



Mahindra Finance VC and MD Ramesh Iyer has been working on designing products like small-ticket loans, which will help customers come out of this difficult situation

‘Banks And NBFCs Will Have To Become Solution Providers’

Ramesh Iyer, VC and MD, Mahindra Finance

Q How much of Mahindra Finance’s business comes from urban and rural India? Urban India seems to be worst hit by the coronavirus pandemic...

Mahindra Finance is a semi-urban rural-focussed finance company. All our 1,300-plus branches are in districts beyond metros. Therefore, 90 percent of our business is from semi-urban rural markets. Our urban presence would be limited to customers who are operating taxis for Ola and Uber in metros; beyond that we don’t have a major metro presence.

Yes, we don’t see the depth of

the problem in rural areas to be as severe as in urban areas, but they are also going through the same pressures of the lockdown. Customers are waiting for the lockdown to end. We are seeing green and orange zones picking up activity and sentiment turning positive.

Q To what extent has the lockdown impacted farmers and the harvest season?

It was the harvest season in April and the lockdown was in place... that got a little delayed because of lack

of labour. But once farm labour was allowed, the harvest picked up. It was completed almost on time and farmers are extremely positive about the yield as well as the support price. Their cash flows have improved substantially. We are seeing its benefit in our recovery from that community.

Q How is the company going about restarting its operations? How many branches are running so far?

Of the 1,300-plus branches, 935 are operational with limited staff coming in as per guidelines. Another 200

branches would be ready in seven to 10 days. Some of them are in the red zones where they are allowed to work for some part of the day. But if you are looking at everything returning to normal, it would take slightly over a quarter. So the earliest when we can say that things have turned positive should be somewhere between September and October.

Q What is the appetite for lending in rural India and how will it impact lending for buying tractors, utility vehicles, trucks etc?

The demand for tractors is picking up as the cash flow of farmers is improving. And monsoon is likely to be above average, so people are likely to purchase tractors. Pre-owned vehicles will also come back to some kind of normalcy a lot faster since people may not want to buy a new vehicle around this time. The purchases of heavy commercial vehicles, especially fleet operated, the taxi segment and the bus segment will take longer. It could take two to three quarters as people may not want to travel in a group or crowd now.

Q In which areas does Mahindra Finance see an opportunity in these times?

There is a huge potential to re-engage with our customers. With the field team not as busy as before, we are going deeper and trying to find out how do we partner with them in these difficult times and give them solutions. Small-ticket loans is one emerging area where there could potentially be a demand. Most customers may need it for three to six months since they are daily earners. In this period, they won't be able to earn enough and have to sustain a living too. So we are trying to design a product for our existing customers, which will help them come out of this difficult situation.

The other thing that we are looking at is understanding our customer's future earning potential at least for the next one year. Maybe we will have

to bring down the instalment size, so that customers can repay instalments more regularly. The current size is based on their past potential, but going forward, revenue is going to shrink for at least a year. Hence, their ability to pay the same EMI may not be there.

Q What is the outlook for lending during a recession or economic crisis?

Even customers are not in a buoyant mood to acquire assets as it's not a priority. So it's going to take a lot of effort for everyone to convince customers to buy products. The volumes will definitely shrink substantially until September for sure. Need-based products will be bought, not aspirational ones.

the first round of three months moratorium was a good idea to help customers sail out of the situation. The second round of moratorium could have been avoided and instead, a rescheduling or restructuring of the loan for a customer could have been an option. The solution cannot be a 90-day moratorium.

Q What can we expect from the festive season and how different will it be from previous ones?

This festive season I would look at the change of sentiment and regaining of confidence compared to volume. You need a more positive event or activity for people to start feeling positive about everything in life. This festive season could definitely

“We should not compare this year's volumes to any previous year. We must compare the first half with the second. There will be a substantial increase.”

Q What role can NBFCs like Mahindra Finance play in helping rev up the MSME sector?

It's a question of who understands the customers well and how deep you are willing to go and engage with the customer. And instead of providing them with a product, give them an actual solution. So the role for both NBFCs and banks will have to change from being just a credit provider to becoming a solution provider, and help customers take the right decisions.

Q Your views on how the RBI's moratorium can help small businesses...

The moratorium is necessary to start with because suddenly business came to a halt and people didn't know what to do next. So

turn the tide in that direction. But we should not compare this year's volumes to any previous year. Instead, we must compare the first half with the second. I think there will be a substantial increase.

What is the company doing to rein in costs?

My belief is that before we touch 'people cost', we would like to make sure that every other cost is rationalised well. Whether it is rent, BPO services, security services or travelling and conveyance, we will look at each line item and rationalise whatever we can first. We will also focus on improving people's productivity and revisit various processes to reduce wasteful expenditure arising out of duplication of processes.