same time, we may cut out some segments that are very volatile, to help balance the book. And that's going to help drive it. So, it's a collection of all of these efforts, not just specifically on collections or technology.

Alpesh Mehta: Anish in that case, the rural affluent may not give you the similar yields that you get from the customers which are at the bottom of the pyramid or who are giving you more volatility. So, it's a trade-off between the immediate profits versus that of the future profits. So, would you be okay, compromising the immediate profits right now, in order to reduce the volatility going forward?

Ramesh Iyer : I think you should look at it also, maybe the yields are low. But if you are going to have a low cost of operation, because these customers, you don't need to physically go and collect and all that. So, your cost of operation for this customer will be low one.

2) If they are not bringing in NPA, then that's the provision cost that you straightaway save, that's what is given up at the yield level. So, at our ROA level, you will not lose anything. You will still make the same money. It’s just at the line-item level it will get readjusted. That's the only reason we are getting into the segment.

So, M&HCV, we were never a very specialized large ticket player, and we don't believe that we have a role to play in large fleet operator lending. So, if you were to look at M&HCV, it’s a three clear segments, one is the fleet operator segment, then you have the midsize to two vehicle, five vehicle kind of a segment and the tipper segment, which also comes under the M&HCV.

So, tipper is very typically our kind of a segment wherein contracting segments who are tractors etc. So, that's something that we will play a good role. So, far as the fleet we will give up that's not where we want to be. And therefore, these three to five vehicles, ten vehicle kind of a segment, which is where we participate in the first round, then we saw the market goes low, these operators didn't add enough capacity. Now we are seeing them coming back to add capacity, you will see us as an active player.

So, I think in our balance sheet or in our asset, M&HCV will still remain somewhere at 8% of the AUM, which had gone down substantially to lower 2% to 3% type numbers, may go back to 8% to 10% number, but we will not be an aggressive M&HCV player to kind of compete out there for fleet operators.

Alpesh Mehta: So, just on the rural cash flows, now everyone is talking about the rural cash flows being extremely strong and the prices are above the minimum support price etc., right. But are you seeing the impact of inflation hitting them as well, especially the higher crude prices now? So, one of the obviously your vehicle financing segments, some of the large part of your products are also into commercial use. So, are you seeing the impact on the cash flows from that perspective?

Ramesh Iyer: So, clearly the fuel price is one which is a major impact for all these operators. But again, we must look at it the segment that they are in, clearly, I believe that the freight rates and the passenger fare will move up. So, it will get adjusted. Yes, it will come with a lag, maybe they will suffer for a quarter or so. But also look at it that they are all coming out of no business to some business level, so they are all happy with at least it has commenced to happen. The next round, I don't have a doubt in my mind that the freight rates will go up and the passenger fares will go up. So, that will get adjusted.

Dr. Anish Shah: And we are actually clearly seeing in better terms of rate for them, overall, because while inflation is going up on some of their input costs, their output prices are far higher. And that's what's creating the bullishness that you see right now in rural.

Alpesh Mehta: Has the loss given default come down, the ultimate termination losses that historically we had around 70%, so are you seeing any changes over there?

Vivek Karve : No, the loss given default, it has remained in a range, so we have not experienced a sudden increase or a sudden decrease.

Pradeep Agrawal: This is Pradeep from PhillipCapital. So, two questions, one is we have seen in the last 12 months property prices rising. And even gold has seen good momentum in last couple of years. So, want to understand from a customer cash flow perspective, do these things have impact on your customer base, in terms of their cash flow improving, or your asset quality improvement, so just a sense on that.

Ramesh Iyer : So, if they have land and gold, it's just on paper, right, the wealth goes up. They don't really sell gold or sell land immediately, to see a cash flow improvement. What we saw during the pandemic is some of them pledged this gold or land to get immediate cash flow benefit, because their own earnings were suffering. Now they have released it back and they are holding it back. So, I think their wealth has coming back. You won't see a cash flow benefit with the price of gold going up or land going up, because that's something that they want to store forever.

Pradeep Agrawal: Second question, you also emphasized on your cross-sell going forward. So, want to understand what is the cross-sell rate currently? And where do you see it, maybe in three to five years' timeframe and which products would be the main focus in cross-sell?

Ramesh Iyer : So, Raul will expand, but the cross-sell opportunities we have seen many of these customers do need temporary, short-term loans, either they go to their family, friends or local traders and they borrow. And we were not in that because we were still establishing our process systems and I have talked about it in the past. Clearly, we see that as a great opportunity of cross-sell. And of course, more than the loan there is opportunity on the investment side, the same customers who have a surplus during certain periods, can place fixed deposits with us, so that's another opportunity or a mutual fund product that they can take. But if we were to purely look at it only from a loan side, I think these kind of short ticket loan is an opportunity that we see, very clearly.

Raul Rebello : Just to expand on that today our customers besides vehicle loans, they also, we offer fixed deposits, we have insurance products, but where we see the growing potential is many of them, as I said, when you look at the Bureau, they are borrowing personal loans from outside. So, we are increasing our personal loan penetration every month, we have a pre-approved list, and we are seeing that penetration go up.

Secondly, even in the vehicle asset category, we see a migration, for example, our three-wheeler customers naturally upgrade to an SCV, SCV upgrades to a higher vehicle. So, we have, in fact, with M&M itself created a program that helps customers migrate out. And we are seeing, and we have kind of put some compelling offers out there. But just from the data, we see that that's a big trend. And that's our aspiration, actually to help customers migrate and upgrade.

Bhavik Dave: This is Bhavik from Nippon. A couple of questions, I could not see a slide on ROE. So, what will be the target that we would want to achieve as a company on a sustainable basis, the ROE target that we could have? That is question number one.

Question number two is on the ground, like you mentioned, a lot of changes at the top-end that we are trying to do with newer people coming in, just wanted to understand a few examples of what we are changing on the ground at the branch level, because that's where the business gets executed. So, what exactly have we done there, a couple of examples of changes would help us to understand what exactly is happening on the ground?

And lastly on banking license, any thoughts on that, because if we double in like the next two, three years, how do we think about future from there like, on the banking license front, that will help.

Ramesh Iyer : I think, where we are, is just not acceptable levels, right. But at least we are very clear as a roadmap to ROA. And we are at a very high capital adequacy level, and we raise capital, looking at what the emerging scenario was, and it will take a little time for us to consume. And that's where the roadmap for growth is. I think our first step of happiness would be as we reach a 12% ROE and show a progress towards 15% going up to 18%.

I think that's the direction, this is a business, if leveraged well, for at least five and a half times and earn that ROA of 2.5% to 3% is what this business has been built for. We do completely recognize that we have gone through those difficult times, and we have not lived up to this promise. But if you kind of cut it by period and see a little before that we were exactly that.

And therefore, if you ask me the confidence, I think the product line that we have chosen the segment of customers that we are working with, and if the market volatility is addressed, the way we are trying to focus on, getting to that roadmap of what I said should not be a challenge. That's what we are working on.

Bhavik Dave: Just one point on this is, we have seen a lot of financial companies having capitals of 27% to 30%, and not levering sufficiently to pay that ROE. And this is like a trend that we have seen over the last two, three years, a lot of housing finance companies are in this as well. So, just wanted to understand has anything on the ground changed or has anything changed in the market, which keeps us having such high capital levels, and hence the ROE end up being at 12% to 13%, which is like in India cost of equity. So, just to think about.

Ramesh Iyer : So, this is the first time we have reached this capital level, right. I mean, we have always at about 15% to 16% as we touch that 15%, we raised capital in the past from 2006 to 2017, if you kind of see once in two years that we raise capital, that was the direction. Just in this round of pandemic, there was so much of uncertainty about what is this? And how long is this going to be? And we wanted to ensure that we have extreme high financial discipline, we took this bold decision to raise this capital. And we believe that we are good for next couple of years until we want to really embark on this growth journey.

So, our thought is not that we want to keep a very high capital adequacy and not leverage it. I mean, what advantage is that at all? So, that's not the way we want to look at it.

Dr. Anish Shah : I would just add that from a medium to long term basis, this is a business with very strong ROE and growth potential. In the short run over the last two years in particular, it was very important, especially in financial services, to ensure that there was no question whatsoever on stability or liquidity for the company. And that was the reason why we had taken that aggressive step to make sure from a prudent standpoint the business had enough capital to weather any storm that came its way. And as we saw through the COVID era there were a number of questions and challenges that all businesses faced. And the first and most important part for us is to ensure stability and security for the company. And ROE will come back, growth has comeback already now. So, that's something that doesn't concern us from that perspective.

Bhavik Dave: And the other two questions one on banking license and second is on the changes on the ground that we could hope for which changes the way we do business.

Ramesh Iyer: So, on the banking license as you know, industry houses today the regulation doesn't kind of permit for the banking. But otherwise, as a Mahindra Group, we will always look at this opportunity, we will kind of definitely explore, analyze where we are, and what's the route to that. We will not want to not look at that as an opportunity. But we will also be conscious of the fact, when we look at those opportunities to see between the two model what is the best model for the strategies that we are putting in place. And surely, we don't want to destroy a value, as we built a new line. We will have to translate this value into that new value. So, that's going to be our strategic approach. So, as a group minus the industry houses kind of setup, I think, will tick all boxes for that opportunity. I think we will keep looking at that opportunity very closely.

I think you asked the question on the branch and Raul will expand but I can only tell you one thing is, what are we using our branches for, then that will help understand what else we will be doing. One is we recruited people locally. So, they understand the local challenges, they speak the local language. They are able to interact with the local administration in terms of difficult times. And that's one of the best use of the local team that we have hired.

Second is many of them as a family locally also come from a similar farming profession, etc. so their ability to understand what's happening out there is far superior to anyone else that will go from here, right. So, that kind of a knowledge and that capability will be continued to be used. What we are trying to do for them is when you are giving them more tools to use, when we are kind of getting into all the segments, like an affluent financing that we are getting into, it will require a very different approach of dealing with the consumer. So, we are kind of building the capabilities, not just functionally, but also on the softer issues of dealing with consumers, handling these set of customers very differently. That's something that we are putting them through a training process.

I think the third thing that we are doing is to be able to use all the technology tools that’s get given. It's very easy to invest and get some tools and put it in everybody's mobile, but if it's not going to be efficiently used, you won't get the best output. So, therefore, that area, we are focusing strongly on training and building them. And the last, I would think is use of the data well. We may have millions of data if somebody can't understand it right where are they going to put this to use.

So, in our approach, we believe that all the local knowledge with a very efficient use of the data is something will produce a very different result. And therefore, we are training people at different levels for all of this.

So, I think these are the few ways of building capacity of people at the local level and make them more productive, and very meaningfully productive.

Raul Rebello : So, I will build on that without repeating. I think we were coming off the pandemic so one key thing was just building engagement levels with the last mile. And, we have done that with HR with Atul, both of course digital has been for the last two years, but we consciously have started traveling more often and demanding that the senior folks travel more often so that the engagement element is at the highest, that's number one.

Number two on the productivity point, we operate sometimes in geographies where the volumes don't justify too many manpower. So, we have been actively trying to horizontally widening the skillsets of how our folks to do multi product sales, and also attach them to multiple dealerships so that the volumes are justified. And to build on that created very innovative, I would say, incentive programs that drives that behavior of high performance.

Adding to that we have also kind of set the expectation that we would expect open market sourcing much more because that reduces our cost of acquisition so our open market sourcing, which comes from the non-dealer channels which is just our guys hunting business has significantly improved in the last six to eight months. And we will definitely be on that path.

Vivek Karve : So, if it is okay, we will take a few questions that have come to us from online and then we will come back to this physical group. Raul maybe you can take up this question. I will just read it out for you. The question is from Laburnum Capital. And his question is the company has the same team that does the sales as well as underwriting. What is the reason for this? Are we looking to build a separate credit team?

Raul Rebello: Yes, I think different models warrant for different --. Yes, so I think it's more, it's not about teams, but it's about whether we are doing the right credit decisioning, right. Ultimately, a person is as good as the decision that he has made. The decision can be made by a faceless entity or not. But I think for the business model that we have, it's important to understand that the customer segment may not have the same sophistication of documented cash flows or documented income proofs, etc. The beauty of our model is that we have a last mile who does a personal discussion with the customer and tries to document all that income, which may not establish all that income, which may not be in a documented form. But we have very robust and not I would say, we are improving the robustness of these application scorecards. Today most of our businesses have an in-house built application scorecard, which actually makes the frontline who's interviewing this customer, it's not as you think, like the frontline is empowered to say yes or no. Today, all applications go to these applications scorecard. There is, of course a credit bureau consumption there. And when the frontline gets a Red, Amber or a Green is where they can make a decision. When it's Amber, definitely it gets bumped up to a supervisor who's again, looking at the file very closely.

So, in the model that we have, we do understand that we will have to empower the frontline. But we also with that empowerment give them a lot of responsibility, because whatever powers that they are executing, they are held accountable for those powers. Having said that, for businesses, wherein the level of sophistication of cash flows is documented, we do have a credit team, for example the SME team, it's not a common team, you have a credit function, and you have a sales function. But going forward, we do you know, it's not a position we have taken this has been the model and the model definitely has helped us so far. But we are evaluating the best possible way of going forward. I am just giving you the reasons why we had it so far. Strengthening our credit toolkits is very important. We are on that path. And the delegation of financial powers is something that we are constantly evaluating.

Dr. Anish Shah : Let me just add a broader perspective to this because while the question and the response was regarding sales and underwriting, the more important aspect here is an independent Chief Risk Officer, and a Credit Policy Team. And there has been a lot of work done over the last year and a half. The Chief Risk Officer was hired I think about six to eight months ago, maybe a year ago, or six months ago rather, and has come in from HDFC Bank. She had helped build retail credit policy at HDFC Bank for the last 20 years and comes in with a wealth of experience. And with that there is a team of credit policy or risk that has been built or is further being strengthened that is fully independent. And this Chief Risk Officer also has sessions directly with the Board without the management present to make sure that that independence is maintained. So, from a Board perspective, we can attest to that as well. So, while underwriting and sales is more an operating function, credit policy is something that is independent and is being driven independently. Infact RBI has a circular on this for large NBFCs as well and that is something that we have followed both again to the letter and the spirit of that circular.

Vivek Karve : Another question that has come from DSP is how are new business buildings happening without cost pressure? Shouldn't Opex increase faster than the income initially?

Vivek Karve : So, the question is very correct. However, we are in the building stage. And for some time, the cost pressures would be there. But as we get the scale with the operating leverage, we will be able to attain much more comfortable cost ratios. And that's also the reason that when I presented the financials to all of you, we said that in the shorter run which is at least FY22/23, we will expect a higher cost to AUM ratio, because we will be investing in all the new growth drivers. And we will continue to invest behind the collection initiatives, the IT initiatives, as well as the legal initiatives.

Vivek Karve : The next question is, Is there a structural problem where the dealer is becoming less relevant to the financing decision making Mahindra Finances biggest advantage risk less potent? If more and more people are coming to a showroom with financing tied up, that is through an agency sales force for instance, does the Mahindra finance model still work?

Ramesh Iyer : I think let's first be clear that before choosing a vehicle, nobody chooses a finance. It may appear that everybody is first coming with a credit and all kinds of stuff, they first come choose vehicle, because for every vehicle, there are different financing program available, and they don't want to miss out on it. The second important thing that all of us should know is today, nobody is not able to get credit kind of a situation, let's not unnecessarily fool others, everybody gets credit.

Somebody gets in at a higher rate, somebody gets for a less quantum, more quantum. So, gone are those days when we can say, "ho, there is people who are not getting credit that we are providing or whatever."

So, then what differentiates why will you get customers or why will somebody else get customer, It's elements of things are there, maybe it starts with your ability to reach the customer faster. Again, we all think that with technology, we may not have to reach out customer for credit, etc. But at least in the semi-urban rural market, there is a price for your ability to reach a customer and convince a customer and offer the kind of a program that you want to offer.

Then the rate of lending also decides who will go to whom. Quantum of finance decides, your ability to understand the customer's need, and his cash flow. Because not everybody is able to provide you with a cash flow statement or his financial statement on the strength of which you can take a decision. So, you have different segments of customers, some who have got a credit score, some of them who have got a financial statement, some of them are your existing customer. So, I think there is a room for every financial.

My last comment on this would be, thinking beyond the things that the market will remain the same and more players are going to finance. I think all of us jointly are actually expanding the market. I mean, you just look at the number of vehicle sales that has gone up in the last 10 years and you will find the numbers are very different. So, why do we all imagine that more financials are coming is the competition increasing, but the number of vehicles sold is also increasing.

I just said in my initial comments that all the OEMs are looking at rural market for getting their volumes, they are opening dealerships. So, I think the market space is also increasing. So, if your service is good, your ability to understand customer needs are well defined, you are close to the customer out there, you are able to retain your existing customers, your service standards to the customers are well narrated by your existing customers or new set of customers. I think there is a room for everyone. There is room for everyone.

Dr. Anish Shah : I will just add that, if the market does go to a lot more people getting financing before they go to the dealership, Mahindra Finance actually is much better positioned because of the synergies with the Mahindra Group. At the group level, there is a common customer database with customer consent for 14 million customers. And the synergies that can be harnessed from that database in terms of providing financing before even someone thinks about buying a car, because there is information available on when are they going to start looking for the next car, will allow for Mahindra Finance to start giving them offers early and enabling them to go to a dealership with an offer in hand.

Ramesh Iyer : Just look at this comment, Raul said, we are in 400,000 village. And therefore, we have customers in all these villages. What we are putting our strategy together is how do we use our 2 million, 3 million live customers who are in these 400,000 villages to get us more inquiry. So, we will actually know in the next few months, few years, anybody wants to buy a vehicle whether old, new, tractor, anything we will know much before anybody else knows about it. So, we will be a self-generating and converting company. And that's going to be our strategy differentiator out there. I mean, that's the advantage of being in the market for last 30 years with such a large customer base and present at every nook and corner.

So, I don't think we are under pressure from our ability to be able to get business, yes, today dealers are there, that's a natural advantage. We operate through the dealerships out there. And we get all these volumes. But we are continuously progressing towards our self-ability to generate and will come to a day where the dealer will actually come to us for getting business rather than we go to a dealer for seeking business. I don't think that they will be far if we handled this large customer base presentt across the country if we handled well.

Vivek Karve : We will take one more online question and then we will come back to the group. The question Raul probably you can take this. Can you please update on the progress on IRAC GNPL reduction? The question has come from Citadel.

Vivek Karve : So, as you guys would know, the IRAC GNPL is someone who became NPA and came back below 90 but hasn't really come back to zero DPD. So, there are some overdues having touched the 90 DPD norm. So, the best way to deal with this would be not to allow somebody to touch that line. So, our entire effort would be to catch them early and use our collection tools as well as our legal tools to prevent them from touching that line, because once they touch that line, they are forever GNPA unless and until they become zero DPD.

So, today in our legal machinery, the moment somebody becomes 30 DPD somebody becomes 60 DPD. So, a reminder notice is sent, a recall notice is sent. And we are using it very efficiently to kind of remind the customer that if you do not pay, we are not going to lie low on this and we will take swift measures. And if required we will even repossess the vehicle if we believe that some of this behavior is intentional in nature.

At the same time, the Collection War Room initiative that Raul talked about where we are using analytics, which kind of give us an early warning signal that there is a potential GNPA that you will need to correct for, the collection machinery is activated much in advance.

Raul Rebello : So, I think the major difference is that we live in an era wherein we will have to appreciate daily stamping of NPAs and also when a customer crosses that Lakshman Rekha get full curing as in collect three or more EMIs to get them back. And for that because the regulation came in, in November, we actually already started preparing in that direction. So, we have visibility of these customers. And in fact, from November onwards itself created certain initiatives around customers not moving forward as well as, as Vivek said controlling certain customers from crossing that Lakshman Rekha.

So, today, there is a communication at the customer side that makes it amply clear that there are repercussions if they cross that line as well as from an employee standpoint, we have got a specific team which is commissioned to make sure that there is a full curing of accounts if they have crossed that 90 DPD as well as stabilizing those contracts from flowing forward from each age actually Age-I, Age-II, Age-III.

Ramesh Iyer : These kinds of questions get asked every time there is a regulatory change, I have at least been there, when we had NPA 365 days, then it became 180 the same question was asked. Then 180 became 90 the same question was asked. Then when IRAC to INDAS norm came, same question was asked. I think it's also about continuous communication to the customer about the changing regulation, and therefore the need for them also to change along with that, one.

Two, there is also a need to sometimes relook at the product design. And design the product in a manner that suits these customers extremely well. Today, in a customer mind, a particular date he has to repay is not something very hard coded, he thinks I have to pay a monthly installment and he chooses to pay any time in the month. So, there is this discipline required both internally to ensure that if a customer due rate is x, we are able to reach much before that and ensure that we collect. So, because if he is willing to pay that month, he will be willing to pay on that day it's just that how do you discipline that situation.

Second is continuous communication to customer and third is initially, maybe we will have to incentivize both the employee as well as the customer to follow that route. And no sooner they get used to that kind of requirements then it becomes a part of the regular route. That's how it changes.

Vivek Karve: So, there are quite a few questions online. So, what we will do is that we will respond to them on a one-on-one basis.

Sameer Bhise: This is Sameer from JM Financials. So, about this aspirational 6% GSP mark. Last time we were around these numbers was when rural economy was probably doing well, between 2011 to 2014. I think Iyer Sir also mentioned that current scenario is looking like that. Would you want to quantify, what kind of macro support are you assuming when we talk of that 6% sustainably? And then how much is more internal to the company in terms of the measures that we are taking? I know it's a bit fuzzy, but what do you want to just kind of elaborate on that?

Ramesh Iyer : So, you want to know exactly what steps we are taking to ensure we are a 6?

Sameer Bhise: Wont that be great?

Ramesh Iyer : You are taking me all over the place. So, is that what you're looking for?

Sameer Bhise: Yes see I mean, the customer segment we have historically operated in probably has dealt with a higher delinquency ratio. So, when we talk of that 6% mark, how much support we have kind of built into our expectations from the environment?

Ramesh Iyer : So, let me give you a story now and here. You heard Vivek say we have changed our bad debts policy and we have made some aggressive provisions etc. We have already taken a view on 18. plus, we have made 100% provision, though we have not written them off. And if we were to adjust that to the gross NPA, we are already below 6. So, we are already seeing what's happening out in that market, that's one.

Second is yes, will we be below 6 in all quarters of the year, as you know, rural market the first two quarters are a little different from the next two quarters. But if the monsoon does behave well, and the crop money comes anytime between November and January, and if the infrastructure story does pan out the way we are believing it will and we are seeing very clear direction towards that, I don't think we have a doubt in our customer's ability to earn to pay. Because ultimately, if this customers earn, we have always seen they have paid up. If you look at this first quarter to the next three quarters, right. I am sure everyone had this question to us in the 1st Quarter is the model cracking. And we said very clearly that we can meet the customer and we can see the vehicle with them, and they are not being used. Once it's put to use the money will come.

So, I don't think we have a doubt in our mind that if the market conditions do support, I think we have built a model where we have people close to the customer, and we have customers whose intentions are to repay. So, we don't have a doubt that we will be able to get to that.

Dr. Anish Shah : Just to add to that, beyond macro, obviously, macro will help to some extent. It's about product and segment, which we have talked about earlier. It's also about a much stronger set of collections techniques with technology and with legal processes behind it than we had in 2011 to 2014. So, those are all the factors that will help because Ramesh said that there will be quarters where it's slightly higher. So, it's not going to be below 6% all the time. So, there will be some quarters where it's higher. But the basic objective over the next couple of years is to build the book in a certain way, where there is a much greater stability in the book overall. And therefore, in periods of stress where the macro factors aren't positive, you don't start going back up to higher GNPAs and then have to wait for another three quarters to write them back.

Ramesh Iyer : And it may be useful for you to capture that, we are talking about this gross NPA when the book is not growing at all. So, there is this denominator pressure we are going through, right. And if the book was to grow at even 10%, 12%, 15% that itself will help us, 1% gross NPA correction.

Vivek Karve : I think we will take one last question and then we will close.

Piran Engineer : Just on your plan to double in three years and even 15% from new businesses but in the vehicle business, you will have to grow at 19% to 20% CAGR, which we have probably not seen in a long time. We are also targeting the mass affluent segment wherein I would assume banks or NBFC subsidiaries of banks operate. So, I get a feeling it's easier said than done if you can probably talk about it.

Secondly, and I don't intend to be a party pooper, but you all have been cagey about disclosing your GNPL number. I understand that it's going to be implemented in September, but when the November 12 circular came and it was implemented in March, you all still disclosed it in

December, why not disclose it now again? And why didn't we just take the provisions in one shot and finish it off this year?

Ramesh Iyer : So, let me kind of tell you that why we are not disclosing is, we are very clearly seeing a correction happening to that. And we want to come back to you, as we see the actual number pan out. And our belief is as we reach the deadline of September end that is the 3rd Quarter of next year and as Vivek said, the way the progress is, we may not have to really make any provision. So, we don't want to put out something, when we came in November, when the circular came in, we said there was no visibility of what RBI is thinking on this. And we thought it's now and here and therefore, we said what that number would be. Now that we have a very clear understanding of by when we have to do, we would rather come back by telling you what efforts we are putting, what corrections it's bringing in, and what that exact number is.

And our understanding is that the way the market is, we may not have to really make a very high provision as we reach that number. And in any case, you have the worst number with you right, 500 to 1500. Even if you were to use that as the worst as 1500, the best is 500. And the way we are seeing the market, I think we may not have to do anything if the market goes the way it is going very clearly that's our understanding.

So, far as your growth question is concerned, even to say it is very difficult. It's not easy said and difficult to do. Both ways it's difficult. So, having said that, we will do why are we saying it and I think I said it in my explanation, by volume, we may grow only by 10% to 12%, we may not grow 20% but very strong belief that the vehicle price will go up, there's no doubt in anybody's mind that in this three-year period, the vehicle price will not go up. It will go up by if not more, I mean, I am not speaking for anybody, it's only my understanding, it will go up by 5% then another 5%, it will go up. And that will contribute to disbursement growth for the growth of volume that we are already talking.

And the third from where the growth is going to come is today not all vehicles get sold in rural. As I said many OEMs are opening up dealerships and if they are already selling they are just selling in select pockets, they are going more deeper and more dealerships are getting opened. And today in other than non-Maruti car segment, our market share is 3% to 5% kind of a market share. Even if you just go to 7% to 9% market share which will come by our rural sale. I think put the three together I think the numbers that we are talking is not something non-achievable for the core business. And then to that are the new segments that we talked off and which is why the ability to kind of stretch out and see what is likely to happen.

Vivek Karve : Anish, any last remarks from you before we close.

Dr. Anish Shah : Yes with that I would like to thank everyone, both folks who are here in-person as well as online. Folks who are online will miss the nice dinner here, but for the folks in-person we welcome you to join us. Thank you.