INTERVIEW: VS PARTHASARATHY, group chief financial officer, Mahindra & Mahindra

‘Competition not a worry, we are focussing on volume growth’

Mahindra and Mahindra (including Mahindra Vehicle Manufacturers) posted an impressive 18% growth in standalone net profits for 2017-18 at ₹4,623 crore. The profits came on the back of a growth in revenues of 14% at ₹48,529 crore. While the farm equipment segment is doing spectacularly well, the stiff competition in the utility vehicle space has seen M&M lose share to 23.5% in May from 33.17% in October 2016. During an interview with **Kritika Arora** *and* **Bhavik Nair, VS Parthasarathy**, *group chief financial officer, M&M, said the company intends to regain its number one position in the UV market through some good product launches. Excerpts:*

How does M&M propose to arrest the fall in market share for UVs?
First and foremost, we regained the number one UV spot for two or three quarters last year. If we look at the traditional SUV — not the compact SUV — our Scorpio is still the best-selling model after 18 years. Bolero still sells 8,000 volumes a month, so where we have our products, they are doing pretty well.

But there is tough competition...
I agree. But if we have can grow our volumes and take some price increases, it will mean bigger profits and bigger cash flows. I do not care so much about competitors as long as we can grow volumes. With three good product launches next year, we are focussing on volume growth.

If commodity prices go up, would you pass on the higher input costs?
We believe commodity prices are going to be at elevated levels. They are already above last year's levels. We are likely to take price hikes of 2-3% this year. Whenever there is an increase in costs, the price increase tends to be of the same magnitude. This inflation-based problem has been there forever and we know how to manage it and how to maintain and improve margins. We need to time the price hikes correctly.

M&M is believed to have plans to foray into China again, this time on its own...
We recognise that if we go into China with not just products, but also implements, attachments, self-propelled equipment and if we can stay asset light, our experience would stand us in good stead. China is a big market, for say, Combine harvesters. I think we can take advantage of this kind of market and sell them solutions and not just products. That will also help China's farmers.

You are investing ₹500 crore in EVs at the Chakan plant and that will take your investment to ₹900 crore. But there are challenges...
We have been selling EVs for a long time, so we understand this business. We are prepared for the transformation that India wants to make to EVs and are ready to partner the country. The first leg of the strategy is the product — currently we have e2o, e-verito and buses that we have already displayed — which are at the testing stage.
On the technology front, we need to set up a battery management system, an engine equivalent and the third is the drive. We call it electric motor, electric power train and power electronics. For technology, we will have strategic alliance and will be brand agnostic. So anyone can source it from us. We will call it electric technology solutions provider.

How is the Turkish tractor acquisition doing?
We actually made three acquisitions. The tractor company is the most important which is called Erkunt Traktor and we believe could be a big player.

Do you plan to enter more overseas markets?
In the European market, there is a substantial progress in the farm equipment segment. So that will be our focus. In China we will focus on the farm equipment space. In Africa, the progress has been slow because of its own ups and downs. But Africa has got more arable land than India or China and most of it today is not being cultivated. So, we have made investments there and we are hoping it will become a big market. The southern tip which is South Africa upwards is a traditional market. We will focus on the Francophone countries area including Chad, Mali, Burkina Faso and Kenya. So we are engaging with the local people there. The fourth is South America where penetration has been smaller and we have invested in Brazil and Mexico.

How does FY19 look in terms of acquisitions?
We have said we are going to invest around ₹15,000 crore in next three years, of which capex is ₹10,000 crore and ₹5,000 crore will be investments. Some part of this will be in the company and the rest will be used for acquisitions. That's the broader view.

Will you consider getting into battery manufacturing for EVs?
We will focus on a battery management system, we are not going to get into manufacturing. That is the technology we will invest in and we have already announced our strategic tie-up with LG Chem.

How soon are you aiming to be a zero-debt company?
It is always better to have some leverage. If you have liquidity, you can invest more profitably. If you get export credit cheaper, which one should leverage, the arbitrage helps.

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