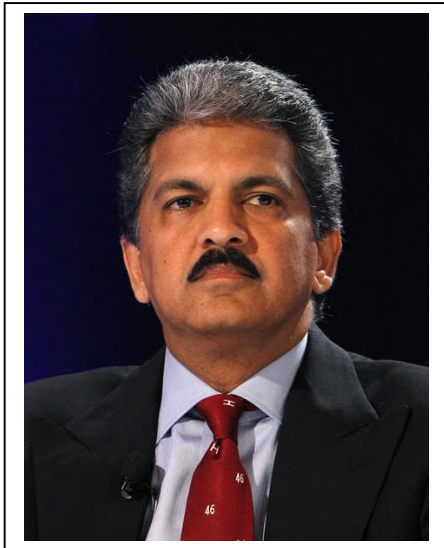


DAVOS 2010 UPDATE



Over 2,500 global leaders in business and politics arrived in this Swiss resort on Wednesday to put their minds together on how best to support the fragile recovery following the worst economic crisis since the 1930s. To be held from January 28 to February 1, the theme of this year's conference is 'Improve the State of the World -- Rethink, Redesign and Rebuild'; it's a theme that's going to resonate amongst companies across the world as they prepare their businesses as the global economy emerges from a slowdown.

In an exclusive interview with CNBC-TV18, [Anand Mahindra](#), Vice Chairman and Managing Director, [Mahindra & Mahindra](#), discusses the theme of WEF. He also talks about the company's plans for the new decade.

Here is a verbatim transcript of this exclusive interview with [Anand Mahindra](#) on CNBC-TV18.

Also watch the accompanying video on:

<http://www.youtube.com/watch?v=wlroWd3sm98>

<http://www.youtube.com/watch?v=IQXYfY4wJkU>

Q: This theme resonate with you as well in some sense because last year's meeting, the meeting that you do at the beginning of every year to set the tone for Mahindra & Mahindra (M&M), also was three 'R' dominating meeting. What does it mean to be able to rethink, redesign, rebuild in your context at M&M for the next decade? I am not talking about this year or the next two years, but this decade is going to be characterized by very different global economy as oppose to the last. What kind of work does that set out for you?

A: I am glad that my three R's came one year before. If you remember what I had said was reboot, reinvent and reignite and in a sense it could be paraphrasing the same thing. So we are prepared for this new decade that will emerge and for which the WEF is preparing.

We think it means that a whole number of old models of economic policies of financial regulation, of the way in which businessmen monitor themselves all that has got to be recharged or rethought. In other ways, they are saying think about your fundamental underlying propositions to everything you do and once you do that, once you create a Tabula Rasa, so to speak in your mind then you have to redesign. You have to redesign in order to build for that new world or to put on to that new clean slate. I hope that this conference does get down to that level and we do not spend time only arguing about how to rethink things and get into ideological battle. If we get beyond that and start talking about the actual redesigning of mechanism, the redesigning of regulations, that would be very useful.



'Rebuild' is a question of execution. I do not believe that's the job of Davos or the WEF. What WEF wants is dialogue, conversation, rethinking and redesigning and then going out and executing. So I believe rebuild is more an instruction and a clarion call rather than something you are going to see accomplished at the WEF.

What does it mean for Mahindra? As I said we have a one year head start on this game plan so to speak. It means that we have to relook at every value proposition we have — what are people going to want, do we focus on peoples needs as oppose to their wants, which what we were thinking of doing earlier; do we have to go back to frugal engineering and frugal innovation is that going to be the mantra, how do we deploy it in a more judicious manner. Implementation is a common thread always, there is nothing different about rebuilding; one is always building, you are always destroying the old building the new. So I think the third 'R' is not really something we will agonize about. It's the first two that Mahindra will be focusing on.

Q: Right now your business is obviously dominated by auto, over the next ten years; do you see businesses like IT become an equal part in terms of their contribution to revenue? What is the shape and the set of the contribution of the group likely to be five to eight years down the line, how are you planning that?

A: I am asked this question very often, questions about 'What size group do you want to have? Ten years from now, what is the share of revenues is going to be?' I believe that half the fun in my job is not trying to pin things down to that level or metrics. What you want is a template; you want to have a federation, a diversified federation that embodies a certain common set of values that embodies entrepreneurship that grows on India's growth and so on. Then let the best person win.

Last year, the IT sector had way surpassed the automotive and farm business in terms of both revenue and profits. This quarter it is the automotive and farm equipment sector that is back to being more than 60% of the pie and there were literally whoops in the air by those sectors. So I love that race, I love that competitiveness. Why should we presume that IT will be larger? I would love people to go in there and prove everyone wrong. The question is have you unleashed entrepreneurialism and growth and then let the chips fall where they may.

Q: You have also spoken about previously of one of your new interest and that is solar energy. How are you going to go about doing any of that? Why I am asking you this question is not to pin you down on which specific new businesses are you looking at over the course of the next ten years, but to better understand whether at the end of this decade is M&M going to be very different collection of businesses as oppose to how we see it today or will auto always dominate everything you do?

A: It could be any of the above. It could be auto continuing to dominate; it could be whole new slew of businesses that are coming out and have stolen the limelight, it might be a judicious mix. Solar energy, renewable, for example, is being done under the new internal private equity department, it is called Mahindra Partners and they have been doing work in fact for a good 18 months now in research into how we come out with a plan for solar energy. About a year ago I wrote an editorial in the 'Times of India' about my belief in what they call concentrated solar power and how that could be a mother load for India. We could be a Saudi Arabia of solar energy for e.g. that was a very tentative look at it and since then they have been working on this template. We have some plans which are underway, nothing that I could reveal or excite with you right now, but certainly we have great intent.

Q: When you say great intent can you tell us how it is going to work? Are you at M&M going to start up another company or business that is actually going to go about the business of putting up solar power plant or are you going to seed fund ventures that you



think are exciting in the renewable space? Is this going to become in revenue line for M&M or an interest space?

A: I hope there is nothing I am doing that won't become a revenue line for M&M otherwise I should probably have my salary reduced. So I certainly think that if we spend that kind of time there should be a revenue line and very positively a profit line as well. Which one could it be? That's exactly what we are looking into right now. Should we be integrators, should we be developers, should we put out the plans which technology should we bet on, should we bet on a slew of technology? The one thing we are finding out is that there is no hard and fast roadmap today, there is no even within concentrating solar power (CSP) there is no specified technology. TV which looked like it would be falling behind suddenly is catching up again with thin film technology.

So it's a very interesting field and what we are looking at is how do we play in this field, how do we become initiate as a projects and exploit the natural advantage that India has. There is no algorithm we have come up with yet, we will share at the moment we will have one.

Q: What else interests you that could potentially become a whole new business for M&M in the course of these next ten years?

A: The reason we have set up Mahindra Partners is so that we can explore all these new avenues. The thing that I found is that with relative success comes deal flow, when you demonstrate that you can create a viable model of new businesses that when you can maintain your value system and your reliability while doing that, then you get a number of technologists, companies overseas companies coming to you to look at how you can do business. So everyday there is new deal flow, which one of these will become something that M&M will bet on and will become a big business, I don't know. That is the fun of going to work everyday.

Q: Give me at least the spaces that you are interested in?

A: Everything comes in. What we look at is whether it is going to be something that we can scale up that could be material that has a place either in India or globally for us to create some traction through comparative advantage, use the eco system of M&M. We have a whole slew of things or template that you overlay and then you say, this one looks more promising and this is what we will pursue. That is how Mahindra Partners is working. So it is a very exciting area right now.

Q: You won't tell me which one of those businesses looks more promising?

A: I wish I could give you a scoop in the snow, but I don't have one.

Q: We are coming out of an interesting earning season; I would like to put a few India specific questions to you before I get back to the ten year theme. You have had some flack from analysts on what you did at Tech Mahindra reporting different revenue lines differently as opposed to what you did the year before, but like you said autos come back and even then in auto I think there was some disappointment because the expectations were much higher, but raw material cost seem to have caught up a bit. Do you want to characterize what you think this year is likely to be for the Indian economy and for your different business?

A: You started with very specific ones about the analysts. I think, yes, it is ironical that you show a ten fold growth in profits and you disappoint the market. But I think there certainly we have to do some soul searching as to how does one interact with analysts and better managed expectations within a governance framework.

Q: Are you referring to the auto numbers?

A: Yes because the analysts were simply ahead of the curve in terms of what they were expecting. As you know we are very jealous and we guard our reputation for integrity and governance very strongly and so the question is how does one let analysts understand the changing nature of the business model or in that particular quarter. For example we did talk to analysts about, there was about ex-gratia payment that was done for two years as opposed to one because of negotiations was done with the union. There was Octroi refund last year which perhaps was not taken into account. So you could easily narrow this down and then you come down to the fact that raw material costs were a little higher in the quarter. So given that we are a company that doesn't issue forward looking statements and has to be uniform then it becomes difficult to manage expectations in the appropriate way. I think when analysts drill down our results, they will see that they are still on a good wicket.

As far as [Tech Mahindra](#) is concerned, I don't want to leave it just a reporting revenue line differently as if we changed the counting rules. I think they tried to elaborate very quickly on that that what they did was with BT and with other clients, specifically there was a changing requirement in terms of the contracts. So as Mr Bharat explained to the analysts, when you change your revenue, when you change your model and you are going to change prices, that is why the revenue line change. I can understand a little bit of concern, but once again in Tech Mahindra, I think when they drill down, they will see that we have put up a fairly robust performance in trying times.

Q: What your outlook on India is? We are now standing in a week where at the end we will have monetary policy announcement that could mean that interest rates or at least liquidity tightening will start, it also looks like a few months of higher inflation both in terms of higher input cost. So what is this year likely to mean for many of your businesses in terms of consumption trends, in terms of cost patterns and in terms of profitability?

A: Things are fairly robust as I have been saying for the last twelve months. The consumption pattern in India remains almost an outlier compare to the rest of the world, not of course China. China has some greater concerns as we are seeing in the last few days with the tightening of the money supply.

I hope that the Indian government does not think that they have to follow suit and they have to realize that the stimulus they provided was instrumental in creating this consumption story for India which has made us the cynosure of all eyes around the world. So we should not do anything that would suddenly turn the situation around and turn a virtuous cycle into a vicious one. But if you presume that they do not do anything that will be damaging and that they calibrate this whole stimulus withdrawal, then I think there is very strong underlying demand in India.

Even our tractor sales for example, we found that normally in this period when tractor sales are not good and when we were worried about the after effects of a poor monsoon, we found that actually the winter rains were good. In fact, the reservoir levels are 101% of the long-term average. So there is a great optimism about the rabi crop. Now, if that materializes and there is no forced major situation there, I think rural demand could stay fairly healthy. If it is followed by abnormal monsoon and not another poor one like last year, you could have legs on this Indian recovery and I am very hopeful that you will see the consumption story being sustained.

Q: You have businesses across the world though of course most of your businesses are dominated by Indian consumption, but nonetheless put this India outlook in the context of what is happening across the world? So like you have pointed out fears of tightening in China and what that will mean for Chinese demand because that has an impact on all raw material cost? The sense of uncertainty that is still going on in the US, we are likely to see Obama administration announce a budget freeze over the next few years, which is very



good news from the fiscal deficit point of view for America, but what that means for a recovery on ground is still in question, we have got then uncertainty in parts the euro zone economies like Greece or Italy or Portugal or Spain, we just came out of Dubai a few weeks ago. So when you put the India outlook in the context of the world, does that uncertainty sort of increase two fold in terms of how you strategize for your business this year and next?

A: It does look like a start picture for the world and this is going to be time for some real leadership and for people to pull themselves up by the bootstraps. We are going to need leadership of the kind of we were expecting from Obama and he hasn't delivered as yet. So it is a tough period.

How does that impact India? In an interconnected world there is no decoupling. I have been consistent about that and I think when we met last year once again I said decoupling doesn't work. But at the same time I am going to repeat what I said last year that some of the so-called infirmities with the Indian economy, some of the insularities of it, some of the lack of connectedness of the Indian economy will come to our rescue. The fact that that we are still an agrarian economy; 65% of our population still live there, that in any case our growth story in the last five years was one of consumption lead growth and not investment lead growth.

I think we are ahead of the game in what China is trying to do. China is trying to switch to becoming a consumption lead economy. So I believe we could still last out and it's like a diver going down in water with a lot of oxygen. We have a lot of oxygen reserves to wait until the rest of the world and the leadership of the rest of the world gets all these economies back on track, which will happen, but the question is when. So I think India has enough oxygen in its domestic economy to last till the rest of the people underwater come up for air as well.

Q: What are they?

A: We did announce the accession of a number of people to the GEB now. It's the Group Executive Board which now has a much larger membership, 23 members. So there are new memberships which are from generation younger than mine. So now I am no longer talking about succession in a scenario of getting hit by a bus. I am talking about an orderly and generational succession.

There is a whole slue of people so if you want to look at who are potential successors in leadership for the group just get the names of the new people who have come into the Group Executive Board. They are the ones we will be showcasing to our board and saying when time comes for succession these are the people from whom we will choose.

Q: Do you have a timeline on when you hope to handover, when you expect a handover?

A: I have no timeline at all right now and as I said nothing that I will give you which will make headline from Davos.

Q: If you d have a succession plan or planning that's in process right now then you probably have a horizon of how long you want to stay in Managing Director's seat not the Chairman's seat but the Managing Director's seat?

A: We will talk about when we don't have snow in the background but some warmer, balmier weather in the back.

Q: Will it be by the end of this decade?



A: No. I really do not think this is the appropriate time for me to address that.

Q: This is the buzz doing the rounds in India that you are looking to buy a cricket team by any chance?

A: No not at all. I think that was a result of some Twitter issues. I was wishing another person on Twitter luck for her team and that was interpreted as interest.

Q: There is some buzz that you are interested in the Kings XI team because you have a football team?

A: No not at all but there is something interesting. We are going to do in sport nothing to do with cricket so watch this space maybe we will talk again next month.

http://www.moneycontrol.com/news/business/solar-energy-mahindramahindras-new-focus_438161-0.html