

> **1.5 million**
customers

> **1,50,000**
villages

> **500**
offices



Transforming Rural Lives

Annual Report 2010-11





Rise MANIFESTO

Today is another perfect day, to defy the world's naysayers.

Today, we will think bigger than our size.

Today, we will refuse to accept limitations.

Today, we will not be held back by the past.

Today, we will focus on the future - and never, ever blink.

Today, we will break down another barrier...

Scoff at another convention...

And use alternative thinking...

To solve another previously unsolvable problem.

Today, we will accomplish something astounding...

And in the process, change someone's life for the better.

Today, Mahindra will set an example for the world.

With boldness.

With confidence.

With relentless optimism.

Good morning.

Today is another perfect day...

To ***Rise***.



The design, on the cover of the report, demonstrates a Rubik's cube, a 3-D mechanical puzzle, named after the Hungarian sculptor and professor of architecture Erno Rubik. In a typical Rubik's cube each colour pattern must match to create a holistic oneness. At Mahindra Finance, we are focusing on transforming lives of the disadvantaged sections of society, especially in the rural and semi-urban spectrum; so that one day India's socio-economic fabric resembles an ensemble of perfect harmony. As that in a completely solved Rubik's cube. The one on the cover, is still not uniformly matched. Because the journey is on. Remarkably, the journey, more than our accomplishments, have enriched us as a sensitive corporate and a responsible social entity.



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Corporate Information

Directors

Bharat Doshi - Chairman
Uday Y. Phadke - Vice Chairman
Pawan Goenka
Dhananjay Mungale
M. G. Bhide
Piyush Mankad
Rama Bijapurkar
Ramesh Iyer - Managing Director

Chief Financial Officer

V. Ravi

Company Secretary

Arnavaz M. Pardiwala

Registered Office

Gateway Building, Apollo Bunder,
Mumbai - 400 001.

Corporate Office

Mahindra Towers, 4th Floor,
Dr. G. M. Bhosale Marg,
P. K. Kurne Chowk, Worli,
Mumbai - 400 018.

Committees of the Board

AUDIT COMMITTEE

Dhananjay Mungale - Chairman
M. G. Bhide
Rama Bijapurkar

REMUNERATION/ COMPENSATION COMMITTEE

Piyush Mankad - Chairman
Bharat Doshi
Dhananjay Mungale

Uday Y. Phadke
M. G. Bhide

SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Uday Y. Phadke - Chairman
Ramesh Iyer
M. G. Bhide

ASSET LIABILITY COMMITTEE

Dhananjay Mungale - Chairman
Uday Y. Phadke
Ramesh Iyer

RISK MANAGEMENT COMMITTEE

Dhananjay Mungale - Chairman
M. G. Bhide
Rama Bijapurkar

NOMINATION COMMITTEE

Piyush Mankad
Bharat Doshi
Dhananjay Mungale
Uday Y. Phadke
M. G. Bhide

Auditors

B. K. Khare & Co.
Chartered Accountants,
706/708, Sharda Chambers,
Mumbai - 400 020.

Solicitors

Khaitan & Co.
One Indiabulls Centre,
13th Floor,
841, Senapati Bapat Marg,
Elphinstone Road,
Mumbai - 400 013.

Registrar And Share Transfer Agents

Kavy Computershare Pvt. Ltd.
Plot No. 17-24,
Vittalrao Nagar, Madhapur,
Hyderabad - 500 081.

Bankers

Bank of America
Bank of Baroda
Bank of India
Bank of Maharashtra
Barclays Bank PLC
BNP Paribas Ltd.
Canara Bank
Central Bank of India
Chinatrust Commercial Bank
Citibank NA
Corporation Bank
Dena Bank
Deutsche Bank AG
Federal Bank Limited
FirstRand Bank Limited
HDFC Bank Ltd.
HSBC Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
IndusInd Bank Ltd.
ING Vysya Bank Ltd.
Kotak Mahindra Bank Ltd.
Punjab National Bank
Standard Chartered Bank
State Bank of India
State Bank of Bikaner and Jaipur
Syndicate Bank
The Bank of Novascotia
The Dhanlakshmi Bank Ltd.
The Jammu & Kashmir Bank Ltd.
The Royal Bank of Scotland
UBS AG
Yes Bank Ltd.



Transforming Rural Lives

It is common knowledge that India today is fast emerging as a potential economic superpower. It has an expanding economy, a vast working population and a rising per capita income.

But what is not commonly known is that despite such sterling achievements India still lives in its villages. More than 70% of India's population still live in over 640,000 villages and fast developing small towns. Thus a considerable portion of national income and growth emanate from the savings and investments of the non-urban multitude, who also aspire for a better quality of life.

At Mahindra Finance, our consistent effort has always been to provide not just credit, but confidence to the financially disadvantaged people of rural and semi-urban India, driving their aspirations and elevating their lives. We support our customers and partner their progress in life through bespoke solutions, meaningful suggestions and flexible re-payment options.

We are inspired by our Group philosophy of Rise, which captures a sense of optimism about the future and a determination to empower the borrowers to shape their own destiny.

In our business, we are implementing the tenets of Rise by encouraging borrowers to think beyond boundaries, catalysing product-process innovation, defying limits in policy execution, and driving positive change in stakeholder lives.



Unseen and unheard faces across the vast social spectrum represent our biggest opportunity

For more than a decade, Mahindra Finance has contributed substantially to India's retail finance segment, helping shape a new and confident India.

We have established a strong nationwide footprint, focusing primarily on rural and semi-urban India through personalised financing of utility vehicles, tractors, cars, home loans and personal loans. Mahindra Finance has been consistently serving the people at the lower-middle and bottom of the social pyramid, understanding their aspirations and empathising with their limitations and day-to-day challenges. Since the very beginning of our journey we have tried to support the unreached and unbanked millions of Indians; people whose

latent aspirations never find expression owing to the lack of a suitable collateral and reliable credit history.

At Mahindra Finance, we provide loans to people based on not what they are, but what they can be. In other words, their future earning potential. Thus we have established ourselves as a potent force, helping drive the nation's agenda of inclusive growth.

Mission

Transform rural lives and drive positive change in the communities.

To be the leading finance company in semi-urban and rural India and maintain leadership position in the financing of Mahindra vehicles.

Vision

Core Values

Our core values are influenced by our past, tempered by our present and will shape our future. They are an amalgamation of what we have been, what we are and what we want to do.

Customer first

We exist and prosper only because of the customer. We will respond to the changing needs and expectations of our customers speedily, courteously, and effectively.

Quality focus

Quality is the key to delivering value for money to our customers. We will make quality a driving value in our work, in our product and in our interactions with others. We will do it 'First Time Right'.

Dignity of the individual

We will value individual dignity, uphold the right to express disagreement and respect the time and efforts of others. Through our actions, we will nurture fairness, trust and transparency.

Professionalism

We have always sought the best people for the job and given them the freedom and the opportunity to grow. We will continue to do so. We will support innovation and well reasoned risk rating, but will demand professionalism.

Good corporate citizenship

As in the past, we will continue to seek long-term success, which is in alignment with our country's needs. We will do that without compromising ethical business standards.

The Rise Philosophy

In January 2011, we launched a new brand positioning spanning all industries, companies, and geographies. The new brand positioning, expressed by the word “Rise”, is amplified by a simple group core purpose: **“We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives’ of our stakeholders and communities across the world, to enable them to Rise.”**

Rise captures a sense of optimism about the future and a determination to shape one’s own destiny. It means that our products and services empower our customers to achieve their aspirations. From providing farmers in rural India with equipment and agri-services that help them raise farm productivity to building reliable pickups for businessmen, from creating IT solutions for some of the world’s leading companies to pioneering green real estate in India, we enable our customers to achieve a better future.

Building a strong, universally relevant brand is a key driver of business success. Rise is expected to play a major role in our plans to build a strong global presence and market leadership to become a truly global multinational. Rise unifies the varied perceptions of brand Mahindra across our existing companies, from automotive to retail. It also provides a clear guiding principle for all Group companies to follow.

The idea of “Rise” arose from 18 months of in-depth conversations with employees and customers. It is an articulation of values the Group has always held. The idea of Rise rests on three brand pillars: **accepting no limits, alternative thinking,** and **driving positive change.** Accepting no limits means taking on big challenges - like building the Scorpio, our groundbreaking indigenous SUV, at a fraction of the cost of developing it abroad. Alternative thinking means fostering innovation and looking for creative solutions-like using solar power to bring electricity to rural India. Driving positive change means positively impacting all the lives we touch, from employees to customers to the communities we operate in - like offering loans to entrepreneurs in rural India.

In addition to guiding our product and service development, Rise has important implications for the internal working of the group. It is currently driving internal business transformation to help all of us to live our core purpose and enable the group to achieve its goal of becoming a leading global player. We are reevaluating processes from HR policies to brand and digital architecture to drive positive change in our employees’ work experience, our business success and our relationships with all our stakeholders.

At Mahindra Finance, we believe the Rise philosophy is a succinct articulation of what we have been doing over the last 15 years-whether it be going into rural India before it became fashionable to do so (Accepting no limits), or deploying IT solutions to serve our scattered customers (Alternative thinking) or providing credit to under-banked customers and turning them into entrepreneurs (Driving positive change). Going forward, Rise will act as a catalyst to spur growth across all our financial services businesses. It will guide decisions from entry into new business segments to how we serve our customers to our employee policies. Rise will enable us to align our actions with our overall vision, so we can deliver value to both, our stakeholders and the local communities that we serve. Through Rise, we expect to not only achieve high business growth, but also to partner actively in transforming rural lives by enhancing and maintaining financial prosperity.

CORE PURPOSE

We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise.

BRAND PILLARS

ACCEPTING
NO LIMITS

ALTERNATIVE
THINKING

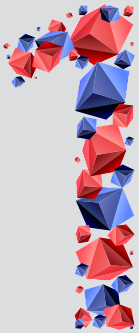
DRIVING
POSITIVE
CHANGE

CORE VALUES

PROFESSIONALISM
GOOD CORPORATE CITIZENSHIP
CUSTOMER FIRST
QUALITY FOCUS
DIGNITY OF THE INDIVIDUAL



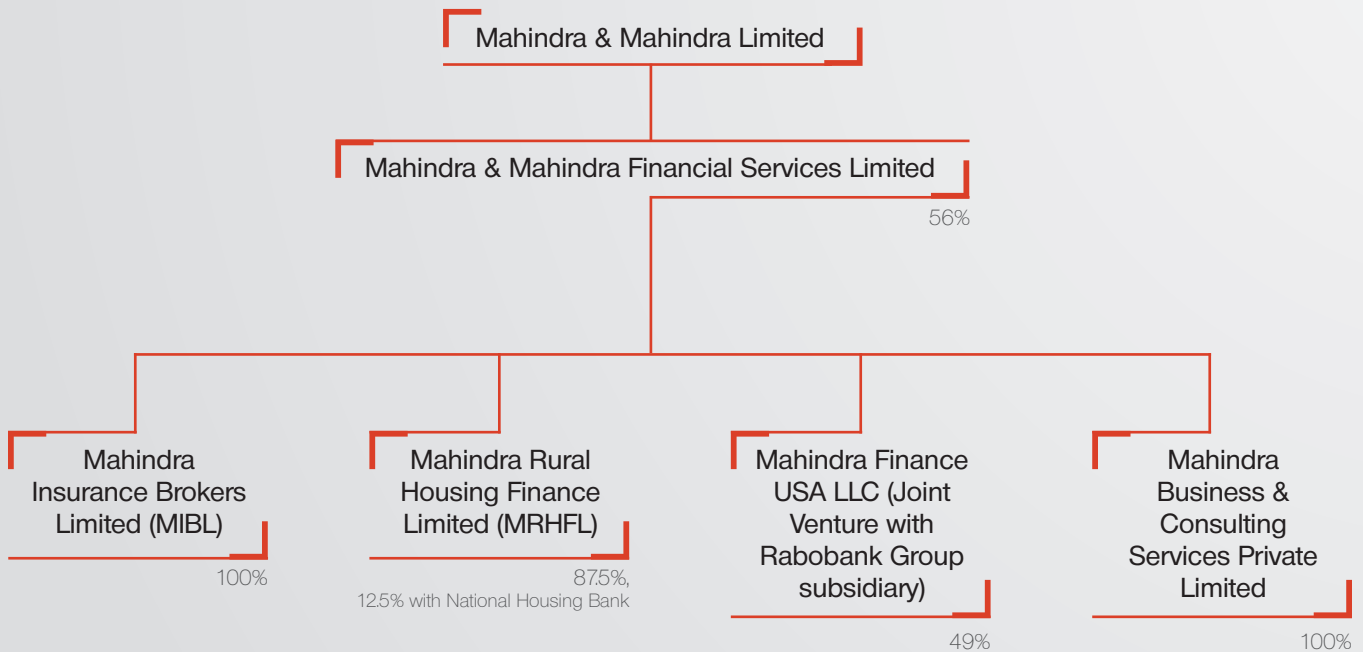
Lineage



Mahindra & Mahindra Limited is one of the leading tractor and utility vehicle manufacturers in the world and one of India's top ten industrial houses, with a market capitalisation of over Rs. 400 billion.

Since inception in 1945, Mahindra Group has considerably contributed to rural uplift by introducing better services and high-end technologies. For over 62 years, Mahindra Group has enriched the domestic and international markets with a significant presence in multiple business sectors: Automotive, Farm Equipment, Financial Services, Information Technology, Speciality Business, Infrastructure Development, Trade, Retail and Logistics.

MMFSL Group Structure



Key Focus Areas

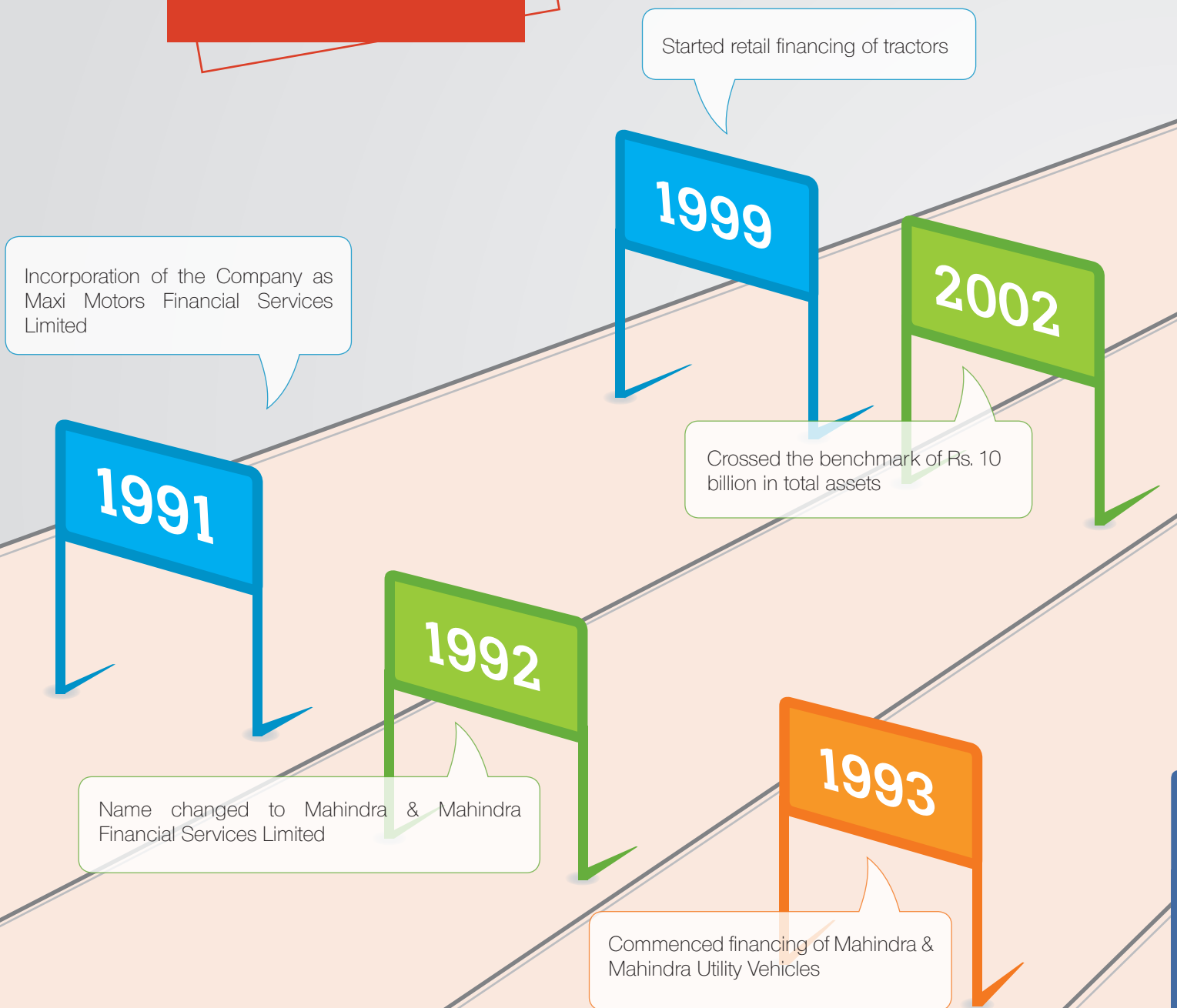
- ◆ Growing market share in rural and semi-urban market
- ◆ Diversifying the product portfolio
- ◆ Expanding nation-wide network of branches
- ◆ Effective use of advanced technology
- ◆ Continuous acquisition, up-gradation and retention of talent pool

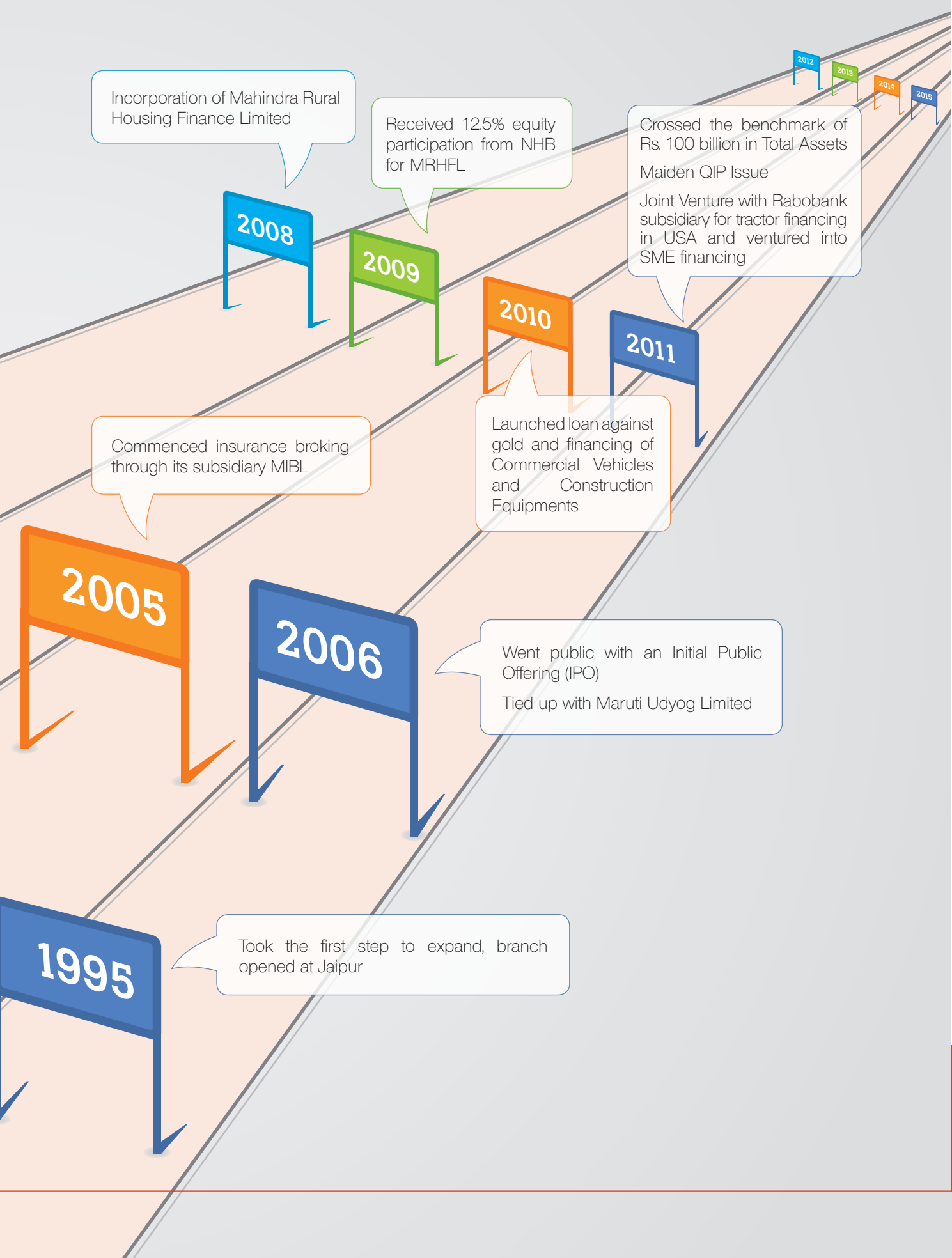
Shareholding Pattern (%)

(As on March 31, 2011)



Our Milestones





1995

Took the first step to expand, branch opened at Jaipur

2005

Commenced insurance broking through its subsidiary MIBL

2006

Went public with an Initial Public Offering (IPO)
Tied up with Maruti Udyog Limited

2008

Incorporation of Mahindra Rural Housing Finance Limited

2009

Received 12.5% equity participation from NHB for MRHFL

2010

Launched loan against gold and financing of Commercial Vehicles and Construction Equipments

2011

Crossed the benchmark of Rs. 100 billion in Total Assets
Maiden QIP Issue
Joint Venture with Rabobank subsidiary for tractor financing in USA and ventured into SME financing

2012

2013

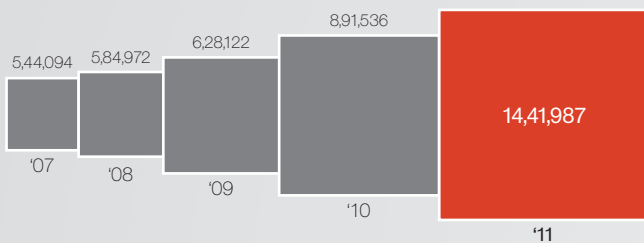
2014

2015

Operational Highlights

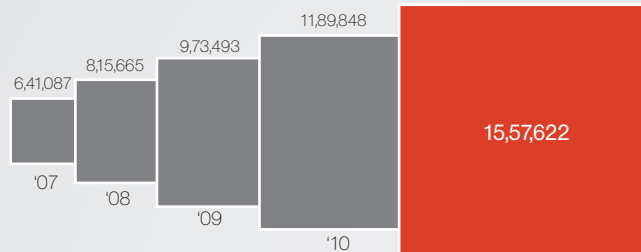
Estimated value of the assets financed

(Rs. lacs)



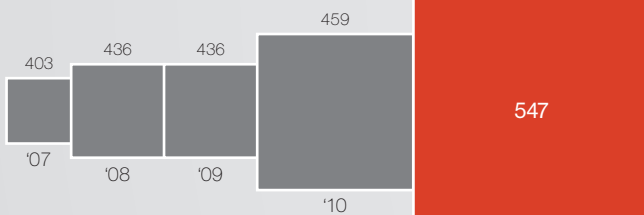
62% Y-o-Y growth

No. of contracts



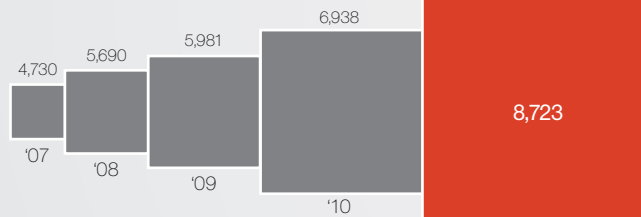
31% Y-o-Y growth

Number of offices



19% Y-o-Y growth

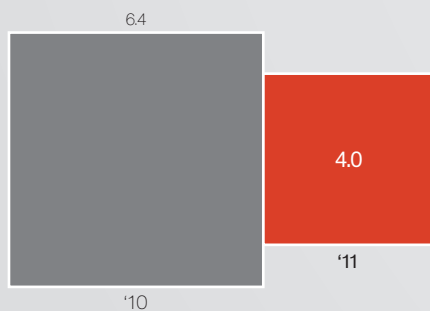
Number of employees engaged



25% Y-o-Y growth

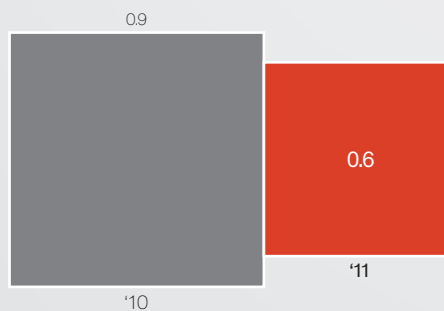
Gross NPA to Total Assets

(%)



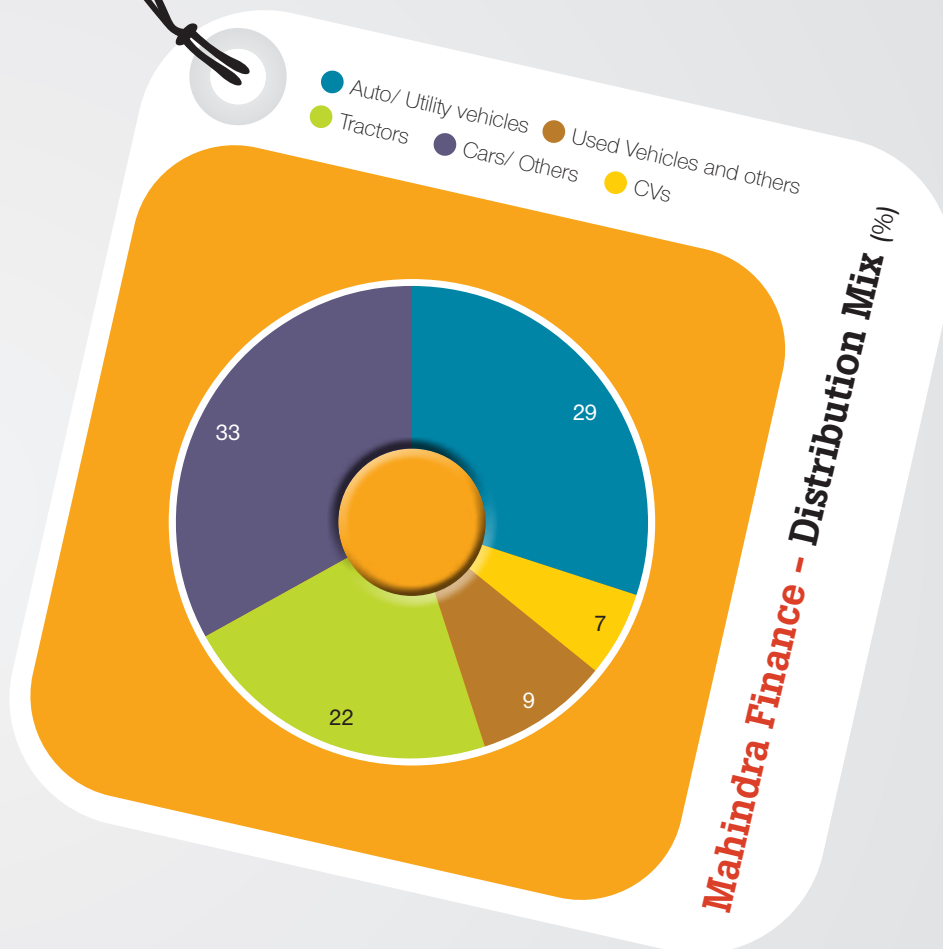
Net NPA to Total Assets

(%)



Diverse Product Portfolio

We are diversifying our product portfolio and balancing our disbursement in vehicle financing gradually. Besides, we are further expanding the product mix to financing Commercial Vehicles, Gold loans and Construction Equipment.

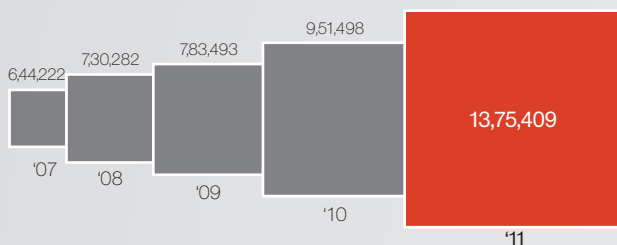


Improved Credit rating

In the current fiscal, CRISIL Limited has upgraded the credit rating on our long term debt to 'AA+' from 'AA-' and on Fixed Deposits to 'FAAA' from 'FAA'.

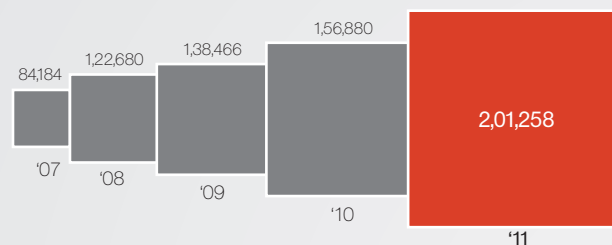
Our deep potential revealed in numbers

Total Assets (Rs. lacs)



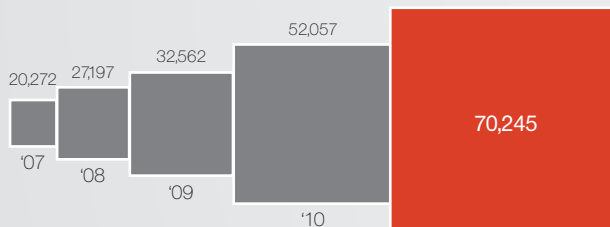
45% Y-o-Y growth

Total Income (Rs. lacs)



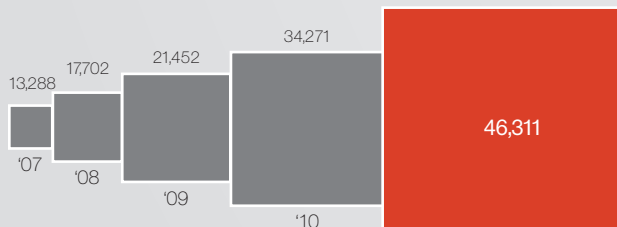
28% Y-o-Y growth

PBT (Rs. lacs)



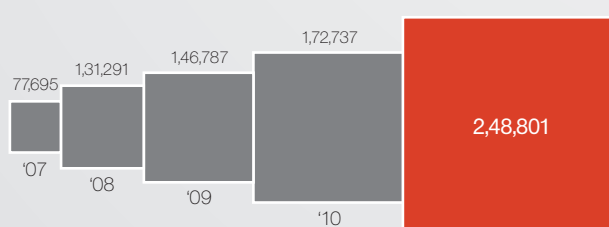
35% Y-o-Y growth

PAT (Rs. lacs)



35% Y-o-Y growth

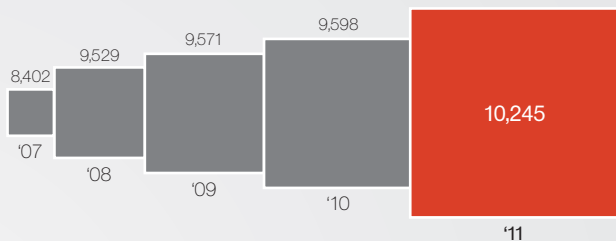
Networth (Rs. lacs)



44% Y-o-Y growth

Equity Share Capital

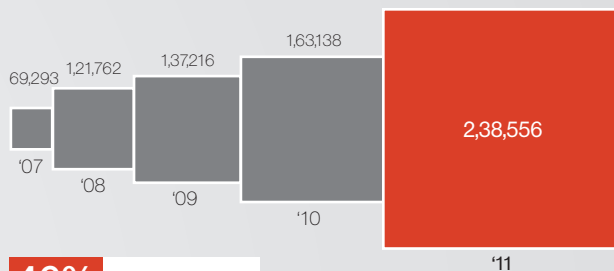
(Rs. lacs)



7% Y-o-Y growth

Reserves and Surplus

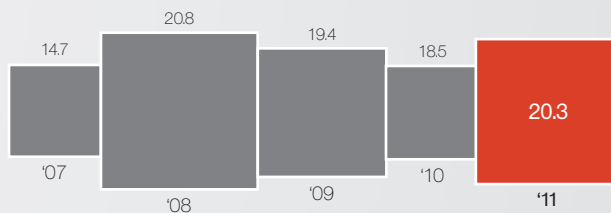
(Rs. lacs)



46% Y-o-Y growth

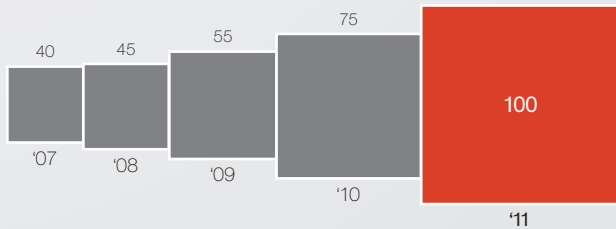
Capital Adequacy Ratio

(%)



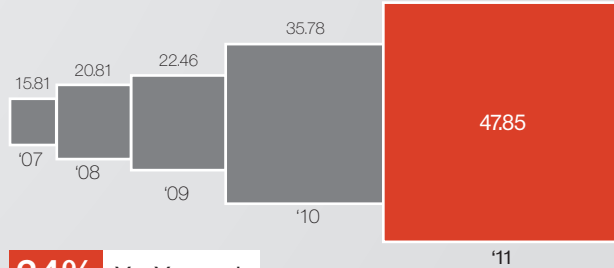
Dividend

(%)



Earnings Per Share - Basic

(Rs.)



34% Y-o-Y growth

Transforming rural lives ...

By reaching people, not places

Getting ideas off the drawing board and helping transform lives represent our abiding passion. When the passion of committed individuals finds expression, it becomes a powerful force for socio-economic change.

We have penetrated the rural and semi-urban India on the strength of our well-spread network of offices. From Andaman to Sikkim to Jammu and Kashmir or the unheard places of rural India, the Company enjoys its presence. In the past 12 months, we added close to 100 offices to our widening network. The aim is simple and straightforward: reaching out to people, so that their multifarious requirements can be fulfilled.

Mahindra Finance enjoys strategic tie-up with automobile manufacturers, and it is widening its partnerships for superior customer experience. We have further expanded our network by Joint Venture in the US with De Lage Landen Financial Services Inc., a fully-owned subsidiary of Rabobank for financing tractors.



Transforming rural lives ...

By responding to customer's requirements

Every customer is unique. No two aspirations or challenges can ever be the same. Naturally, our financial perspectives can never be absolute, being shaped by the borrower's pressing requirement in a particular set of circumstances.

At Mahindra Finance, customisation of financial solutions is always the New Normal. Be it the loan tenure or the repayment option, we ensure maximum flexibility and comfort to the customers.

The presence in remote India poses unpredictable problems owing to geographic challenges and climatic variations. However, our level of services hardly falters, no matter what.

To enhance customer services, we are gradually diversifying our product portfolio and focusing on the financing of Commercial Vehicles and Construction Equipments, turning the nascent entrepreneurs' dreams to a palpable reality. The facility of Live Collection, online connectivity in more than 90% offices, and approximately 4,000 hand-held devices are accelerating operational efficiency and reducing the dependence on banks.



Transforming rural lives ...

Through sustainable intervention

Traditional financial prudence opines rural and semi-urban India is a high-risk market: poor accessibility, minimal or no financial knowledge of customers and above all no collaterals. We say 'no' and run the last mile for our customers, notwithstanding the challenges.

Our field force, recruited at the local level, has proper understanding of the borrowers' requirement and their ability to pay back. The sound credit appraisal process makes MMFSL more confident about large-scale lending. We are continuously improving our dealer engagements, helping build enriching partnerships.

When most market players are slowly discovering the vast potential and prowess of rural and semi-urban India, Mahindra Finance is leveraging on its existing rural and semi-urban customer base to sustain a robust growth in assets financed and profitability.

Transitory market challenges do not cloud our long-term vision of continuous self-improvement as a reliable instrument for sustainable growth.



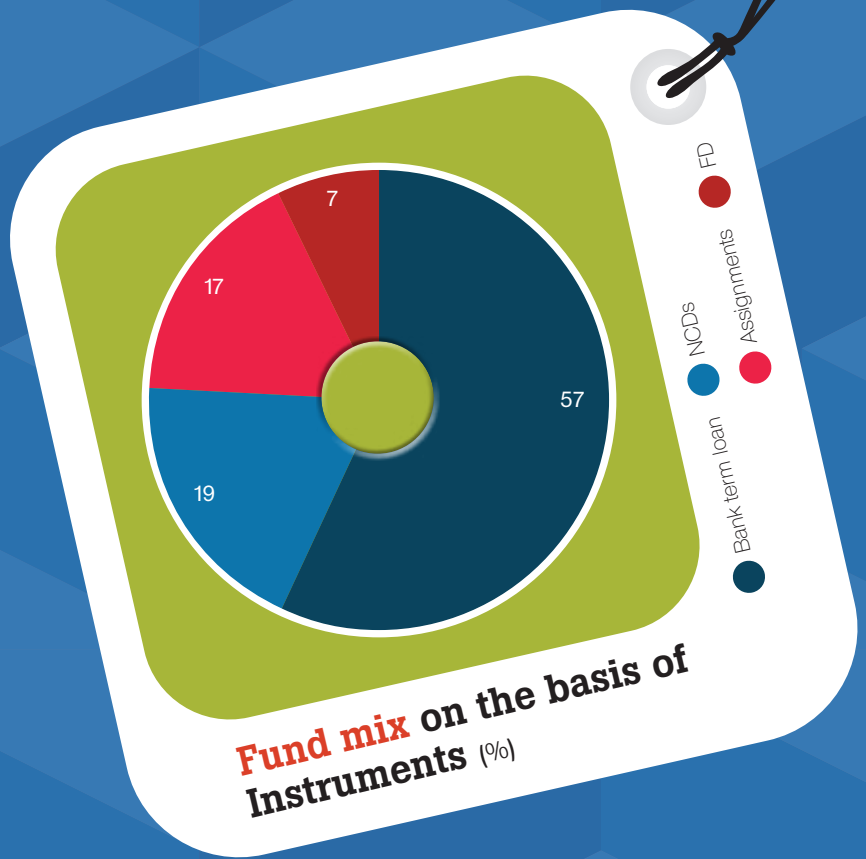
Transforming rural lives ...

While retaining margins and improving asset quality

Across crests and troughs of business cycles, we have maintained steady margins, which helped us to expand our network, leverage advanced technology and achieve operational efficiencies to reduce costs.

Mahindra Finance has gradually evolved out of the support structure of the Group, and expanded its networking by financing vehicles manufactured by automobile companies, such as Maruti Suzuki India Limited and Hyundai Motor India Limited. On the other hand, over 90% of the offices of MMFSL are connected by the centralised data centre in Mumbai. The hand-held devices connected by GPRS to the central server manage complete information to handle customer queries and enable better internal control with transaction security.

Simultaneously, understanding the inherent business risk, we strive hard to maintain superior asset quality. We interact closely with the customer and try to judge his/her ability and intent to repay. On the other hand, the organisation also takes measured steps, while borrowing funds from the investor. The fund mix comprises a balanced investor profile and instruments.



Our financing solutions are proving to be viable instruments for transforming lives



Vehicle Financing

MMFSL offers a wide range of vehicle financing options to cater to varied needs of customers. The offering in vehicle finance includes Tractor loans, Utility Vehicle loans, Car loans, Three-wheeler loans, Commercial vehicle loans, Two-wheeler loans and loans for construction equipment. The products come with varied tenure, interest rates and repayment options to suit the exact requirement of the borrowers.

Refinancing

The 'Auto Refinance' option of MMFSL provides fast and easy loans against existing four wheelers of the customers, providing in-time liquid cash for emergency. It also offers hassle-free loans for the purchase of used vehicles.

Housing Finance

To fulfil the customers' basic need of shelter, Mahindra Rural Housing Finance Limited, a subsidiary of MMFSL, provides cost-effective and flexible home loans, especially in the rural and semi-urban India. The extensive range of home loans includes loans for construction, purchase, extension and improvements.

Personal Loans

MMFSL also takes care of varied personal financing requirements of its customers. It supports the medical needs, educational needs, agricultural needs, and festival and marriage expenditures of the customers through its personal loans, with minimal documentation process and superior flexibility.

Fixed Deposits

To provide a secured aid in time of uncertainties, MMFSL also provides fixed deposit schemes. The 'FAAA' credit rating by CRISIL also assures high level of safety on the deposits.

Insurance Broking

Mahindra Insurance Broking Limited, the wholly-owned subsidiary of MMSFL, offers comprehensive insurance solutions for life and non-life segments, catering to diverse needs and risk profiles of each customer.

Mutual Fund Distribution

Based on the earning capacity and current investment pattern of each individual we provide customised investment opportunities. At MMFSL, the AMFI certified investment officers attend each customer individually; the processing remains transparent and confidential; and the relationship managers ensure hassle-free investments.

Exclusive advantages

As one of the leading NBFCs in India's retail finance, MMFSL offers certain exclusive benefits to its customers, which comprise:



Swift loan processing

The minimal documentation and utmost flexibility of the disbursement process helps the Company to disburse loans within a period of two days.

All-encompassing network

The Company penetrates the rural and semi-urban regions of the country, with its extensive network of offices and dealer tie-ups. Wherever the customer is, the Company ensures presence of a branch to serve.

Mahindra heritage

The lineage of Mahindra & Mahindra Group endows MMFSL with advantages like trust, credibility etc.

Personalised repayment schedules

MMFSL guarantees maximum flexibility in case of loan repayments. The repayment options are convenient and customised to ensure comfort of the borrowers.

Intellectual capital

From an in-depth understanding of the credit requirements to judging the ability of the customers to pay back, the human capital of MMFSL plays a crucial role.

Vast customer base

Mahindra Group's large and growing customer base further strengthens the Company's customer base.

Fostering a spirit of social service

For a socially responsible organisation, Corporate Social Responsibility is not just an obligation; rather it is a voluntary decision to serve the society. Mahindra Finance is engaged in enhancing educational opportunities to the socially underprivileged, protecting the environment, encouraging waste management, tree plantation, water treatment and maintaining infrastructure for urban beautification. Various partnerships with Government departments and different NGOs have enabled the Company to significantly contribute to social wellbeing.





ESOPs

Employee Social Options is a unique tool to encourage the employees to contribute to the society through its various activities. The Company witnessed a robust growth in its number of volunteers, encouraging it to proclaim that everywhere in India, there is at least one Mahindra employee contributing to the society.

Mahindra Hariyali

Mahindra Group's mass tree plantation model, along with partnerships with schools, colleges, trusts and Government Forest Departments helps the Company spread its green agenda. MMFSL has planted 54,998 Saplings across India.

Nanhi Kali

Partnering with K C Mahindra Education Trust (KCMET) the Company provides primary education to the underprivileged girl children in India. Started in 2005, the project is receiving significant participation from individuals, groups and corporates and currently supports the education of over 735 girl children.

Blood donation camp

MMFSL is actively involved in blood donation and collected 1,408 bottles of blood.

Ambulance donation camp

MMFSL has also donated funds for purchase of ambulance to Bharat Vikas Parishad, Liver Foundation, Jawaharlal Nehru Cancer Hospital & Research Centre, Janakeeya Samithi (Arogyam), Shree Aniruddha Upasana Foundation, Aastha Old Age Hospital & Hospice, Nirmala Samaj Kendra and Manav Seva Sangh.

Summary of Results

(Rupees in lacs unless indicated otherwise)

Particulars	FY 2011	FY 2010	FY 2009	FY 2008
Estimated Value of Assets Financed	14,41,987	8,91,536	6,28,122	5,84,972
No. of Contracts	15,57,622	11,89,848	9,73,493	8,15,665
Total Assets	13,75,409	9,51,498	7,83,493	7,30,282
Total Income	2,01,258	1,56,880	1,38,466	1,22,680
Profit Before Depreciation & Tax	71,824	53,047	33,435	28,070
Depreciation	1,579	990	873	873
Profit Before Tax	70,245	52,057	32,562	27,197
Profit After Tax	46,311	34,271	21,452	17,702
Dividend %	100	75	55	45
Equity Share Capital	10,245	9,598	9,571	9,529
Reserves & Surplus	2,38,556	1,63,138	1,37,216	1,21,762
Net Worth	2,48,801	1,72,737	1,46,787	1,31,291
No. of Employees Engaged	8,723	6,938	5,981	5,690
No. of Offices	547	459	436	436
Earnings Per Share - Basic (Rs.)	47.85	35.78	22.46	20.81
Earnings Per Share - Diluted (Rs.)	44.53	35.37	22.14	18.27

(Rupees in lacs unless indicated otherwise)

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
	5,44,094	4,47,791	3,34,336	2,30,270	1,60,985	1,16,675
	6,41,087	4,67,977	3,36,819	2,34,677	1,61,079	1,11,327
	6,44,222	5,12,538	3,19,200	2,09,554	1,50,821	1,10,715
	84,184	59,384	40,314	29,970	24,507	19,095
	21,014	16,731	13,665	10,686	8,054	5,561
	743	517	385	500	879	1,219
	20,272	16,214	13,280	10,186	7,174	4,342
	13,288	10,827	8,228	6,762	4,435	2,772
	40	35	35	28	20	10
	8,402	8,331	7,016	6,062	6,062	6,062
	69,293	59,868	28,542	19,111	14,263	11,118
	77,695	68,200	35,557	25,173	20,290	17,122
	4,730	4,012	1,773	1,115	805	551
	403	305	256	224	196	151
	15.81	14.59	13.23	11.15	7.32	4.57
	15.37	14.41	13.23	11.15	7.32	4.57

DIRECTORS' REPORT

To,

The members of

Mahindra & Mahindra Financial Services Limited

Your Directors are pleased to present their Twenty-first Report together with the audited accounts of your Company for the Financial Year ended 31st March, 2011. The summarised financial results of the Company are given below:

FINANCIAL RESULTS

	(Rs. in crores)	
	March 2011	March 2010
Total Income	2012.5	1568.8
Less : Finance Costs	660.2	501.7
Expenditure	634.1	536.6
Depreciation/Amortisation	15.8	9.9
Total Expenses	1310.1	1048.2
Profit Before Tax	702.4	520.6
Less : Provision For Tax		
Current Tax	249.1	204.4
Deferred Tax	(9.8)	(28.2)
Profit After Tax for the Year	463.1	344.4
Add/Less : (Excess)/Short Provision for Income-tax - earlier years (net)	-	1.7
Balance Profit After Tax	463.1	342.7
Add : Amount brought forward from Previous Years	510.7	355.8
Amount available for Appropriation	973.8	698.5
Appropriations :		
General Reserve	46.3	34.3
Statutory Reserve	92.6	68.5
Proposed dividend on equity shares	104.0	72.7
Income-tax on proposed dividend	17.3	12.3
Surplus carried to Balance Sheet	713.6	510.7
	973.8	698.5

expected to drive up interest rates and might also affect capital flows to emerging markets.

The Indian economy continued to maintain its high level of growth and in the Financial Year 2010-11 the Gross Domestic Product grew by 8.5 per cent. The growth was broad-based across the various sectors of the economy and was driven by both domestic investment and consumption. The high growth of the Auto Sector (29 per cent) and increasing agricultural incomes were of importance to the Company. Liquidity became tight from June 2010 as a huge amount of over Rs. 1,00,000 crores was removed on account of auction of 3G and Wimax licenses. During the year, the inflation continued to be a big area of concern and was close to 10 per cent for the majority of the year, substantially above the Reserve Bank of India's (RBI) initial inflation target rate of 5.5 per cent. This led the RBI to increase the interest rate in a bid to tame inflation. The high interest rate scenario is expected to continue in the Financial Year 2011-12.

The semi-urban and rural markets, the focus areas of the Company, continued to witness rapid growth. The various infrastructure projects executed across the country along with job guarantee schemes (such as MGNREGA) led to increased job creation and enhanced demand for equipment and vehicles. While the high food prices were a concern in the urban areas, they led to a significant increase in farmer earnings. The combination of increased disposable incomes along with favourable demographics led to a robust demand for various products and services in these markets.

During the year under review, RBI followed a policy of calibrated tightening. This was justified by the trend of moderating inflation and consolidating growth in the second and third quarters of the Financial Year 2010-11. Liquidity conditions remained abnormally tight for much of the year owing to a combination of structural and frictional factors. The Liquidity Adjustment Facility (LAF) corridor stayed almost entirely in the injection mode during the year under review. The RBI instituted a number of measures to ease the excessive tightness in the system.

There are signs that in recent months economic growth in India has become more broad-based

with industrial growth displaying less volatility across sectors; agriculture has picked up due to good rabi season and service sector growth remained robust.

FINANCE

During the year under review, the Reserve Bank of India adopted a calibrated approach by hiking the Repo Rate seven times by 25 basis points each to contain the inflationary pressure and also introduced the Base Rate system from July 2010 which resulted in medium/long term interest rate moving up by approximately 175 basis points. Tight liquidity conditions persisted throughout the year resulting in the short term money market rate increasing upward of 200 basis points. However, your Company was able to reduce the impact of increase in interest rate by continuously monitoring Asset Liability Management and following prudent Asset Liability Management Guidelines.

During the year under review, your Company continued its innovative methods of sourcing funds in addition to regular borrowings like Secured and Unsecured Debentures, Term loans, Commercial Paper, etc., and maintained prudential Asset/Liability match through out the year. Your Company sourced long term loans from consortium banks at attractive rates and a proportion of the same was eligible for priority sector lending for banks. Your Company also issued subordinated debt amounting to Rs. 200 crores and successfully assigned receivables to the tune of Rs. 1,228 crores.

During the year, your Company has actively participated in a number of international and domestic investor meets organised by reputed International Banks and Financial Services Companies.

Your Company also periodically conducted analysts' meets to communicate details of performance, important developments and exchange information.

SHARE CAPITAL

The Members have by means of a Postal Ballot on 3rd January, 2011, approved the increase in the Authorised Share Capital of the Company from

adjusted value of off-balance sheet items, with effect from 31st March, 2012.

HOLDING COMPANY

Pursuant to the allotment of Equity Shares to the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust and the Qualified Institutional Buyers under the Qualified Institutions Placement, the shareholding of Mahindra & Mahindra Limited, the holding company, stands reduced to 56.0 per cent from 60.1 per cent.

STOCK OPTIONS

Pursuant to the approval of the Members by means of a Postal Ballot voting process on 18th September, 2010, your Company has adopted and introduced the 'Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme-2010' (ESOS-2010). On the recommendation of the Remuneration/ Compensation Committee of your Company, the Trustees of the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust have granted 2,51,565 Stock Options to Eligible Employees under the ESOS -2010.

During the year under review, no new Options have been granted under the 'Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme-2005'.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure I to this Report.

RBI GUIDELINES

The Company has complied with all the applicable regulations of the Reserve Bank of India (RBI). As a prudent practice, your Company makes accelerated provisioning for Non Performing Assets (NPAs) than that required by RBI for NBFCs.

STANDARD ASSETS' PROVISIONING

Pursuant to the Notification No. DNBS.222/CGM (US)-2011 dated 17th January, 2011 issued by

the RBI for making a general provision at 0.25 per cent on the outstanding standard assets of NBFCs, your Company has made a provision of Rs. 31.4 crores for the year ended 31st March, 2011, towards the same.

CREDIT RATING

During the year under review, CRISIL Limited, has after due consideration, upgraded the rating to your Company's Long-term Debt Instruments and Bank Facilities from 'AA-/Stable' to 'AA+/Stable' and your Company's Fixed Deposit Programme from 'FAA/Stable' to 'FAAA/Stable', respectively. The 'AA+/Stable' rating indicates a high degree of safety with regard to timely payment of financial obligations. The Rating on the Company's Short-term Debt and Bank Loans has been re-affirmed at 'P1+' - which is the highest level of rating.

Fitch Ratings India Private Limited, has during the year under review, re-affirmed the 'AA(ind)' ratings with the Outlook as Positive assigned to the Company's National Long-term Rating instrument and Lower Tier II Subordinated Debt programme. The 'AA (ind)' national ratings denote a very strong credit risk relative to other issuers or issues in the country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

Brickworks Ratings India Private Limited, has during the year, re-affirmed the "BWR AA+" rating with Positive outlook to the Company's Long-term Subordinated Debt Issue. Instruments with this rating are considered to offer High credit quality in terms of timely servicing of debt obligation.

FIXED DEPOSITS AND LOANS/ ADVANCES

Your Company has started accepting Fixed Deposits from the public with effect from 1st January, 2009 and has mobilised funds to the tune of Rs. 943 crores, with an investor base of over 80,000 investors.

Your Company has initiated various measures towards improvement of service levels to the Fixed Deposit holders. As a customer centric

process, the Company normally despatches the post-dated repayment cheques in respect of all the deposits, well in advance, before the maturity date to the depositors.

As at 31st March, 2011, 436 deposits amounting to Rs. 2.1 crores had matured for payment and were due to be claimed or renewed. Subsequent to the year end, as on 25th April, 2011, 293 deposits amounting to Rs. 1.2 crores had matured for payment and were due to be claimed or renewed.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the Company are furnished separately.

SUSTAINABILITY INITIATIVES

In 2007-08, your Company had participated in the Mahindra Group's 'Sustainability' initiatives and was part of the Group's First Sustainability Review, which is a voluntary report setting out the Company's commitment to the environment and society, while generating profits. This report was released by Mahindra & Mahindra Limited (M&M) in October 2008 and the shareholders were informed of this initiative in the previous year's Directors' Report.

In October 2009, the Second Mahindra Sustainability Review for the year 2008-09 was published by M&M, wherein information about your Company's performance on the three bottom lines - i.e. People, Planet and Profit, was also included. This report was externally assured by Ernst & Young and rated with the highest level of A+ and GRI checked. This Second report reflects your Company's progression in this journey and its commitment to taking a more responsible and holistic approach to business in general.

During the year, your Company has taken certain initiatives in this direction and created awareness through the Sustainability mantra. Your Company as a step towards 'Green Initiative' has continued to formulate innovative methods of Hybrid Power Solution through installation of wind and solar

based alternative sources of power in some of its branches in rural and semi-urban areas to overcome chronic power shortage. Your Company made proactive efforts to fight against global warming by conducting a "Tree Plantation" programme across India and planted close to 55,000 trees across the country.

Your Company continued with its focus on enhancing the concept of sustainability in the minds of its employees, vendors, suppliers and customers. Your Company organised 'Sustainability Week' in February 2011, which included inter alia, the concept of gifting plants, no print day, air condition bandh day, car pool day, batti bandh day and plastic free day. Various initiatives were also taken for conservation of water and energy, reduction of noise pollution and paper consumption. Services to various Non-Governmental Organisations were taken up all year round.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Your Company has always been sensitive to the fact that, since corporations are fundamental members of the society, corporate interests must address societal concerns and has played an active role in discharging its social responsibilities. During the year under review, your Company continued to involve itself in social welfare activities by contributing to recognised charitable Institutions, which specifically benefit the economically weaker and socially disadvantaged sections of the society. Your Company has sponsored 735 Nanhi Kalis, the flagship programme of the K.C. Mahindra Education Trust, which supports the education of the disadvantaged girl child.

Your Company organised a nationwide Blood Donation Drive to re-affirm its pledge to the society and collected 1,408 bottles of blood. During the year under review, your Company also donated funds for purchase of ambulance to Bharat Vikas Parishad, Liver Foundation, Jawaharlal Nehru Cancer Hospital & Research Centre, Janakeeya Samithi (Arogyam), Shree Aniruddha Upasana Foundation, Aastha Old Age Hospital & Hospice, Nirmala Samaj Kendra and Manav Seva Sangh.

During the year under review, your Company contributed Rs. 3.4 crores towards CSR to various institutions for charitable purposes.

ACHIEVEMENTS

Your Company has won several awards including the IDC Enterprise Innovation Awards, 2010, the EDGE [Enterprises Driving Growth & Excellence through IT] 2010 Award, the SKOCH Financial Inclusion Award, in addition to winning thirteen awards in various categories of Asia's Best Employer Brand Awards by the World HRD Congress.

Your Company was also awarded the AIMA-IOCL Award for Best Motivational Practice in Manufacturing & Services 2010 – Service Industry and CSR Awards – INDY's – Star of the Industry Award for "Best Practices in Corporate Social Responsibilities".

DIRECTORS

Mr. Anjanikumar Choudhari and Mr. M.B.N. Rao resigned as Directors of the Company with effect from 22nd April, 2010 and 22nd October, 2010, respectively. The Board has placed on record its sincere appreciation for the valuable services rendered and guidance received from Mr. Anjanikumar Choudhari and Mr. M.B.N. Rao as Directors of the Company.

Mr. Piyush Mankad and Ms. Rama Bijapurkar, Independent Directors, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

The term of office of Mr. Ramesh Iyer as the Managing Director of the Company would come to an end on 29th April, 2011. Mr. Iyer was re-appointed as the Managing Director of the Company for a further period of five years effective from 30th April, 2011 to 29th April, 2016 at the Meeting of the Board of Directors of the Company held on 25th April, 2011.

CORPORATE GOVERNANCE

A report on Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance with conditions of

Corporate Governance as also the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

JOINT VENTURE

During the year under review, your Company has entered into a joint venture with De Lage Landen Financial Services Inc., (DLLFS) a wholly-owned subsidiary of the Rabobank Group, for setting up a joint venture company viz. Mahindra Finance USA LLC., a State of Delaware limited liability company, to inter alia, provide wholesale inventory financing to US based dealers, to finance dealer purchases of Mahindra Products and to provide retail financing to end-user customers to finance their lease or purchase of Mahindra products or used products from dealers, in USA. Your Company holds 49 per cent of the equity capital of Mahindra Finance

USA LLC, the balance 51 per cent being held by DLLFS.

DLLFS is a global provider of high-quality asset-based financing products headquartered in Eindhoven, Netherlands and is Triple-A rated by the major rating agencies Moody's and Standard & Poor's, with offices and joint ventures in more than 35 countries in Europe, North America, South America, Asia and Australia. DLLFS offers lease and financial products for businesses and consumers. The global offering also includes an array of commercial financial solutions.

Your Company has received the 'No Objection Certificate' from the Reserve Bank of India for setting up the said joint venture and has made an initial investment of approximately Rs. 22.8 crores (US\$ 5.02 million) in Mahindra Finance USA, LLC.

SUBSIDIARY COMPANIES

MAHINDRA INSURANCE BROKERS LIMITED

The business of direct insurance broking for Life and Non-Life products is carried out by your Company's wholly-owned subsidiary, Mahindra Insurance Brokers Limited (MIBL). The year under review represents the seventh year of MIBL's insurance broking operations. During the year under review MIBL has received its insurance broking license duly renewed with effect from 18th May, 2010 for a period of three years, from the Insurance Regulatory and Development Authority.

During the year, MIBL crossed the 5,00,000 mark in terms of policies serviced, with a total of 5,08,878 policies for both Life and Non-Life retail business lines. The customised Life insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive an encouraging response and grew by 87.7 per cent from 1,47,154 lives covered with a Sum Assured of Rs. 3,518.4 crores in the Financial Year 2009-10 to 2,76,198 lives covered with a Sum Assured of Rs. 6,271.8 crores in the Financial Year 2010-11, with a substantial portion being covered in the rural markets.

MIBL achieved a growth of 55.2 per cent in Net Premium generated for the Corporate and

Retail business lines, increasing from Rs. 186.3 crores (Gross Premium Rs. 202.7 crores) in the Financial Year 2009-10 to Rs. 289.2 crores (Gross Premium Rs. 318.6 crores) in the Financial Year 2010-11, crossing a milestone of Rs. 300 crores Gross Premium.

The Income increased by 65.0 per cent from Rs. 31.4 crores in the Financial Year 2009-10 to Rs. 51.8 crores in the Financial Year 2010-11. The Profit Before Tax increased by 95.8 per cent from Rs. 16.8 crores to Rs. 32.9 crores, and the Profit After Tax increased by 96.4 per cent from Rs. 11.1 crores to Rs. 21.8 crores during the same period.

MAHINDRA RURAL HOUSING FINANCE LIMITED

Mahindra Rural Housing Finance Limited (MRHFL) in the fourth year of its operations disbursed loans aggregating Rs. 203.6 crores (previous year Rs. 90.6 crores), covering over 21,000 families. The profit after tax for the year ended 31st March, 2011 was Rs. 8.9 crores (previous year Rs. 2.2 crores). The outstanding loan portfolio as at 31st March, 2011 stood at Rs. 315.3 crores.

The housing loans sanctioned during the year ended 31st March, 2011 were to the extent of Rs. 263.1 crores as against Rs. 107.2 crores sanctioned during the previous year. The cumulative loans sanctioned by MRHFL as at the end of Financial Year 2010-11 was Rs. 426.3 crores as compared to Rs. 163.2 crores in the previous year. The cumulative loan disbursement at the end of the year stood at Rs. 340.6 crores as compared to Rs. 137.0 crores in the previous year.

MRHFL has been successful in establishing its presence in the rural and semi-urban areas by leveraging the branch network of your Company. During the year, operations were strengthened in the states of Maharashtra, Gujarat, Rajasthan, Tamil Nadu, Andhra Pradesh, Kerala, Karnataka and Madhya Pradesh.

During the year, MRHFL was able to secure a great deal of support and guidance from National Housing Bank.



MAHINDRA BUSINESS & CONSULTING SERVICES PRIVATE LIMITED

Mahindra Business & Consulting Services Private Limited (MBCSPL) has mainly sourced 4,739 employees for your Company and its subsidiaries viz MIBL and MRHFL. The Company earns its income in the form of fees towards staffing services. MBCSPL registered a Profit After Tax of Rs. 0.5 crores for the year ended 31st March, 2011 as compared to Rs. 0.1 crore in the previous year.

The Statement pursuant to section 212 of the Companies Act, 1956, containing details of the Company's subsidiaries is attached.

The Consolidated Financial Statements of the Company, its three subsidiaries viz MIBL, MRHFL and MBCSPL and the Joint Venture viz Mahindra Finance USA LLC, prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report.

Pursuant to General Circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, granting a general permission to the companies from attaching the annual reports of subsidiaries from the current Financial Year and in terms of the resolution passed by the Board of Directors of the Company at its Meeting held on 2nd March, 2011, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the Subsidiaries have not been attached to the Balance Sheet of the Company.

The Company Secretary will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report. These documents will also be available for inspection at the Head Office of the Company and at the Office of the respective subsidiary companies, during working hours up to the date of the Annual General Meeting. The Company shall also put the details of accounts of individual subsidiary companies on its website www.mahindrafinance.com.

AUDITORS

Messrs. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 (1B) of the Companies Act, 1956, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure II to this Report.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER

The Company had two employees who were in receipt of remuneration of not less than Rs. 60,00,000 during the year ended 31st March, 2011 or not less than Rs. 5,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all the Shareholders of the Company excluding the Statement of particulars of employees. Any Shareholder interested in obtaining a copy of the Statement may write to the Company Secretary of the Company.

For and on behalf of the Board

BHARAT DOSHI
Chairman

Mumbai, 25th April, 2011

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2011

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

	Employees Stock Option Scheme 2005 (ESOS-2005)				Employees Stock Option Scheme 2010 (ESOS-2010)
(a) Options granted	32,94,966				2,51,565
(b) The pricing formula	Grant-1 Granted on 7th December, 2005	Grant-2 Granted on 24th July, 2007	Grant-3 Granted on 25th March, 2008	Grant-4 Granted on 18th September, 2008	Grant-1 Granted on 7th February, 2011
	Priced at a discount of Rs. 15 on Fair Value of Rs. 66 based on the valuation obtained from an independent valuer based on Net Asset Value/ Asset Based Method.	At a discount of 5 per cent on the average price (^) preceding the specified date (#) - 24th April, 2007	At a discount of 5 per cent on the average price (^) preceding the specified date (#) - 18th January, 2008	At a discount of 5 per cent on the average price (^) preceding the specified date (#) - 18th September, 2008	At Face Value of Rs. 10/- per Equity Share
	<p>Employees Stock Option Scheme – 2005</p> <p>(^) Average Price: Average of the daily high and low of the prices for the Company's Equity Shares quoted on National Stock Exchange of India Limited during 15 days preceding the specified date.</p> <p>(#) The Specified Date: Date on which the Remuneration/Compensation Committee decided to recommend to the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust (Trust), the grant of Options.</p>				
	<p>Employees Stock Option Scheme – 2010</p> <p>Price: Rs. 10</p> <p>The Specified Date: 22nd October, 2010</p>				
(c) Options stand vested on 31st March, 2011	i) Employees Stock Option Scheme – 2005 : 24,52,737 ii) Employees Stock Option Scheme – 2010 : Nil				
(d) Options exercised	i) Employees Stock Option Scheme – 2005 : 21,05,784 ii) Employees Stock Option Scheme – 2010 : Nil				
(e) The total number of shares arising as a result of exercise of option	i) Employees Stock Option Scheme – 2005 : 21,05,784 Equity Shares of Rs. 10 each. These were transferred from the Trust to the eligible employees. ii) Employees Stock Option Scheme – 2010 : Nil				
(f) Options lapsed	i) Employees Stock Option Scheme – 2005 : 6,77,759 ii) Employees Stock Option Scheme – 2010 : Nil				
(g) Variation of terms of options	i) Employees Stock Option Scheme – 2005 : At the Seventeenth Annual General Meeting of the Company held on 23rd July, 2007, the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme was amended to provide for recovery from the eligible employees, the fringe benefit tax in respect of options which are granted to or vested in or exercised by, the eligible employees on or after the 1st day of April, 2007. ii) Employees Stock Option Scheme – 2010 : NA				

(contd.)



(contd.)

(h) Money realised by exercise of options	<p>i) Employees Stock Option Scheme – 2005 : Rs. 15,42,13,402.00 This amount was received by the Trust.</p> <p>ii) Employees Stock Option Scheme – 2010 : Nil</p>				
(i) Total number of options in force	<p>i) Employees Stock Option Scheme – 2005 : 5,11,223</p> <p>ii) Employees Stock Option Scheme – 2010 : 2,51,565</p>				
(j) Employee-wise details of options granted under Employees Stock Option Scheme – 2005 and Employees Stock Option Scheme – 2010 to:					
(i) Senior Managerial Personnel.	As per statement attached				
(ii) Any other employee who receives a grant in any one year of option amounting to 5 per cent or more of option granted during that year	Nil				
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1 per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Nil				
(k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs. 44.53*				
(l) Where the company has calculated the employee compensation cost using the intrinsic value of the Stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options granted under Employees Stock Option Scheme – 2005 and Employees Stock Option Scheme – 2010. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs. 46.2 lacs, profit after tax lower by Rs. 46.2 lacs and the basic and diluted earnings per share would have been lower by Rs. 0.12 and Rs. 0.05 respectively.				
(m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	<p>Employees Stock Option Scheme – 2010 : Grant Dated 7th February, 2011-</p> <table border="1"> <thead> <tr> <th>Exercise Price(Rs.)</th> <th>Fair Value (Rs.)</th> </tr> </thead> <tbody> <tr> <td>10.00</td> <td>618.31</td> </tr> </tbody> </table>	Exercise Price(Rs.)	Fair Value (Rs.)	10.00	618.31
Exercise Price(Rs.)	Fair Value (Rs.)				
10.00	618.31				
(n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	Employees Stock Option Scheme – 2010 : Grant Dated 7th February, 2011- The Fair value of stock options granted on 7th February, 2011 have been calculated using Black-Scholes Options pricing formula and the significant assumptions made in this regard are as follows :				
<p>Sr. No. Particulars</p> <p>(i) risk-free interest rate,</p> <p>(ii) expected life,</p> <p>(iii) expected volatility,</p> <p>(iv) expected dividends, and</p> <p>(v) The price of the underlying share in market at the time of option grant</p>	<p>7.7 per cent</p> <p>4.5 years</p> <p>42.4 per cent</p> <p>2.3 per cent</p> <p>Rs. 693.0</p>				

* Refer Note No. "5" in Schedule "XVIII" to Annual Accounts of the Annual Report

Statement Attached to Annexure I to the Directors' Report for the Financial Year ended 31st March, 2011

Names of Directors and Senior Managerial Persons to whom Stock Options have been granted	Employees Stock Option Scheme 2005				Employees Stock Option Scheme 2010
	Number of Options granted in December, 2005	Number of Options granted in July, 2007	Number of Options granted in March, 2008	Number of Options granted in September, 2008	Number of Options granted in February, 2011
Mr. Bharat N. Doshi	2,00,000	12,135	Nil	14,051	Nil
Mr. Uday Y. Phadke	10,000	4,042	Nil	14,051	33,478
Mr. Anjanikumar Choudhari *	10,000	2,021	Nil	3,513	Nil
Dr. Pawan Goenka	10,000	2,021	Nil	3,513	Nil
Mr. Manohar G. Bhide	10,000	Nil	Nil	Nil	Nil
Mr. Dhananjay Mungale	10,000	Nil	Nil	Nil	Nil
Mr. Piyush Mankad	10,000	Nil	Nil	Nil	Nil
Ms. Rama Bijapurkar	N/A	N/A	N/A	10,000	Nil
Mr. Ramesh Iyer	1,00,000	19,580	19,106	24,366	40,028
Mr. V. Ravi	60,000	11,207	10,846	13,832	15,563
Mr. Apurv Verma #	40,000	5,530	5,352	9,100	N/A
Mr. Rajesh Vasudevan	10,000	3,326	3,665	4,674	4,372
Mr. Dinesh Prajapati	12,000	3,876	4,292	5,473	5,397
Mr. Suresh Shanmugam	7,500	3,027	3,223	4,110	3,872
Mr. Gurdev Mehta	14,000	3,075	3,150	4,017	4,288
Mr. Richard Clement	7,500	1,665	1,311	1,671	1,662
Mr. H. S. Kamath	7,500	1,628	2,745	3,500	3,423
Mr. Rajnish Agarwal	7,000	1,379	1,059	1,801	3,386
Mr. R. Balaji	N/A	N/A	N/A	5,408	5,166

* - resigned as Director of the Company with effect from 22nd April, 2010.

- resigned with effect from 31st August, 2010.

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2011

Particulars as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the Financial Year ended 31st March, 2011.

A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Rs. 0.3 crores.
- c) Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : These measures are expected to reduce the energy consumption.
- d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable.

B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

1	Areas in which R & D is carried out	: None
2	Benefits derived as a result of the above efforts	: Not Applicable
3	Future plan of action	: None
4	Expenditure on R & D	: Nil
5	Technology absorption, adaptation and innovation	: None
6	Imported Technology for the last 5 years	: None

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange outgo is furnished in the Notes to the Accounts. There were no foreign exchange earnings during the year.

For and on behalf of the Board

BHARAT DOSHI
Chairman

Mumbai, 25th April, 2011

Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the company pursuant to Clause 32 of the Listing Agreement with the Company.

Loans and advances in the nature of loans to subsidiaries:

Name of the Company	(Rs. in crores)	
	Balance as on 31st March, 2011	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	115.5	115.5
Mahindra Business & Consulting Services Private Limited	6.9	6.9

Loans and advances in the nature of loans to firms/companies in which Directors are interested:

Name of the Company	(Rs. in crores)	
	Balance as on 31st March, 2011	Maximum Outstanding during the year
Mahindra Retail Private Limited	4.9	11.6
Mahindra Two Wheelers Limited	25.0	26.0
Mahindra Holidays & Resorts India Limited	102.1	146.8
NBS International Limited	0.0	0.6

The Company has not made any loans and advances in the nature of loans to associates or loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956.

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that sound Corporate Governance is a pre-requisite to attainment of excellent performance in terms of creation of value and wealth for its stakeholders and customers on sustainable and long-term basis. Your Company continues to adopt the best practices in the area of Corporate Governance and promotes and practices a culture that is built on core values and ethics. Your Company has an active, experienced and a well-informed Board, necessary to ensure highest standards of Corporate Governance.

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. Your Company has established robust business practices and procedures to ensure that it remains fully compliant with all mandated regulations and achieves business excellence to enhance stakeholder value, retain trust and goodwill of its investors, business partners, employees and meet societal expectations as well.

The stipulations mandated by Clause 49 of the Listing Agreement with the Stock Exchanges, have been fully complied with by your Company. This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with Clause 49.

BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is one-half of the total number of Directors. The number of Non-Executive Directors is more than 50 per cent of the total number of Directors. The management of the Company is entrusted in the hands of the Key Management Personnel of the Company and is headed by the Managing Director who operates under the supervision and control of the Board. The Board reviews and approves

strategy and oversees the actions and results of management to ensure that the long term objectives of enhancing stakeholder value are met.

Mr. Bharat Doshi, Mr. Uday Y. Phadke and Dr. Pawan Kumar Goenka, Non-Executive Non-Independent Directors of your Company are in the Whole-time employment of the holding company, Mahindra & Mahindra Limited (M&M) and draw remuneration from it. Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that the Non-Executive Directors would be entitled to under the Companies Act, 1956, none of the Directors has any other material pecuniary relationships or transactions with the Company, its Promoters, its Directors, its Senior Management or its Subsidiaries and Associates which in their judgments would affect their independence. The Directors of the Company are not inter-se related to each other.

The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

NUMBER OF BOARD MEETINGS

The Board of Directors met six times during the year under review, on 22nd April, 2010, 23rd July, 2010, 22nd October, 2010, 29th November, 2010, 21st January, 2011 and 2nd March, 2011. The maximum gap between any two meetings was not more than four months. These were well attended.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

As mandated by Clause 49, none of the Directors is a member of more than ten Board level Committees and no such Director is a Chairman/Chairperson of more than five Committees of Companies in which he/she is a Director. Table 1 gives the details.



COMPOSITION OF THE BOARD

As on 31st March, 2011, the Company's Board comprised eight members. The Chairman of the Board and two other members are Non-Executive Non-Independent Directors. The Managing Director is an executive of the Company while the remaining four are Independent Directors. The names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting (AGM), as also the number of Directorships and Committee positions held by them in companies are given below :

Table 1 : Composition of the Board of Directors

Name of the Directors	Category	Attendance Particulars			No. of other Directorships and Committee Memberships/ Chairmanships/Chairpersonship #		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships/ Chairpersonship
		Held	Attended				
Mr. Bharat N. Doshi (Chairman)	Non-Executive Non-Independent	6	6	Yes	9	4	3
Mr. Uday Y. Phadke (Vice Chairman)	Non-Executive Non-Independent	6	6	Yes	10	8	3
Mr. Ramesh Iyer (Managing Director)	Executive	6	6	Yes	6	5	1
Dr. Pawan Kumar Goenka	Non-Executive Non-Independent	6	1	Yes	8	5	-
Mr. Dhananjay Mungale	Independent	6	6	Yes	11	9	3
Mr. Manohar G. Bhide	Independent	6	6	Yes	5	4	2
Mr. Piyush Mankad	Independent	6	5	No	13	10	2
Ms. Rama Bijapurkar	Independent	6	5	Yes	6	2	-

Note :

Excludes Directorships in private limited companies, foreign companies, companies registered under section 25 of the Companies Act, 1956, unlimited companies and Alternate Directorships but includes Directorship in Mahindra & Mahindra Financial Services Limited (MMFSL). Committees considered are Audit Committee and Share Transfer and Shareholders/Investors Grievance Committee including in MMFSL.

INFORMATION SUPPLIED TO THE BOARD

The Company sends a detailed agenda folder to each Director sufficiently in time before Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting on the overall performance of the Company, followed by presentations by the Chief Financial Officer. A detailed functional report is also placed at Board Meetings. The Board provides the overall strategic direction and periodically reviews strategy and business plans, annual operating and capital expenditure budgets and oversees the actions and results of the management to ensure that the long term objectives of enhancing shareholders' value are met. The Board also, inter alia, reviews and considers investment and exposure limits, review of major legal issues, adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, corporate restructuring, minutes of Meetings of the Audit and other Committees of the Board and information on recruitment of Officers just below the Board level and also the Compliance Officer.

The Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any.

In addition to the above, pursuant to Clause 49, the minutes of the Board Meetings of your Company's unlisted subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

REMUNERATION POLICY

The success of an organisation in achieving good performance and good governing practice depends on its ability to attract and retain

quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors. With this objective, the Board and the Remuneration/Compensation Committee decide on the remuneration to be paid to the Executive and Non-Executive Directors. While deciding on the remuneration to Directors, the Board and the Remuneration/Compensation Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.

REMUNERATION PAID TO DIRECTORS

Detailed information of Directors' remuneration for the year 2010-11 is set forth in Table 2.

The eligible Non-Executive Directors are paid commission up to a maximum of 1 per cent of the net profits of the Company as specifically computed for this purpose. A commission of Rs. 45.62 lacs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31st March, 2011.

In addition, the Independent Directors were paid a sitting fee of Rs. 5,000 each for every Meeting of the Board or Committee attended. The Board at its Meeting held on 29th November, 2010 has increased the sitting fees payable to the Independent Directors from Rs. 5,000 to Rs. 20,000 for each meeting of the Board and the Audit Committee attended thereof, with effect the date of the said Board Meeting. The Independent Directors would continue to receive a sitting fee of Rs. 5,000 for attending each Meeting of the Remuneration/Compensation Committee and the Share Transfer and Shareholders/Investors Grievance Committee, respectively.

Remuneration to the Managing Director is fixed by the Remuneration/Compensation Committee and thereafter approved by shareholders at a General Meeting.

Table 2 : Details of Remuneration paid to Directors for the Financial Year 2010 – 11

Name of the Director	Sitting Fees	Salary and Perquisites	Super-annuation and Provident Fund #	Commission	(In Rs.)	Employees Stock Option Scheme 2005 (ESOS-2005)				Employees Stock Option Scheme 2005 (ESOS-2010)**	
						No. of Stock Options granted in December 2005 Grant-1 \$	No. of Stock Options granted in July 2007 Grant- 2 \$	No. of Stock Options granted in March 2008 Grant- 3 \$	No. of Stock Options granted in September 2008 Grant- 4 \$	No. of Stock Options granted in February 2011 Grant- 1 \$\$	
Mr. Ramesh Iyer *	NA	1,11,08,920	723,510	30,83,734	1,49,16,164	1,00,000	19,580	19,106	24,366	40,028	
Mr. Bharat N. Doshi	NA	NA	NA	Nil	Nil	2,00,000	12,135	Nil	14,051	Nil	
Mr. Uday Y. Phadke	NA	NA	NA	Nil	Nil	10,000	4,042	Nil	14,051	33,478	
Dr. Pawan Goenka	NA	NA	NA	Nil	Nil	10,000	2,021	Nil	3,513	Nil	
Mr. Anjanikumar Choudhari ^	NA	NA	NA	Nil	Nil	10,000	2,021	Nil	3,513	Nil	
Mr. Dhananjay Mungale	1,55,000	NA	NA	10,00,000	11,55,000	10,000	Nil	Nil	Nil	Nil	
Mr. M.G. Bhide	1,60,000	NA	NA	10,00,000	11,60,000	10,000	Nil	Nil	Nil	Nil	
Mr. Piyush Mankad	85,000	NA	NA	10,00,000	10,85,000	10,000	Nil	Nil	Nil	Nil	
Ms. Rama Bijapurkar	1,10,000	NA	NA	10,00,000	11,10,000	NA	NA	NA	10,000	Nil	
Mr. M.B.N. Rao @	20,000	NA	NA	6,79,452	6,99,452	NA	NA	NA	NA	NA	

**Employees Stock Option Scheme - 2010

Notes :

- ^ resigned with effect from 22nd April, 2010
- @ resigned with effect from 22nd October, 2010
- # Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.
- \$ ESOS-2005 – Details of Grants :

Grant-1 : The Stock Options have been granted on 7th December, 2005. Of this, 35 per cent of the options have vested on 7th December, 2006, 25 per cent vested on 7th December, 2007, 20 per cent vested on 7th December, 2008, 10 per cent vested on 7th December, 2009 and the balance 10 per cent of the options vested on 7th December, 2010.

Grant-2 : The Stock Options have been granted on 24th July, 2007. Of this, 35 per cent of the options have vested on 24th July, 2008, 25 per cent vested on 24th July, 2009, 20 per cent vested on 24th July, 2010 and the balance options would vest as follows – 10 per cent on expiry of 48 months from the date of grant and 10 per cent on expiry of 60 months from the date of grant.

Grant-3 : The Stock Options have been granted on 25th March, 2008. Of this, 35 per cent of the options have vested on 25th March, 2009, 25 per cent vested on 25th March, 2010, 20 per cent vested on 25th March, 2011 and the balance options would vest as follows – 10 per cent on expiry of 48 months from the date of grant and 10 per cent on expiry of 60 months from the date of grant.

Grant-4 : The Stock Options have been granted on 18th September, 2008. Of this, 35 per cent of the options have vested on 18th September, 2009, 25 per cent of the options have vested on 18th September, 2010 and the balance options would vest as follows – 20 per cent on expiry of 36 months from the date of grant; 10 per cent on expiry of 48 months from the date of grant and 10 per cent on expiry of 60 months from the date of grant.

\$\$ ESOS-2010 – Details of Grant :

The Stock Options have been granted on 7th February, 2011. Of this, 20 per cent of the options would vest on expiry of 12 months from the date of grant, 20 per cent would vest on expiry of 24 months from the date of grant, 20 per cent would vest on expiry of 36 months from the date of grant, 20 per cent would vest on expiry of 48 months from the date of grant and 20 per cent would vest on expiry of 60 months from the date of grant.

* The notice period for Managing Director is three months. Commission and Stock Options

are the only component of remuneration that is performance linked. All other components are fixed. Details regarding the Stock Options granted to the Managing Director are given in the Annexure I to the Directors' Report. The term of appointment is for a period of 5 years.

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED EMPLOYEES' STOCK OPTION SCHEME 2010 ("ESOS - 2010")

In terms of the ESOS - 2010, your Company may issue such options convertible into Equity Shares where the aggregate number of Equity Shares issued upon conversion shall not exceed 1.0 per cent of the issued equity share capital of your Company as on 30th June, 2010 i.e. 9,69,005 Equity Shares.

Pursuant to the approval of the ESOS - 2010, the Board accorded its approval to allot 9,69,005 Equity Shares to the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust. Further, the options to be issued pursuant to the ESOS - 2010 shall be at a price equal to or not less than the face value of the Equity Shares, i.e. Rs. 10 per Equity Share. As at 31st March, 2011, 2,51,565 options have been granted under the ESOS - 2010. These Options would vest as follows :

20 per cent on expiry of 12 months from the date of grant; 20 per cent on expiry of 24 months from the date of grant ; 20 per cent on expiry of 36 months from the date of grant; 20 per cent on expiry of 48 months from the date of grant and 20 per cent on expiry of 60 months from the date of grant.

33,478 Stock Options have been granted to Mr. Uday Y. Phadke, Non-Executive Non-Independent Director under the ESOS - 2010, during the year under review. Details of these are given in Annexure I to the Directors' Report.

During 2010-11, the Company did not advance loans to any of its Directors.

SHARES HELD BY NON-EXECUTIVE DIRECTORS

Table 3 gives details of the shares held by the Non-Executive Directors as on 31st March, 2011

Table 3 : Details of the shares held by the Non-Executive Directors

Name of the Director	Number of Shares held
Mr. Bharat N. Doshi	1,50,179
Mr. Uday Y. Phadke	13,665
Dr. Pawan Kumar Goenka	8,724
Mr. Dhananjay Mungale	10,000
Mr. M.G. Bhide	10,000
Mr. Piyush Mankad	10,000
Ms. Rama Bijapurkar	3,500

CODE OF CONDUCT

The Board has laid down Code of Conduct for Board members and for designated Senior Management Personnel of the Company ("Codes"). The Codes have been posted on the Company's website www.mahindrafinance.com. All Board members and designated Senior Management Personnel have affirmed compliance with the Codes. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

CEO/CFO CERTIFICATION

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2011.

RISK MANAGEMENT

The Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed

in detail in the Management Discussion and Analysis chapter of this Annual Report. Your Company has established procedures to periodically place before the Board the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate these risks.

COMMITTEES OF THE BOARD

Your Company has six Board level Committees - Audit Committee, Remuneration/Compensation Committee, Share Transfer and Shareholders/ Investors Grievance Committee, Asset Liability Committee, Risk Management Committee and Nomination Committee.

All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of service for Committee members are taken by the Board of Directors.

Details on the role and composition of these Committees, including the number of meetings held during the Financial Year and the related attendance, are provided below :

a) AUDIT COMMITTEE

As on 31st March, 2011, the Audit Committee comprised three Independent Directors. The Committee comprises Mr. Dhananjay Mungale (Chairman), Mr. M.G. Bhide and Ms. Rama Bijapurkar. The Committee was reconstituted during the year under review. Consequent upon the resignation of Mr. Anjanikumar Choudhari and Mr. M.B.N. Rao as Directors of the Company, with effect from 22nd April, 2010 and 22nd October, 2010, respectively, Mr. Choudhari and Mr. Rao have ceased to be Members of the Committee effective from the said dates. The terms of reference of this Committee are very wide.

Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related

matters. The Committee is empowered to review, inter alia, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of the unlisted subsidiary companies, Management Discussion and Analysis, Material individual transactions with related parties not in the normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 IID of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 IIC.

Mr. Dhananjay Mungale, Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 23rd July, 2010.

The Audit Committee met five times during the year on 22nd April, 2010, 23rd July, 2010, 22nd October, 2010, 23rd December, 2010 and 21st January, 2011. The time gap between any two meetings was less than four months. The details of attendance at the Audit Committee Meetings are given in Table 4.

Table 4 : Attendance record of Audit Committee Meetings

Name of Members	No. of Meetings attended
Mr. Dhananjay Mungale (Chairman)	5
Mr. Anjanikumar Choudhari (ceased to be a Member with effect from 22nd April, 2010)	1
Mr. M.G. Bhide	5
Ms. Rama Bijapurkar	5
Mr. M. B. N. Rao (ceased to be a Member with effect from 22nd October, 2010)	2

The Managing Director, the Chief Financial Officer, Chief Internal Auditor of Mahindra & Mahindra Limited and Statutory Auditors are regularly invited to attend the Audit Committee Meetings. The Company Secretary is the Secretary to the Committee.

All the members of the Audit Committee possess strong accounting and financial management knowledge.

b) REMUNERATION/COMPENSATION COMMITTEE

As of 31st March, 2011, the Remuneration/Compensation Committee comprised five members viz. Mr. Piyush Mankad (Chairman), Mr. Dhananjay Mungale and Mr. M.G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Executive Non-Independent Directors.

The role of the Remuneration/Compensation Committee is to look into the entire gamut of remuneration package for the working director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company, formulate and administer Employees Stock Option Scheme and to attend to such other matters and functions as may be prescribed from time to time.

The Committee met four times during the year under review on 22nd April, 2010, 23rd July, 2010, 7th September, 2010 and 22nd October, 2010. The attendance details at Meetings of the Committee are given in Table 5.

Table 5 : Attendance record of Remuneration/Compensation Committee Meetings

Name of Members	No. of Meetings attended
Mr. Piyush Mankad (Chairman)	3
Mr. Bharat N. Doshi	4
Mr. Dhananjay Mungale	4
Mr. Uday Y. Phadke	4
Mr. M.G. Bhide	4

c) SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company's Share Transfer and Shareholders/Investors Grievance Committee comprises three members, viz. Mr. Uday Y. Phadke (Chairman) Non-Executive Non-Independent Director, Mr. M.G. Bhide, Independent Director, and Mr. Ramesh Iyer, Managing Director. The Committee was re-constituted during the year under review. Consequent upon the resignation of Mr. Anjanikumar Choudhari as Director of the Company with effect from 22nd April, 2010, Mr. Choudhari has ceased to be a Member of the Committee effective from the said date. Mr. Dhananjay Mungale resigned as a Member with effect from 22nd October,

2010 and Mr. M.G. Bhide was appointed as a Member in his place.

The Committee meets as and when required, to deal with matters relating to transfers/transmissions of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc.

During the year under review, the Committee held three meetings. The Committee met on 22nd April, 2010, 22nd October, 2010 and 2nd March, 2011. The attendance details at Meetings of the Committee are given in Table 6.

Table 6 : Attendance record of Share Transfer and Shareholders/Investors Grievance Committee Meetings

Name of Members	No. of Meetings attended
Mr. Uday Y. Phadke (Chairman)	3
Mr. Dhananjay Mungale (Resigned as a Member with effect from 22nd October, 2010)	1
Mr. Ramesh Iyer	3
Mr. M.G. Bhide (Appointed as a Member with effect from 22nd October, 2010)	2

Details of queries and grievances received and attended to by the Company during the year 2010-11 are given in Table 7.

Table 7 : Complaints/Letters received and attended to during 2010-11

Nature of Complaints/Letters	Pending as on 1st April, 2010	Received during the year	Answered during the year	Pending as on 31st March, 2011
1. Status of Share Application	0	0	0	0

(contd.)

Nature of Complaints/ Letters	(contd.)			
	Pending as on 1st April, 2010	Received during the year	Answered during the year	Pending as on 31st March, 2011
2. Non Receipt of Refund	0	0	0	0
3. Non Receipt of Electronic Credit	0	13	13	0
4. Correction of Refund Orders	0	0	0	0
5. Duplicate/Revalidation of Refund Order	0	0	0	0
6. Non Receipt of Dividend	0	13	13	0
7. Duplicate/Revalidation of Dividend Warrant	0	43	43	0
8. SEBI/Stock Exchange Complaints	0	2	2	0
Total	0	71	71	0

d) ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) was constituted by the Board in 2001. It reviews the working of the Asset Liability Operating Committee, its findings and reports in accordance with the guidelines of the Reserve Bank of India.

Mr. Dhananjay Mungale (Chairman), Independent Director and Mr. Uday Y. Phadke, Non-Executive Non-Independent Director are the members of the Committee. The Committee held two meetings during the year under review.

e) RISK MANAGEMENT COMMITTEE

The Risk Management Committee was constituted by the Board at its Meeting held on 28th January, 2008 to manage the integrated risk, inform the Board about the progress made in implementing a risk management system and review periodically the risk management policy and strategy followed by the Company.

As of 31st March, 2011, the Risk Management Committee comprised Mr. Dhananjay Mungale (Chairman), Mr. M.G. Bhide and Ms. Rama Bijapurkar, Independent Directors of the Company.

The Committee was reconstituted during the year under review. Consequent upon the resignation of Mr. Anjanikumar Choudhari and Mr. M.B.N. Rao as Directors of the Company, with effect from 22nd April, 2010 and 22nd October, 2010, respectively, Mr. Choudhari and Mr. Rao have ceased to be Members of the Committee effective from the said dates.

The Committee held four meetings during the year under review.

f) NOMINATION COMMITTEE

The Nomination Committee was constituted by the Board at its Meeting held on 25th March, 2008 to review and make recommendations to the Board regarding

the Board's composition and structure, establish criteria for Board membership, evaluate corporate policies relating to the appointment of Board members and to establish, implement and monitor policies and processes regarding principles of corporate governance in order to facilitate the Board's compliance with its fiduciary duties to the Company and its shareholders.

The Committee comprises Mr. Piyush Mankad, Mr. Dhananjay Mungale and Mr. M.G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Executive Non-Independent Directors. The Committee met once during the year under review.

SUBSIDIARY COMPANIES

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20 per cent of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have a "material non-listed Indian subsidiary".

MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

The Annual Report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES

During the Financial Year 2010-11, there were no materially significant transactions entered into between the Company and its promoters, Directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. Further, details of related party transactions are presented in Note No. "23" in Schedule "XVIII" to Annual Accounts of the Annual Report.

DISCLOSURE OF ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The Company has followed the Guidelines of Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

DETAILS OF NON-COMPLIANCE BY THE COMPANY

The Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed/passed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's Equity Shares.

CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees, in line with the Chapter IV of Securities and Exchange Board of India [Prohibition of Insider Trading] Regulations, 1992. The Code, which lays down Guidelines, advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

SHAREHOLDERS

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the Directors are eligible to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third retire from office.

Mr. Piyush Mankad and Ms. Rama Bijapurkar, Independent Directors, retire by rotation and, being eligible, have offered themselves for re-appointment. The details of Directors seeking re-appointment at the forthcoming Annual General Meeting is set forth in Table 8.



Table 8 :Details of Directors seeking re-appointment at the forthcoming Annual General Meeting

Name of Director	Mr. Piyush Mankad
Date of Birth	18th November, 1941
Date of Appointment on the Board	21st February, 2005
Expertise in specific functional area	Finance and Investment, Planning and Strategy, Industrial Promotion and International Trade and International Economic Relations
Qualifications	BA (Hon), Master (History)- Delhi University, Diploma in Development Studies (Development Economics & Sociology) - University of Cambridge, Indian Administrative Service (IAS)
Directorship in Companies	Heidelberg Cement India Limited - (Chairman) Tata International Limited Tata Elxsi Limited Mahindra & Mahindra Financial Services Limited DSP- Merrill Lynch Fund Managers Limited Max India Limited Noida Toll Bridge Company Limited United Breweries (Holdings) Limited Kingfisher Airlines Limited ICRA Limited SRF Limited Mahindra Forgings Limited The Tata Power Company Limited
Membership of Committees in Public Limited Companies	
Audit Committee	The Tata Power Company Limited Heidelberg Cement India Limited Tata International Limited DSP- Merrill Lynch Fund Managers Limited SRF Limited Noida Toll Bridge Company Limited
Remuneration/ Compensation Committee	Mahindra & Mahindra Financial Services Limited -(Chairman) ICRA Limited
Shareholders/Investors Grievance Committee	Heidelberg Cement India Limited - (Chairman) Tata Elxsi Limited - (Chairman) Noida Toll Bridge Company Limited Max India Limited
Shareholding of Director in the Company	10,000 Equity Shares

Mr. Piyush G. Mankad pursued his college in Delhi, and earned a Bachelor's and Master's Degree in Humanities from Delhi University. He later completed a Diploma in development studies from Cambridge University, United Kingdom. He joined the prestigious Indian Administrative Service in 1964. His major official postings included Controller of Capital Issues, Ministry of Finance, Government of India, Principal Finance Secretary, Government of Madhya Pradesh, Secretary in the Ministry of Industry, Government of India and Chairman of the Foreign Investment Promotion Board, Secretary Information and Broadcasting and Finance/Revenue Secretary, Government of India.

His overseas assignments include those as Counsellor Economic, Embassy of India, Tokyo (1977-81) and Executive Director for India, Bhutan, Bangladesh, Laos and Tajikistan and Board Member, Asian Development Bank, Manila (2001-04).

He is presently on the Board of Directors of several highly regarded Companies in the private sector as Independent Director and is also on various Governing Bodies/Trusts, including the Army Group Insurance Fund, Society for Capital Market Development and Research and the Lady Shriram College for Women, New Delhi. He also serves, from time to time, on several official committees, and is at present the Chairman of Government of India Task Force on Public Sector Enterprises.

Name of Director	Ms. Rama Bijapurkar
Date of Birth	12th February, 1957
Date of Appointment on the Board	14th June, 2008
Expertise in specific functional area	Independent Market Strategy Consultant
Qualifications	B.Sc (Hons) degree in Physics from Delhi University Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad
Directorship in Companies	CRISIL Limited CRISIL Risk and Infrastructure Solutions Limited - (Chairperson) Axis Bank Limited Mahindra & Mahindra Financial Services Limited Mahindra Holidays & Resorts India Limited ICICI Prudential Life Insurance Company Limited Ambit Holdings Private Limited Janalakshmi Financial Services Pvt. Ltd. Vishwas (Vision for health Welfare & Special Needs)
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Holidays & Resorts India Limited Mahindra & Mahindra Financial Services Limited
Remuneration/Compensation Committee	Mahindra Holidays & Resorts India Limited - (Chairperson) CRISIL Limited Axis Bank Limited (Chairperson)
Board Nomination & Compensation Committee	ICICI Prudential Life Insurance Company Limited - (Chairperson)
Shareholders/Investors Grievance Committee	NIL
Shareholding of Director in the Company	3,500 Equity Shares

Ms. Rama Bijapurkar holds a B. Sc. (Hons.) degree in Physics from the University of Delhi and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. She is a well respected voice on India's consumer economy and has an independent market strategy consulting practice. She has 30 years of experience in market research and market strategy consulting. Her work experience prior to setting up her independent market strategy consulting practice includes employment with McKinsey & Co., MARG Marketing & Research Group and full time consulting with Hindustan Unilever Limited. She is a dominant public voice on India's Consumer Economy and author of "We are like that only- Understanding the logic of Consumer India".

Presently, Ms. Bijapurkar is an independent director on the boards of various reputed Companies.

MEANS OF COMMUNICATION WITH SHAREHOLDERS

The Company publishes quarterly, half-yearly and annual results in Business Standard and Sakal which are national and local dailies. The Company results and official news releases are displayed on the Company's website <http://www.mahindrafinance.com>. The Company also makes presentations to international and national institutional investors and analysts, which are also put up on its website.

The Company has also designated "investorhelpline_mmfs@mahindra.com" as an email id for the purpose of registering complaints by investors and displayed the same on the Company's website.

GENERAL BODY MEETINGS

Table 9 : Details of last three Annual General Meetings and Special Resolutions passed

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2007-2008	23rd July, 2008	3.30 p.m.	None	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
2008-2009	27th July, 2009	3.30 p.m.	Revision in the remuneration payable to Mr. Ramesh Iyer, Managing Director of the Company	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
2009-2010	23rd July, 2010	3.30 p.m.	Payment of commission to Non-Executive Directors for a period of five years with effect from 1st April, 2010, by way of commission up to one per cent of the net profits of the Company.	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020.

Table 10 : Details of Extraordinary General Meetings held during the past three years

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2007-2008	19th February, 2008	3.00 p.m.	1. Increase in Authorised Share Capital of the Company. 2. Alteration of Clause V of the Memorandum of Association of the Company. 3. Alteration of Article 3 of the Articles of Association of the Company. 4. Issue, offer & allot Equity Shares on a preferential basis to persons other than the existing shareholders of the Company.	Lala Lajpatrai Memorial Trust Auditorium, Lala Lajpatrai College of Commerce and Economics, Lala Lajpatrai Marg, Mumbai 400 034.

POSTAL BALLOT

Details of Special Resolutions passed through Postal Ballot :

Date of Board Meeting/ Circular Resolution	Description	% of Votes in favour of the Special Resolution	Scrutinizer for conducting the Postal Ballot
6th August, 2010	1. To create, offer, issue and allot Securities under the new "Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme – 2010". 2. To extend the "Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme – 2010" to the Employees and Directors of the holding company and the subsidiary company(ies).	98.09 per cent* 98.08 per cent*	Mr. S. N. Ananthasubramanian, Practising Company Secretary.

(contd.)

(contd.)

29th November, 2010	1. Increase in Authorised Share Capital.	99.9993 per cent**	Mr. S. N. Ananthasubramanian, Practising Company Secretary.
	2. Alteration of the first para of Clause V of the Memorandum of Association of the Company.	99.9983 per cent**	
	3. Alteration of Article 3 of the Articles of Association of the Company.	99.9982 per cent**	
	4. Issue of Equity Shares to Qualified Institutional Buyers under the Qualified Institutions Placement for an aggregate amount not exceeding Rs. 570 crores.	98.8189 per cent**	
	5. Increase in the limit for investments by Foreign Institutional Investors from 35 per cent to 49 per cent of the Company's paid-up Equity Share Capital	99.9981 per cent**	

* Results declared on 24th September, 2010

** Results declared on 5th January, 2011

COMPLIANCE

MANDATORY REQUIREMENTS

The Company has fully complied with the applicable mandatory requirements of Clause 49.

ADOPTION OF NON-MANDATORY REQUIREMENTS

The Company has adopted the following non-mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

- ↑ The Company has set up a Remuneration/Compensation Committee. Details of the Remuneration/Compensation Committee have been provided under the Section 'Remuneration/Compensation Committee'.
- ↑ The financial statements of the Company are unqualified.

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public

companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance. MCA after taking into account the experience of adoption of these guidelines by Corporates and after consideration of the feedback received from them would review these guidelines for further improvements after a period of one year.

The Company has been a strong believer in good corporate governance and has been adopting the best practices that have evolved over the last two decades.

The Company is in substantial compliance with the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance.

ADDITIONAL SHAREHOLDER INFORMATION

21st Annual General Meeting

Date : 29th July, 2011

Time : 3.30 p.m.

Venue : Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai - 400 020.

Financial Year of the Company

The Financial Year covers the period from 1st April to 31st March. For the year ending 31st March, 2012 results will be tentatively announced on :

- ⬆ Quarter ending 30th June, 2011 - End July, 2011
- ⬆ Half-year ending 30th September, 2011 - End October, 2011
- ⬆ Quarter ending 31st December, 2011 - End January, 2012
- ⬆ Year ending 31st March, 2012 - End April, 2012

Book Closure

From 9th July, 2011 to 29th July, 2011, inclusive of both days.

Dividend Payment

A dividend of Rs. 10 per Equity Share of Rs. 10/- each, will be credited/despached between 30th July, 2011 and 8th August, 2011 subject to approval by Shareholders at the Annual General Meeting.

Registered Office

Gateway Building,
Apollo Bunder,
Mumbai - 400 001.

Listing

The Company's Shares are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The requisite listing fees have been paid in full to both these Stock Exchanges.

The Non-Convertible Debentures of the Company are listed with the BSE and the Company has paid the requisite listing fees in full.



Table 1 : MMFSL's Stock Exchange codes

BSE : 532720
 NSE : M&MFIN
 Demat ISIN in NSDL and
 CDSL for Equity Shares : INE774D01016

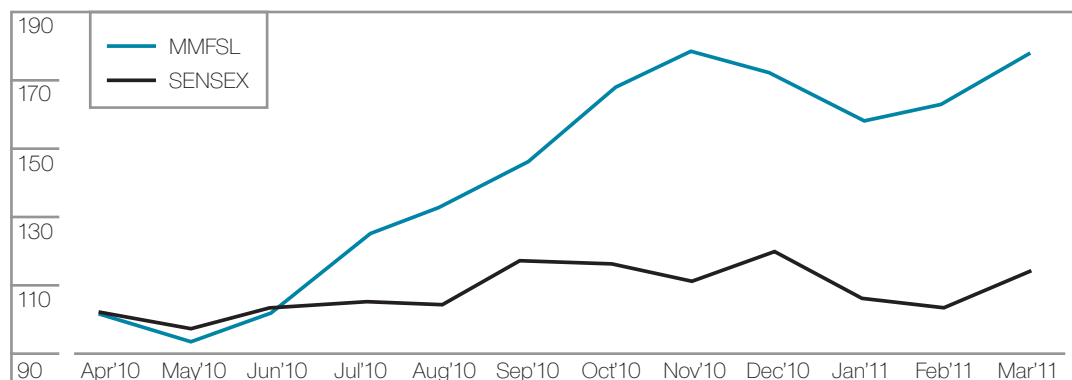
Stock Market Data

Table 2 and Charts A and B give required details.

Table 2 : Monthly High and Low of Company's shares for 2010-11 at BSE and NSE

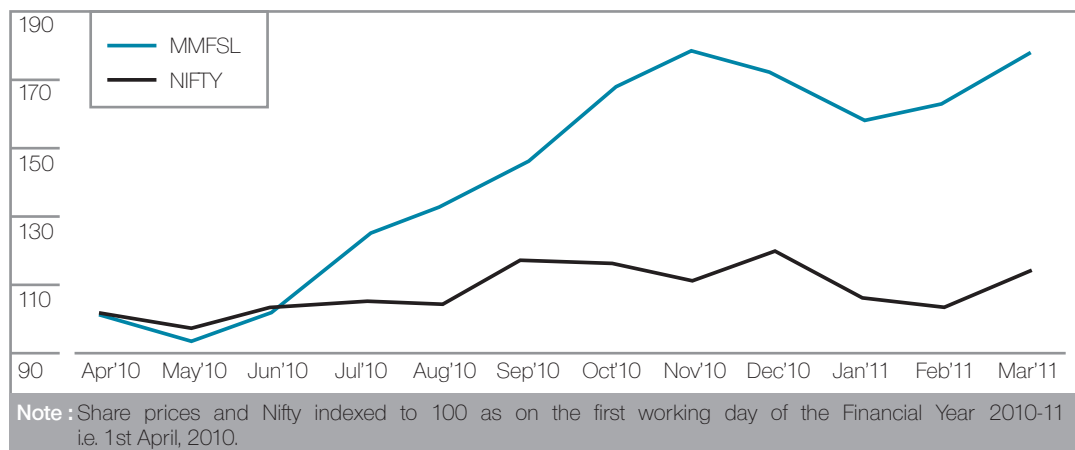
Month	Bombay Stock Exchange Ltd. (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	472.70	368.00	474.00	368.00
May, 2010	450.00	398.00	452.00	395.00
June, 2010	484.40	415.00	484.00	412.05
July, 2010	588.60	440.10	588.00	441.00
August, 2010	680.00	543.70	685.00	544.30
September, 2010	722.00	580.00	725.00	566.40
October, 2010	745.00	630.00	749.00	625.75
November, 2010	913.45	702.00	914.70	687.00
December, 2010	805.00	685.00	940.00	672.30
January, 2011	780.30	608.00	783.70	585.65
February, 2011	740.00	595.00	840.00	592.30
March, 2011	835.05	680.20	836.00	684.95

Chart A : MMFSL's share performance versus BSE Sensex



Note : Share prices and BSE Sensex indexed to 100 as on the first working day of the Financial Year 2010-11 i.e. 1st April, 2010.

Chart B : MMFSL's share performance versus Nifty



Distribution of Shareholding

Table 3 and Table 4 lists the distribution of the shareholding of the Equity Shares of the Company by size and by ownership class as on 31st March, 2011.

Table 3 : Shareholding pattern by size as on 31st March, 2011

Number of Shares held	Number of Shareholders	No. of Shares held	% Shareholding
1 – 5,000	36,839	17,37,197	1.67
5,001 – 10,000	424	3,15,373	0.30
10,001 - 20,000	201	2,95,007	0.29
20,001 - 30,000	67	1,74,551	0.17
30,001 - 40,000	42	1,48,862	0.14
40,001 - 50,000	25	1,17,930	0.11
50,001 - 1,00,000	72	5,18,076	0.50
1,00,001 & Above	154	10,06,95,739	96.82
Total	37,824	10,40,02,735	100.00

Table 4 : Shareholding pattern by ownership as on 31st March, 2011

Category of Shareholders	No. of Shares held	% Shareholding
Promoters and Promoter Group	5,97,91,303	57.49
Mutual Funds	45,25,432	4.35
FIs	3,54,23,365	34.06
Bodies Corporate	4,36,305	0.42
Indian Public/HUF	36,06,519	3.47
NRIs	1,66,479	0.16
Trusts	1,566	0.00
Banks	1,000	0.00
Clearing Members	50,766	0.05
Total	10,40,02,735	100.00

Dematerialisation of Shares

As on 31st March, 2011, 99.60 per cent of the total equity capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

Compliance with Clause 5A of the Listing Agreement

The Securities and Exchange Board of India had vide its Circular No. SEBI/CFD/DIL/LA/1/2009/24/04 dated 24th April, 2009, made amendments to the Equity Listing Agreement by insertion of Clause 5A for the purpose of providing a uniform procedure for dealing with unclaimed shares i.e. shares which could not be allotted to the rightful shareholder(s) due to insufficient/incorrect information or for any other reason.

In accordance with Clause 5A, the unclaimed shares as well as corporate benefit in terms of securities, accruing on unclaimed shares have been credited to a demat suspense account

opened by your Company with M/s. Karvy Stock Broking Limited.

The information as required pursuant to sub-clause (g) of Clause 5A is furnished below :

- (i) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year - 35 shareholders representing 1,301 Equity Shares.
- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year - 15 shareholders representing 555 Equity Shares.
- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - 10 shareholders representing 365 Equity Shares.
- (iv) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year - 25

shareholders representing 936 Equity Shares.

- (v) The voting rights on the unclaimed shares shall remain frozen till the rightful owner of such shares claims the shares.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on equity

As on 31st March, 2011, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible Instruments.

Plant Locations

In view of the nature of business activities carried on by the Company, the Company operates from various offices in India and does not have any manufacturing plant.

Registrar and Transfer Agents

Karvy Computershare Private Limited

Unit: Mahindra & Mahindra Financial Services Limited
Plot No. 17- 24, Vittalrao Nagar, Madhapur,
Hyderabad 500 081.

Tel. : +91 40 44655000, 40 23420815 to 820

Fax : + 91 40 23420814

Email : mailmanager@karvy.com

The Registrar and Transfer Agents also have an office at :

Karvy Computershare Private Limited

16/22, Bake House,
Maharashtra Chamber of Commerce Lane,
Opp. MSC Bank, Fort, Mumbai 400 023.

Tel. : +91 22 66382666

Fax : +91 22 66331135

SHARE TRANSFER SYSTEM

Trading in Equity Shares of the Company is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process

of share transfer any two of Mr. Ramesh Iyer, Managing Director, Mr. Uday Y. Phadke, Vice-Chairman and Mr. V. Ravi, Chief Financial Officer are authorised to approve transfers of upto 2,000 Equity Shares. The Share Transfer and Shareholders/Investors Grievance Committee meets as and when required to consider other transfer and transmission of shares and attend to shareholder grievances.

ADDRESS FOR CORRESPONDENCE

Shareholders may correspond with the Registrar and Transfer Agents at :

Karvy Computershare Private Limited

Unit Mahindra & Mahindra Financial Services Limited
Plot No. 17- 24, Vittalrao Nagar, Madhapur
Hyderabad 500 081.

Tel. : + 91 40 44655000 ; 40 23420815 to 820

Fax : + 91 40 23420814

Email : mailmanager@karvy.com

on all matters relating to transfers, transmissions, dematerialisation of shares, payment of dividend and any other query relating to shares of the Company.

Shareholders would have to correspond with the respective Depository Participants for shares held in dematerialised mode.

For all investor related matters, the Chief Financial Officer or the Company Secretary & Compliance Officer can be contacted at Mahindra Towers, 4th Floor, P. K. Kurne Chowk, Worli, Mumbai 400 018.

Tel No.: +91 22 66526000

Fax : +91 22 66526198

Email : investorhelpline_mmfs@mahindra.com

Website : <http://www.mahindrafinance.com>



MANAGING DIRECTOR'S DECLARATION ON CODE OF CONDUCT

As required by Clause 49 of the Listing Agreement, the CEO declaration for Code of Conduct is given below :

To
The Members of
Mahindra & Mahindra Financial Services Limited

I, Ramesh Iyer, Managing Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct for the year ended 31st March, 2011.

For Mahindra & Mahindra Financial Services Limited

Ramesh Iyer
Managing Director

Place : Mumbai
Dated : 25th April, 2011.

CERTIFICATE

TO THE MEMBERS OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

We have examined the compliance of conditions of corporate governance by Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2011 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2011, no investors' grievances are pending against the Company as per the records maintained by the Company and presented to the Board of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For B. K. Khare & Co.
Chartered Accountants
(FRN : 105102W)

Padmini Khare Kaicker
Partner
Membership No. 44784

Place : Mumbai
Dated : 25th April, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Mahindra & Mahindra Financial Services Limited ('MMFSL', 'Mahindra Finance' or 'the Company') is one of India's leading NBFCs. The focus of the Company lies in servicing the rural and semi-urban sector of India, and to help them *Rise*, as 70 per cent of India's population comes from those belts. Backed by the parentage of US\$ 11.1 billion Indian Multinational Mahindra Group, the Company started its operations in 1993 by financing the Mahindra range of vehicles.

In January 2011, Mahindra & Mahindra Limited launched a new brand identity spanning all industries, companies, and geographies. The new brand positioning, is driven by the expression, "Rise". In addition to guiding our product and service development, this thought currently drives internal business transformation to help us to consistently deliver on our core purpose and achieve the goal of becoming a leading global player.

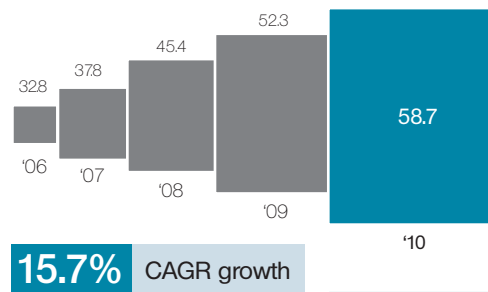
We are also en route to re-evaluating all our processes from HR policies to brand and digital architecture to drive positive change in our business success, as well as our relationships with all our stakeholders.

INDIAN ECONOMY

The Indian economy has once again emerged as one of the most consistent economies of world post recession. During 2010-11, the overall gross GDP of India stood at 8.6 per cent, going beyond the revised growth of 8 per cent according to the Advanced Estimate 2009-10 of Central Statistics Office (CSO). This rise can be attributed to agriculture and allied activities, which witnessed a robust growth of 5.4 per cent in 2010-11, compared to a growth of 0.4 per cent in 2009-10. Industry and service sector has also grown considerably. The index of six core industries in the Index of Industrial Production (IIP) has increased by 5.6 per cent during April-January 2010-11. The cumulative FDI inflows from April 2000 to January 2011 stood at US\$ 189.8 billion. The strength of the economic recovery during FY11, unanticipated by many, has been

a revelation of not only the strong fundamentals of the economy but also the opportunities that it holds for the future. Timely and aggressive policy responses by the RBI and the Government have helped overcome challenges to aid the growth process. According to the UNCTAD World Investment Report 2010, India will emerge as the second most attractive location for FDI for 2010-12. The Indian economy is expected to drive positivity in reaching the US\$ 3.5 trillion mark by 2020, despite rising inflation being a significant concern. (Source: Indian Brand Equity Foundation)

Nominal GDP Movement (Rs. in trillions)

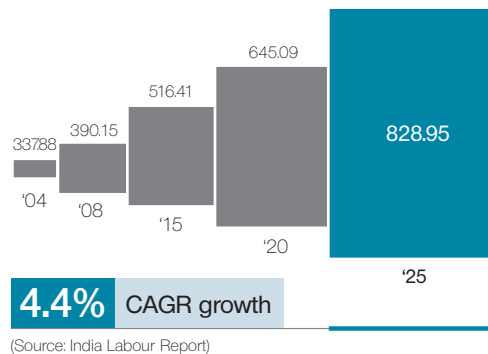


(Source: Central Statistical Organisation)

THE GROWTH DRIVERS OF INDIAN ECONOMY

- Increased employment, which is expected to project exponential growth

Total employment in India (millions)



(Source: India Labour Report)

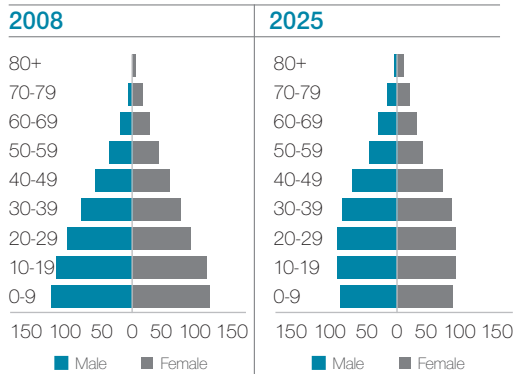
During 2010-11, the overall gross GDP of India stood at 8.6 per cent, going beyond the revised growth of 8 per cent according to the Advanced Estimate 2009-10 of Central Statistics Office (CSO).

Demographic patterns by 2018

Country	Population variation (millions)
Europe	-15
Japan	-7
USA	14
Western Asia	32
China	42
Latin America	53
South East Asia	56
India	141
Africa	156
World	200

(Source: Indian Brand Equity Foundation)

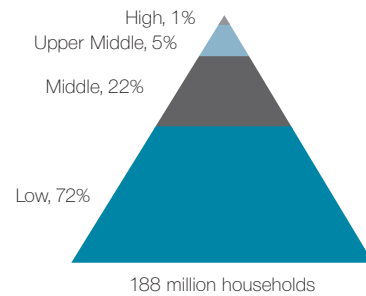
- India's position as the youngest nation of the world with a median age of 25 years, which is expected to improve further by 2025



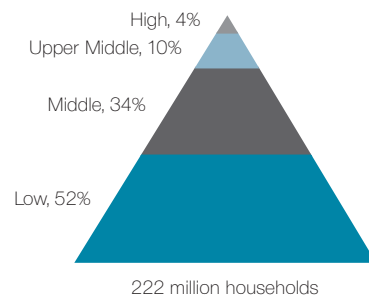
(Source: Morgan Stanley & United Nation Population Division)

- Rising middle class

Distribution by income of households* in India (2002)



Distribution by income of households* in India (2010E)



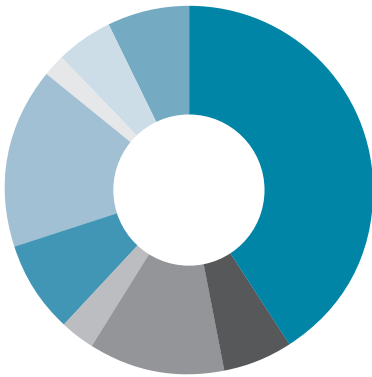
*Definitions of income level

Low – Upto US\$ 2,000 | Middle – US\$ 2,000-4,200,
Upper-middle – 4,200-10,500 | High – US\$10,500 and above

(Source: Indian Brand Equity Foundation)

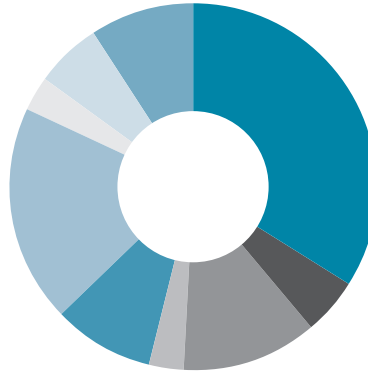
- Increased consumer spending

India's consumption spending pattern (2005)



- Food, beverages and tobacco 41%
- Apparel 6%
- Housing and utilities 12%
- Household products 3%
- Personal products and services 8%
- Transportation 16%
- Communication 2%
- Education and recreation 5%
- Health care 7%

India's consumption spending pattern (2015 E)



- Food, beverages and tobacco 34%
- Apparel 5%
- Housing and utilities 12%
- Household products 3%
- Personal products and services 9%
- Transportation 19%
- Communication 3%
- Education and recreation 6%
- Health care 9%

Source: ENAM Research

- Significant initiatives of the Eleventh Five Year Plan, including areas like infrastructure, energy, education, health, and services

INDIAN NBFC SECTOR

The consistent growth of the Indian economy, in turn resulted in the growth of Indian Financial Sector. To induce all inclusive growth, the Government of India has taken further initiatives for rural housing development and employment generation. Aforementioned factors resulted

robust growth in the Indian NBFC space as it caters mainly to the financing needs of Indian rural and semi-urban areas. In retail finance, the share of NBFCs stood at 38 per cent in 2010-11, which is anticipated to match the market share of banks by the end of 2013.

Market share of Banks and NBFCs in retail finance

Year	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 (E)	FY 2012 (E)	FY 2013 (E)
Banks (Excluding Housing Finance)	74	69	68	62	58	55	53
NBFC	26	31	32	38	42	45	47

(Source: CRISIL)

In tandem with this, the Assets Under Management (AUM) of retail NBFCs has grown from Rs. 1.56 trillion in 2009 to Rs. 1.85 trillion in 2010, which is expected to be doubled by the end of 2013.

AUM of Retail NBFCs

Year	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 (E)	FY 2012 (E)	FY 2013 (E)
NBFC	0.92	1.44	1.56	1.85	2.37	2.89	3.45

(Source: CRISIL)

SECTORS THAT DRIVE LOAN GROWTH IN INDIAN NBFCs

VEHICLE FINANCE

Growth in Indian Vehicle segment

Vehicle segment	Domestic sales in FY 2010 (in thousands)	Domestic sales in FY 2011 (in thousands)
Passenger Vehicle	1,951	2,520
Commercial Vehicle	532	676
Three-wheelers	440	526
Two-wheelers	9,370	11,790

(Source: Society of Indian Automobile Manufacturers)

In addition to this, the tractor industry of India has grown by 20 per cent in FY 2011, compared to the previous fiscal. Growth of all the segments of Indian automobile sector resulted in a robust 60 per cent growth in vehicle financing, over the period of 2004-2010.

Estimated Industry disbursement in Indian Auto finance

Vehicles	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Cars	241	270	294	245	304
Utility Vehicles	84	95	102	78	105
Commercial Vehicles	218	302	286	194	232
Two-wheelers	118	145	112	76	71
Total	661	812	794	593	712

(Source: CRISIL Research)

Segmental break-up of disbursement of Indian Auto Finance Industry

	FY 2008	FY 2009	FY 2010	FY 2011 (E)	FY 2014 (E)
Cars	33	36	35	39	43
Utility Vehicles	11	11	13	13	13
Commercial Vehicles	32	28	28	27	26
Two-wheelers	13	11	9	7	6
Tractors	11	14	15	14	12

(Source: CRISIL)

CONSUMER CREDIT MARKET

The Indian consumer credit market has undergone robust changes, as it relies on the growing consumer sales in last few years. According to The Confederation of Indian Industry, the rural consumer market size stands approximately at US\$ 425 billion in the current fiscal with a customer base of 720-790 million customers. The market today is double the size of the US\$ 220 billion market in 2004-05. CRISIL expects the increased growth to boost the consumer credit market of NBFCs by 50 per cent during 2010-13.

Increased consumer spending in rural and urban India in 2010



■ Metro 28.1% ■ Rest of Urban 17.9%
 ■ Town Class I 20.6% ■ Rural 33.4%

Rs. 1,064 billion (US \$ 22.9 billion)

FMCG sales

(Source: IBEF Report, January, 2011)

INDIAN HOUSING FINANCE MARKET

India has a shortage of approximately 26.53 million houses, especially in rural areas. The Union budget 2010-11 has increased rural housing fund to Rs. 3,000 crores, compared to Rs. 2,000 crores in 2009-10. Growth in agriculture and rural economy is expected to report a growth of 24 per cent in housing loan in the next fiscal (Source: moneycontrol.com). Housing development in rural and semi-urban areas will catalyse the growth of NBFCs.

Housing loans and penetration

Year	FY 07	FY 08	FY 09	FY 10
Housing loan (Rs. in billions)	3,523	4,123	4,805	5,604
Housing loan as a % of GDP	9.3	9.1	9.2	9.6

(Source: CRISIL Research, September 2010)

GROWING MUTUAL FUND AND INSURANCE SECTOR

Increased per capita income of India (17.3 per cent in 2010-11 compared to 10.5 per cent in the previous year) resulted in a growth of household savings from around US\$ 100 billion to US\$ 260 billion in last 10 years, out of which 60 per cent was held in financial assets. According to KPMG, these positive reinforcements will result

The Union budget 2010-11 has increased rural housing fund to Rs. 3,000 crores, compared to Rs. 2,000 crores in 2009-10. Growth in agriculture and rural economy is expected to report a growth of 24 per cent in housing loan in the next fiscal

in an approximate 22-25 per cent growth in Indian Mutual Fund Industry during 2010-15.

(Source: The Economic Times)

Again, the insurance sector accounts for US\$ 33-38 billion household savings. The Associated Chamber of Commerce and Industry of India expect the total insurance business to reach the benchmark of Rs. 2000 billion in the next two years from the current level of Rs. 500 billion.

COMPANY OVERVIEW

BUSINESS OVERVIEW

The innovative and customised financial service offerings by MMFSL, with expertise in serving rural India, helped tap into India's rural financing needs and overcome the challenges that the rural and semi-urban class faces, to fulfil their aspirations and thus helping them to Rise.

The Company's strategy is to provide a range of financial products and services to its customers through its nationwide distribution network. The Company seeks to position itself between the organised banking sector and local money lenders, offering its customers competitive, innovative, and speedy lending services. Through its universally relevant rebranding, key strengths of the Company is its strong relationship with dealers, in-depth understanding of the market, its wide network of branches, a large locally recruited employee force and management of asset quality risks have become drivers of business success. The debt offering of MMFSL

are extremely well recognised by credit rating agencies like CRISIL (AA+), FITCH (AA ind) and Brickworks Credit Ratings (AA+). The Fixed Deposit Programme of the Company has been rated 'FAAA/Stable' by CRISIL.

Product basket

- ⬇ Vehicle loans (Utility vehicles, Commercial Vehicles, Tractors, Cars, Two-wheelers)
- ⬇ Used Vehicle Financing
- ⬇ Housing Finance
- ⬇ Personal Loan
- ⬇ Fixed Deposits
- ⬇ Mutual Fund Distribution
- ⬇ Insurance Broking
- ⬇ Loan against Gold
- ⬇ Construction Equipment Loan

The housing finance and insurance broking businesses are provided by its two subsidiaries, Mahindra Rural Housing Finance Limited and Mahindra Insurance Brokers Limited respectively.

OPERATIONAL OVERVIEW

- ⬇ Acquired a considerable market share in the New vehicle market of India
- ⬇ The value of assets financed registered a growth of 61.7 per cent to Rs. 14,419.9 crores in 2010-11 as compared to Rs. 8,915.4 crores in 2009-10

On a cumulative basis, number of customer contracts increased by 30.9 per cent from 11,89,848 as at 31st March, 2010 to 15,57,622 as at 31st March, 2011.

- ↑ The Company's total assets increased by 44.6 per cent from Rs. 9,515.0 crores on 31st March, 2010 to Rs. 13,754.1 crores on 31st March, 2011
- ↑ Total income registered 28.3 per cent growth, from Rs. 1,568.8 crores in 2009-10 to Rs. 2,012.5 crores in 2010-11, in tandem with the 62 per cent increased business volume
- ↑ Total borrowing stands at Rs. 9,675.0 crores, with a diversified and balanced funding
- ↑ Number of offices increased to 547 in the current year, spreading across 25 states and 4 Union Territories
- ↑ On a cumulative basis, number of customer contracts increased by 30.9 per cent from 11,89,848 as at 31st March, 2010 to 15,57,622 as at 31st March, 2011
- ↑ Number of employees engaged stands at 8,723 in 2010-11
- ↑ Net NPA to Total Assets reduced to 0.6 per cent in 2010-11, compared to that of 0.9 per cent in the previous fiscal

FINANCIAL OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The abridged financials of MMFSL for 2010-11 including revenue, expenditure and profits are presented in the following table:

Abridged Profit and Loss Account

	2010-11	2009-10	Growth
			(Rs. in crores unless indicated otherwise)
Revenue			
Income from operations	1973.9	1530.8	28.9%
Other income	38.6	38.0	1.6%
Total	2012.5	1568.8	28.3%
Expenditure			
Financial Expenses	660.2	501.7	31.6%
Employee cost	151.5	128.1	18.3%
Other Expenses	325.9	187.0	74.3%
Provisions & Write Offs	156.7	221.5	-29.3%
Depreciation & Amortisation	15.8	9.9	59.6%
Total	1310.1	1048.2	25.0%
PBT	702.4	520.6	34.9%
Direct tax	239.3	177.9	34.5%
PAT	463.1	342.7	35.1%
Basic EPS (Rs.)	479	35.8	33.8%

During the year, the growth in cumulative contracts was at 30.9 per cent with 15,57,622 customers acquired, surpassing the benchmark of 1.5 million customers. The Company's total assets grew by 44.6 per cent from Rs. 9515.0 crores in 2009-10 to Rs. 13,754.1 crores in 2010-11. As a result, total revenues grew by 28.3 per cent from Rs. 1,568.8 crores in 2009-10 to Rs. 2012.5 crores in 2010-11.

The net spread on its assets was maintained at 6.2 percentage points in 2010-11 as against 6.3 percentage points in 2009-10.

Profit before tax (PBT) of the Company grew at 34.9 per cent from Rs 520.6 crores in 2009-10 to Rs. 702.4 crores in 2010-11, whereas profit after tax (PAT) grew by 35.1 per cent from Rs. 342.7 crores to Rs. 463.1 crores during the same period.

Consequently, basic earnings per share has increased from Rs. 35.8 in 2009-10 to Rs. 47.9 in 2010-11.

Key Ratios of the Company

	2010-11	2009-10
PBT/Total income (%)	34.9	33.2
PAT/Total income (%)	23.0	21.8
PBT/Total Assets (%)	5.1	5.5
RONW* (%)	22.0	21.5
Debt/Equity	3.7	3.9
Capital Adequacy (%)	20.3	18.5
Tier I capital (%)	17.0	16.1
Tier II capital (%)	3.3	2.4
Book Value (Rs.) (excluding ESOPs)	242.8	180.0

*Based on Average Net Worth

The debt to equity ratio was at 3.7 on 31st March, 2011. In real terms, and relative to other

financing companies, there is significant scope of increasing the borrowings to grow the business in the future.

The Company also has a capital adequacy ratio of 20.3 per cent much higher above the mandated 12 per cent by the Reserve Bank of India (RBI). The book value of the Company stood at Rs. 242.8 as on 31st March, 2011.

As a prudent practice, the Company makes additional provisions for non-performing assets (NPAs) at a faster rate than that prescribed by the RBI. During the year, write-offs and provisions of the Company decreased by 43.4 per cent from Rs. 221.5 crores in 2009-10 to Rs. 125.3 crores (excluding provision on standard assets) in 2010-11. The gross NPA to total asset ratio improved from 6.4 per cent in 2009-10 to 4.0 per cent in 2010-11; the net NPA to total asset ratio stood at 0.6 per cent in 2010-11 as against 0.9 per cent in 2009-10.

Non-Performing Asset (NPA) Analysis

	2010-11	2009-10
Gross Non-Performing Assets	548.8	611.3
Less: NPA provisions	474.3	528.3
Net Non-Performing Assets	74.5	83.0
Total Assets (including provision)	13860.6	9623.4
Gross NPA to Total Assets (%)	4.0%	6.4%
Net NPA to Total Assets (%)	0.6%	0.9%

Note: The above figures exclude assigned assets

OPPORTUNITIES

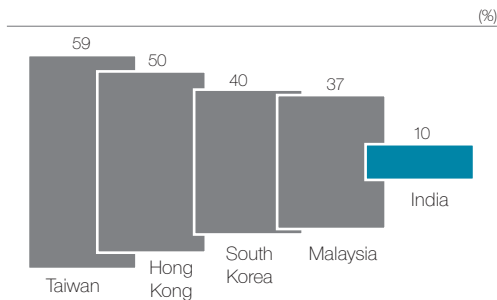
Indian Economy is growing at a phenomenal pace. Increased financial penetration and favourable socio-economic growth is expected to make the Indian NBFCs a Rs. 4 trillion market by 2013. (Source: CRISIL)

Financing as per cent of GDP

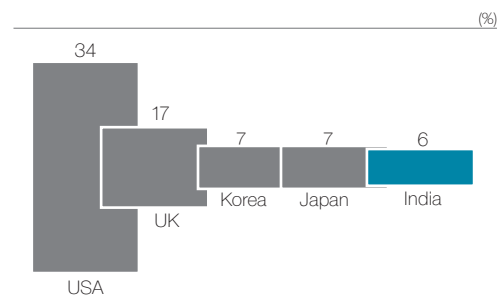
	FY 10 (%)		
	FY 97	FY 05	FY 10
Agriculture	29	22	20
Manufacturing	20	17	17
Financing	12	15	16
Other services sector	39	46	47

Source: CSO

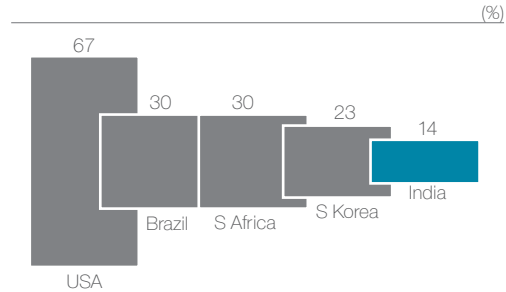
Moreover, the sector has been receiving increased capital inflows (Rs. 175 billion over the



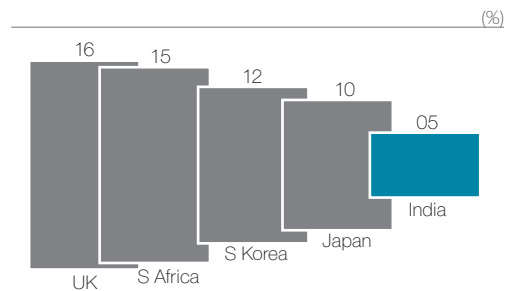
Lending Business (Retail loan as % of GDP in 2010)



Equity Broking (Share of stocks in household assets in 2010)



Mutual funds (MF AUM as % of GDP in 2010)



Life insurance (Insurance penetration as % of GDP in 2010)

(Source: Reliance Capital Report)

past three years). Low penetration of financial services in the Indian market is further expected to enhance the figures. The philosophy of Rise takes the rural market into consideration, where the economic growth continues and the consumer story remains robust. Since the past few years, the Government has taken several initiatives to augment the growth of rural India. Financing and other schemes such as NREGA and Bharat Nirman leading to an increased availability of wealth as wages have increased more than 100 per cent in past three years with an escalating middle class, which is aspiring to pursue urban consumption patterns. NREGA has led to almost 100 per cent increase of labour cost in the last three years, reduced migration and led to several other positive social effects in rural India.

Through equipment and agri-services that help farmers raise farm productivity, we enable better future even in rural areas. Led by rising

Sales from rural markets have been increasing for the two-wheeler industry, particularly for the motorcycle segment. The Company expects rural market to continue growing at a higher pace compared with urban markets due to lower penetration.

rural prosperity, increasing aspirations and low penetration levels the auto industry has seen strong demand from the rural market. Higher infrastructure investments and rural employment schemes are increasing employment opportunities, leading to decline in availability of labour for agricultural activities, prompting farmers with medium-sized land holdings to either purchase or rent tractors. Non-farm use of tractors (haulage in construction and infrastructure activities) has been increasing, providing an additional source of income to farmers and benefiting tractor demand. Higher non-farm use has led to decline in the average life of a tractor, leading to high replacement demand.

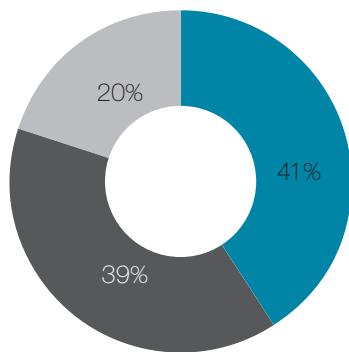
Passenger car demand in the rural segment has been spurred by improvement in affordability levels, new small-car model launches, lower penetration, and increasing aspiration levels. The Company expects higher cash sales and higher farm income, which would keep sales momentum fairly strong, despite rising interest rates.

Again, sales from rural markets have been increasing for the two-wheeler industry, particularly for the motorcycle segment. The Company expects rural market to continue growing at a higher pace compared with urban markets due to lower penetration.

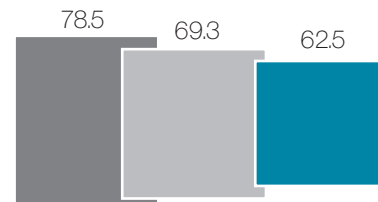
The vehicle segment of rural India on the other hand has huge potential to grow as despite containing 41 per cent of the car and UV market. Rural India only accounts for 25 per cent of the segment's total disbursements.

OPPORTUNITIES IN INDIAN RURAL MARKET IN 2010

Car & UV Market Sales Regional Breakup (in No.)

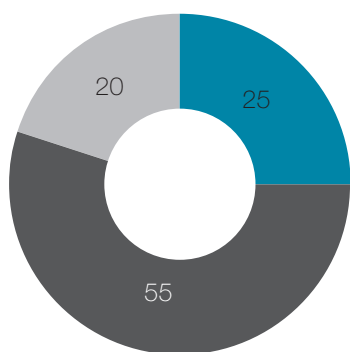


Car & UVs Financial Penetration (%)



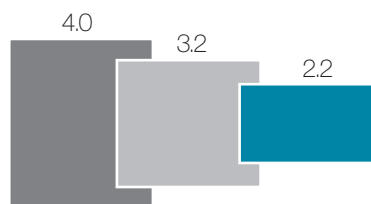
■ Rest of India ■ Top 7 Cities ■ Next 15 Cities

Car & UV Disbursements by Region (%)



■ Rest of India ■ Top 7 Cities ■ Next 15 Cities

Car & UVs Ticket Size (Rs. in lacs)



(Source: CRISIL)

On the other hand, building a pucca house features top on the priority list for rural households. Purchasing power of the rural population has increased tremendously in the past few years owing to various Government of India schemes to encourage rural income. The Company expects rural housing to be the biggest beneficiary of enhanced affordability since building a Pucca house is a top priority for a farmer. The Government's further focus on rural development through various schemes and developing rural infrastructure (especially power) has led to strong growth of the consumer durable industry.

Nevertheless, lack of rural infrastructure has led to rural India being deprived of credit significantly. Rural India accounts for only 9 per cent of total deposits and 7 per cent of total credit, even though ~70 per cent of the population resides in rural regions. Moreover, only 30 per cent of the bank branches are operational in rural areas with formal credit being available to only 34 per cent of the population. Lack of rural credit penetration is evident in the number of PSU bank branches opened in rural India.

Rural population is largely excluded from organised credit (especially banks) and it depends on the unorganised segment like money lenders or unregistered pawn brokers. Given lack of finance to this segment, most money lenders charge exorbitant rates of interest of 24 – 48 per cent, depending on the collateral.

A host of macroeconomic activities like improving rural infrastructure, increase in area under irrigation, increase in MSP prices, and NREGA are stimulating rural activities. This would help reduce unemployment and significantly improve rural cash flows and purchasing power. Strong cash flows have brought down LTVs, which has reduced credit risk since it increases owner's equity. This would be beneficial for rural NBFCs since it will enable better risk management and bring down loan losses. Furthermore, with increase in the income base, the number of people eligible for credit will also move up, making the rural market more attractive for growth and expansion. With increasing aspirations, demand for products beyond basic needs will go up, which would help NBFCs scale their existing businesses and diversify their product mix.

Strong cash flows have brought down LTVs, which has reduced credit risk since it increases owner's equity. This would be beneficial for rural NBFCs since it will enable better risk management and bring down loan losses.

THREATS

The inherent nature of the business exposes the Company to several challenges, including the demand for transportation services in India, changes in Indian regulations and policies affecting utility vehicles, tractors, commercial vehicles and cars, natural disasters, calamities, fuel prices and other macroeconomic conditions in India and globally. Moreover, Company's customers are individuals or small enterprises that typically have less financial wherewithal than corporate borrowers or fleet owners and are more susceptible to adverse economic conditions.

On the other hand, regulatory issues related to priority sector lending and securitisation, RBI guidelines related to waiving loans in agricultural sector and state-level regulatory norms for the underprivileged are major concern of the industry.

To grow in tandem with the growing economy, NBFCs will require a fund base of Rs. 910 billion in next two years. The huge fund requirements may restrict the banks to fund the NBFC sector. With many players invading the market, the ability to compete effectively will depend, to some extent, on the Company's ability to raise low-cost funding in the future. Furthermore, as a result of increased competition in the vehicle finance sector, variable interest rate and payment terms, and lower processing fees are gradually being common, which in turn creates a standardisation in the products offered.

RISK MANAGEMENT

Risk management is critical to the success of any NBFCs. To align risk management with the Company's organisational structure, MMFSL has a Risk Management Committee of the Board in place, which manages and reviews the risk management system, policy, and strategy from time to time. The Company also has an operating risk management team, headed by the Chief Financial Officer and comprising functional heads to manage risks. The team identifies, assesses, and monitors all principal risks in accordance with defined policies and procedures.

THE MAJOR RISKS FACED BY THE COMPANY AND THEIR MITIGATION

Risk: Around 54 per cent of the Company's AUM is from financing the vehicles manufactured by Mahindra & Mahindra Limited (M&M), the parent Company. A lower growth by M&M can affect the loan growth by the Company.

Mitigation: The Company is gradually expanding its vehicle financing segment, by financing vehicles manufactured by other companies.

Risk: Government interventions related to priority sector lending, farm debt waiver schemes may have an impact on the operations of the Company.

Mitigation: The Company continuously monitors the regulatory compliances. The Tier I and Tier II Capital Adequacy ratio are in tandem with the regulatory norms.

Risk: The inherent nature of lending exposes the Company to considerable credit risk. Non Performing Assets can further expose the Company to statutory compliances.

Mitigation: The Company believes ability to understand the customers play critical role in managing the risk. The employee knowledge about the borrowers and strong business model reduces the risk of borrower default significantly.

Risk: High fiscal deficit may result in higher borrowing by the government, which will consequently affect the interest rates and liquidity.

Mitigation: The Company manages a strategic funding mix to reduce the dependency on banks. Moreover superior credit rating helps MMFSL to raise wholesale funds at a competitive rate.

Risk: Simplified sanction procedures and low entry barriers have encouraged an influx of new players in the NBFC market. The new and existing NBFCs expose the Company to considerable competition risk.

Mitigation: MMFSL has a strong pan India presence, with 81 per cent rural offices. The Company has considerably penetrated completely untapped rural belts which gives it an edge over its competitors.

FUTURE OUTLOOK

In the long run, the growth in vehicle financing would be driven by the demand arising from changing demographics and income patterns and financial results by improved portfolio health on account of stringent credit norms and reduction in delinquency level.

The Company sees huge potential for the housing finance business in the rural and semi-urban markets, which till date remains untapped to a large extent. Even as the Company takes these initiatives forward, the main focus will be on expanding the branch network systematically.

The main challenge as the Company grows will be to maintain the strong levels of operational performance by introducing innovative products with local relevance, giving priority to customer focus and convenience, and simultaneously maintaining strong processes and prudent risk management.

Nevertheless, the Company is positive about the growth scenario and confident to leverage this opportunity with its strategic moves. The Tie-ups with automobile giants like Maruti and Hyundai Motors will gradually extend the presence of MMFSL in the vehicle market. On the other hand, tie-up with National Housing Bank will extend the horizon of housing finance. The outlook for 2011-12 continues to be cautiously optimistic subject to a normal monsoon and stable fuel prices.

INTERNAL CONTROL SYSTEM

The Company has an effective internal control system, commensurate with its size and nature to ensure smooth business operation, including assurance of recording all the transaction details, ensuring regulatory compliance and protecting the Company assets from any kind of loss or misuse.

The Company has appointed audit firms across the country to conduct internal audits to access the adequacy of the internal control procedures and processes and their reports are renewed by

The Company sees huge potential for the housing finance business in the rural and semi-urban markets, which till date remains untapped to a large extent.

the Audit Committee of the Board. Reports of the Internal Auditors, as well as the action taken on the matters reported upon, are discussed at the Audit Committee meetings.

INFORMATION TECHNOLOGY (IT)

Information Technology support systems aids the Company in performing the processes involved in a loan transaction. The information technology system is controlled from the Company's head office in Mumbai, allowing senior management to receive operational data on a prompt basis. As of 31st March, 2011, more than 90 per cent of the offices were connected to the centralised data centre in Mumbai. Further, the Company's field executives use more than 4,000 hand-held GPRS devices to collect loan instalments at the customer's home or business locations. The Company is also in the process of rolling out handheld machines, which will be used to conduct origination of business by the employees in the field.

The Company's production servers also maintain a daily automated backup. The Company currently has the technology and facilities in place to back up its systems and has established a disaster recovery procedure in Mumbai.

MATERIAL DEVELOPMENT ON HUMAN RESOURCE

The Company values the diverse qualities and culture its people bring to it. The success of the Company is attributed to the richness of knowledge, ideas and experience of its varied workforce. In order to maintain balance between the number of employees and upcoming business expansions, the Company continues to invest in successfully recruiting and retaining

talented employees from a variety of backgrounds, including credit evaluation, risk management, treasury, technology and marketing. To develop the key competencies, MMFSL has set up the Mahindra Finance Academy. The structured and transparent performance appraisal system provides continuous feedback and reward to the employees, which in turn guides and motivates them towards meeting the organisational goals. On the other hand, rewarding key performers with Employees' Stock Option Scheme creates a sense of ownership among the employees.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

Standalone Financial Statements

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Consolidated Financial Statements

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Auditors' Report

To

The Members of

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

We have audited the attached Balance Sheet of **M/S. MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED**, as at March 31, 2011 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
- (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Companies Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011; and
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date;
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Mumbai
Dated : April 25, 2011

For **B. K. KHARE & CO.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership no. 44784

Annexure to the Auditors' Report

Annexure to the Auditor's Report referred to in our report of even date:

- 1 (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. These assets were physically verified by the Management during the year at reasonable intervals and no discrepancies were noticed on such verification.
- (b) None of the fixed assets have been revalued during the year.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect going concern status
- 2 Clause 4(ii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- 3 (a) Based on the records examined by us and according to the information and explanations given to us, the Company has :
 - (i) Not granted any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - (ii) Not taken any loans from parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. The management has initiated a programme to improve and rectify the internal control weaknesses noticed during the course of our audit.
- 5 (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6 In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under, in respect of deposits accepted from public.
- 7 In our opinion and according to the information and explanations provided to us, the Company has an internal audit system, which is commensurate with its size and nature of its business.
- 8 On facts, the requirements of Para 4 (viii) requiring maintenance of cost records are not applicable in case of the Company.
- 9 (a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax and service tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) Following are the disputed tax dues that have not been deposited since the matters are pending before various forums:

Nature of Dues	Amount (Rs. in lacs)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
	99.99	2002 - 2003	IT Appellate Tribunal
	392.37	2002 - 2003	IT Appellate Tribunal
	212.98	2003 - 2004	IT Appellate Tribunal
Income Tax	57.58	2003 - 2004	IT Appellate Tribunal
	197.26	2004 - 2005	IT Appellate Tribunal
	175.69	2004 - 2005	CIT (Appeals)
	458.85	2005 - 2006	CIT (Appeals)
	445.80	2006 - 2007	CIT (Appeals)
Service tax	88.41	2004 - 2005	Assistant Commissioner of Service Tax

Annexure to the Auditors' Report

- 10 The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.
- 11 Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
- 12 Based on the records examined by us and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures, or other securities.
- 13 The company is not a Chit Funds, Nidhi or Mutual Benefit Fund/Society.
- 14 Based on the records examined by us and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 15 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 Based on the records examined by us and according to the information and explanations given to us, during the year, term loans were applied for the purpose for which the loans were taken.
- 17 On the basis of overall examination of the financial statements and other financial information furnished, including the statement of structural liquidity prepared in accordance with Reserve bank of India guidelines, we report that the company has not used short term funds for long term investments.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act;
- 19 On the basis of our examination of books of account and documents and according to the information and explanations given to us, appropriate securities have been created in respect of secured debentures issued by the company.
- 20 The Company has not made any public issue of its shares during the year.
- 21 To the best of our knowledge and belief and according to the information and explanations given to us, no frauds by the Company were noticed or reported. In respect of frauds on the Company, the company has obtained a fidelity guarantee insurance cover in respect of possible losses.

For **B. K. KHARE & CO.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership no. 44784

Place : Mumbai
Dated : April 25, 2011

Balance Sheet

as at March 31, 2011

	Schedule	MARCH 2011	Rs. in lacs MARCH 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Capital	I	10245.29	9598.15
Employee Stock Options Outstanding	II	208.08	119.95
Reserves & Surplus	III	238556.05	163138.37
		249009.42	172856.47
LOAN FUNDS :			
Secured Loans	IV	830065.27	532593.09
Unsecured Loans	V	137436.17	113182.11
		967501.44	645775.20
TOTAL		1216510.86	818631.67
APPLICATION OF FUNDS			
FIXED ASSETS :			
Gross Block		12589.53	8220.34
Less : Depreciation		5414.67	4141.39
Net Block	VI	7174.86	4078.95
Add : Capital Work-in-progress		1002.37	681.12
		8177.23	4760.07
INVESTMENTS	VII	67455.45	21592.94
DEFERRED TAX ASSET (Refer Notes to the Accounts - 24)		21672.96	20692.87
CURRENT ASSETS, LOANS & ADVANCES :			
(a) Sundry Debtors		384.06	425.59
(b) Cash & Bank Balances		29761.99	24199.16
(c) Other Current Assets		1458.92	376.64
(d) Loans & Advances		1246498.86	879450.69
	VIII	1278103.83	904452.08
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	IX	78019.52	59989.23
(b) Provisions	X	80879.09	72877.06
		158898.61	132866.29
NET CURRENT ASSETS		1119205.22	771585.79
TOTAL		1216510.86	818631.67

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred in our report of even date.

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Profit and Loss Account

for the year ended March 31, 2011

	Schedule	MARCH 2011	Rs. in lacs MARCH 2010
INCOME :			
Income from Operations	XI	197393.35	153076.96
Other Income	XII	3864.99	3803.45
TOTAL INCOME		201258.34	156880.41
EXPENDITURE :			
Financial Expenses	XIII	66020.97	50173.24
Employee cost	XIV	15150.49	12807.49
Other Expenses	XV	32592.69	18700.36
Provisions & Write Offs	XVI	12527.57	22152.18
General Provision on Standard Assets (Refer Notes to the Accounts - 11)		3143.00	0.00
Depreciation & Amortisation		1578.80	990.29
TOTAL EXPENDITURE		131013.52	104823.56
PROFIT BEFORE TAX		70244.82	52056.85
Less : Current tax		24914.00	20436.00
Add/(Less) : Deferred tax		(980.10)	(2817.79)
PROFIT AFTER TAX		46310.92	34438.64
Less/Add : Short/(Excess) Provision for Income			
Tax-earlier years (net)		0.00	167.91
PROFIT AFTER TAX		46310.92	34270.73
Add : Balance brought forward		51065.59	35580.63
AMOUNT AVAILABLE FOR APPROPRIATION		97376.51	69851.36
APPROPRIATION :			
General Reserve		4632.00	3428.00
Statutory Reserve		9263.00	6855.00
Proposed Dividend on Equity Shares		10400.36	7267.63
Corporate Dividend Tax on Equity Shares		1727.38	1235.14
Balance Profit carried to Balance Sheet		71353.77	51065.59
		97376.51	69851.36
EARNINGS PER SHARE (Refer Notes to the Accounts - 5) :			
(Face Value of Rs. 10/- per share) (Rupees)			
Basic		47.85	35.78
Diluted		44.53	35.37
Notes to the Accounts	XVIII		

The Schedules referred to above and attached notes form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred in our report of even date.

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Schedules

		Rs. in lacs	
		MARCH 2011	MARCH 2010
SCHEDULE I			
SHARE CAPITAL			
Authorised :			
14,00,00,000	Equity Shares of Rs. 10/- each (Previous year : 11,00,00,000 shares)	14000.00	11000.00
50,00,000	Redeemable Preference Shares of Rs. 100/- each (Previous year : 50,00,000 shares)	5000.00	5000.00
Issued :			
10,40,02,735	Equity Shares of Rs. 10/- each (Previous year : 9,69,00,525 shares)	10400.27	9690.05
Subscribed and Paid-up :			
10,40,02,735	Equity Shares of Rs. 10/- each fully paid up (Previous year : 9,69,00,525 shares) (Refer Notes to the Accounts - 1)	10400.27	9690.05
	Less : Shares issued to ESOP Trust but not allotted by it to employees (15,49,771 shares (Previous year : 9,19,048) issued to ESOS Trust) (Refer Notes to the Accounts - 7)	154.98	91.90
TOTAL		10245.29	9598.15

NOTE :-

Mahindra & Mahindra Ltd., the Holding Company holds 5,82,41,532 shares as on March 31, 2011 (Previous year : 5,82,41,532 shares)

		Rs. in lacs	
		MARCH 2011	MARCH 2010
SCHEDULE II			
EMPLOYEE STOCK OPTION OUTSTANDING			
A) Employee Stock Option Outstanding :			
	Opening Balance	144.04	193.29
	Add : Fresh grant of options	1718.19	0.00
	Less : Amount transferred to Securities Premium/Options Lapsed	58.72	49.25
	Closing Balance (A)	1803.51	144.04
Less :			
B) Deferred Employee Compensation Expenses :			
	Opening Balance	24.09	63.96
	Add : Fresh grant of options	1718.19	0.00
	Less : Transfer to Employee Compensation/Options Lapsed	146.85	39.87
	Closing Balance (B)	1595.43	24.09
TOTAL	(A-B)	208.08	119.95

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE III		
RESERVES & SURPLUS		
Capital Redemption Reserve :		
As per last Balance Sheet	5000.00	5000.00
Add : Transfer during the year	0.00	0.00
	5000.00	5000.00
Securities Premium Account :		
As per last Balance Sheet	75339.18	75295.51
Add : Additions during the year	42067.50	43.67
	117406.68	75339.18
Less : Share issue expenses	971.70	0.00
	116434.98	75339.18
Less : Shares issued to ESOP Trust but not allotted by it to employees (Refer Notes to the Accounts - 7)	238.11	376.81
	116196.87	74962.37
Statutory Reserve :		
As per last Balance Sheet	24467.62	17612.62
Add : Transfer during the year	9263.00	6855.00
	33730.62	24467.62
General Reserve :		
As per last Balance Sheet	7642.78	4214.78
Add : Transfer during the year	4632.00	3428.00
	12274.78	7642.78
Balance in Profit & Loss Account	71353.77	51065.59
TOTAL	238556.05	163138.37

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE IV		
SECURED LOANS		
Non-Convertible Debentures	172900.00	175300.00
(Repayable within a year Rs. 93,350.00 lacs; Previous year : Rs. 32,000.00 lacs)		
(Secured by pari passu charge over immovable assets and first charge over Loan agreements and relative book debts)		
(Refer Notes to the Accounts - 27)		
Loans & Advances from Banks :		
a) Term Loans	589186.38	336840.73
(Repayable within a year Rs. 1,39,423.88 lacs; Previous year : Rs. 1,05,121.00 lacs)		
(Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		
b) Cash Credit	57978.89	20452.36
(Repayable fully within a year)		
(Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		
c) Foreign Currency Loans	10000.00	0.00
(Repayable within a year : Rs. Nil; Previous year : Rs. Nil)		
(against FCNR deposits of Banks)		
(Secured by hypothecation over the Company's current assets covered by Lease/HP/Loan agreements and relative rentals/book debts)		
TOTAL	830065.27	532593.09

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE V		
UNSECURED LOANS		
Fixed Deposits	83374.17	47930.11
(Repayable within a year Rs. 17,520.23 lacs; Previous year : Rs. 9,312.05 lacs)		
Loans & Advances from Subsidiaries :		
Inter Corporate Deposits from Subsidiary Companies	2462.00	1652.00
(Repayable within a year Rs. 2,162.00 lacs; Previous year : Rs. 1,652.00 lacs)		
Non-Convertible Debentures	0.00	5000.00
(Repayable fully within a year)		
(Refer Notes to the Accounts - 28)		
Unsecured Bonds (Subordinate Debt)	49100.00	37100.00
(Repayable within a year Rs. 5,000.00 lacs; Previous year : Rs. 8,000.00 lacs)		
(Refer Notes to the Accounts - 29)		
Short Term Loans & Advances :		
Commercial Paper (Repayable fully within a year)	2500.00	12500.00
Other Loans from Banks (Repayable fully within a year)	0.00	9000.00
TOTAL	137436.17	113182.11

Schedules

DESCRIPTION OF ASSETS	GROSS BLOCK AT COST		DEPRECIATION & AMORTISATION			NET BLOCK		Rs. in lacs	
	As at April 1, 2010	Additions for Purch./Transfer	Deductions for Sale/Transfer	Upto April 1, 2010	For the year/Transfer	Deductions / Transfer	Upto March 31, 2011		As at March 31, 2011
SCHEDULE VI									
FIXED ASSETS									
Freehold Land	6.96	0.00	0.00	0.00	0.00	0.00	0.00	6.96	6.96
Premises	108.92	0.00	0.00	10.49	1.78	0.00	12.27	96.65	98.43
Office Equipments	1315.69	875.81	8.64	701.00	262.45	6.47	956.98	1225.88	614.69
Vehicles	2278.35	1147.63	225.64	619.09	470.54	188.34	901.29	2299.05	1659.25
Furniture	1387.03	1739.56	0.59	648.69	315.85	0.59	963.95	2162.05	738.35
Computers	2312.07	791.30	127.56	1484.46	364.59	110.12	1738.93	1236.88	827.62
Software Expenditure	811.32	177.32	0.00	677.66	163.59	0.00	841.25	147.39	133.66
GRAND TOTAL	8220.34	4731.62	362.43	4141.39	1578.80	305.52	5414.67	7174.86	4078.95
As at March 31, 2010	7114.90	1480.92	375.48	3404.25	990.29	253.15	4141.39	4078.95	3710.65

Schedules

Numbers	Face value per unit	Particulars	Rs. in lacs			
			MARCH 2011		MARCH 2010	
			Long Term	Current	Long Term	Current
SCHEDULE VII						
INVESTMENTS						
I - Government Securities (Quoted) :						
(Under Lien)						
	10,00,00,000 \$	(a) 364 Days T-Bills				963.85
	2,00,00,000 \$	(b) 364 Days T-Bills				191.68
	35,00,00,000 \$	(c) 6.90% Government Stock (Maturity : 13/07/2019)	3307.84		3307.84	
	10,00,00,000 \$	(d) 10.25% Government Stock (Maturity : 30/05/2021)	1153.00		1153.00	
	10,00,00,000 \$	(e) 6.35% Government Stock (Maturity : 02/01/2020)	885.25		0.00	
	15,00,00,000 \$	(f) 8.13% Government Stock (Maturity : 21/09/2022)	1511.55		0.00	
	20,00,00,000 \$	(g) 8.20% Government Stock (Maturity : 15/02/2022)	2013.35		0.00	
	5,00,00,000 \$	(h) 7.80% Government Stock (Maturity : 03/05/2020)	488.65		0.00	
		(i)	9359.64	0.00	4460.84	1155.53
II - Investments in Certificate of Deposits (Quoted) :						
	5,50,00,00,000	With Banks		5315.778		14720.81
		(ii)		5315.778		14720.81
III - Investments in Equity Shares of Subsidiary Companies :						
(a) Non - trade and fully paid up -						
	5,00,000	10 (i) Mahindra Insurance Brokers Limited	54.76		54.76	
	50,00,000	10 (ii) Mahindra Rural Housing Finance Limited	500.00		500.00	
	10,000	10 (iii) Mahindra Business & Consulting Services Pvt. Ltd.	1.00		1.00	
			555.76		555.76	
(b) Non - trade and partly paid up -						
	3,50,00,000	10 Mahindra Rural Housing Finance Limited (Rs. 6/- per share paid up; Previous year : Rs. 2/- per share paid up)	2100.00		700.00	
		(iii)	2100.00		700.00	
			2655.76		1255.76	
IV - Investments in Joint Venture :						
		49% Ownership in Mahindra Finance USA LLC (A newly formed Joint Venture Company in USA with De Lage Landen Financial Services Limited) (Refer Notes to the Accounts - 2 & 3)	2282.27		0.00	
		(IV)	2282.27		0.00	
		(I+II+III +IV)	14297.67	5315.778	5716.60	15876.34
TOTAL			67455.45			21592.94

\$ - Total Face Value

- Aggregate market value of quoted Investments :
 - Government Securities : Treasury Bills - Rs. Nil (Previous year : Rs. 1,168.10 lacs) , Government Stock - Rs. 9,296.64 lacs (Previous year : Rs. 4,442.50 lacs)
 - Investments in Certificate of Deposits with Banks : Rs. 53,319.58 lacs (Previous year : Rs. 14,720.81 lacs)
- Following are the movements in Government Securities during the period :
Treasury Bills & Govt. Stock of the face value of Rs. 5,000.00 lacs (Previous year : Rs. 6,200.00 lacs) were purchased and those of the face value of Rs. 1,200.00 lacs (Previous year : Rs. 700.00 Lacs) were sold/redeemed/matured during the year.

Schedules

3) Following are the movements in Units during the year :

Sr. No.	Name of the Mutual Fund	Acquired		Sold
		Units	Amount (Rs. in lacs)	Units
1	AXIS MUTUAL FUND	1265445	12655.31	1265445
2	BARODA PIONEER MUTUAL FUND	50002029	5004.05	50002029
3	BIRLA SUNLIFE MUTUAL FUND	200770821	20113.06	200770821
4	CANARA ROBECO MUTUAL FUND	158499804	16506.35	158499804
5	DEUTSCHE MUTUAL FUND	15953186	1600.17	15953186
6	ICICI PRUDENTIAL MUTUAL FUND	38777488	39327.38	38777488
7	J P MORGAN MUTUAL FUND	69954493	7000.98	69954493
8	JM MUTUAL FUND	510948656	51171.33	510948656
9	KOTAK MUTUAL FUND	847333439	91357.15	847333439
10	LIC NOMURA MUTUAL FUND	208471329	21820.14	208471329
11	PRAMERICA MUTUAL FUND	3501674	5301.96	3501674
12	RELIANCE MUTUAL FUND	171033875	29518.08	171033875
13	RELIGARE MUTUAL FUND	314846267	50835.03	314846267
14	SBI MUTUAL FUND	241314172	24209.84	241314172
15	UTI MUTUAL FUND	958978	9607.01	958978

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE VIII		
CURRENT ASSETS, LOANS & ADVANCES		
[A] Current Assets :		
Interest accrued on :		
a) Investments	233.94	80.30
b) Others	343.49	63.22
Sundry Debtors : HP and Lease (Secured) #		
a) Debts Outstanding for a period exceeding six months	384.06	425.59
b) Other Debts	0.00	0.00
Debtors considered good	384.06	425.59
Cash & Bank balances :		
Cash & Cheques on hand	762.27	918.87
Balance with Scheduled Banks in Current Account	13925.34	12454.67
Balance with Scheduled Banks in Cash Credit Account	1109.20	891.13
Balance in Unclaimed Dividend Bank Account	44.18	35.99
Term Deposits with Scheduled Banks		
- Free of lien	10100.00	0.00
- Under lien	3821.00	9898.50
(Refer Notes to the Accounts - 19)		
Other Current Assets	881.49	233.12
Total (A)	31604.97	25001.39
[B] Loans & Advances (Unsecured unless otherwise stated) #		
Bills of Exchange	8059.77	3783.91
Trade Advances (Advances recoverable in cash or in kind or for value to be received)	42027.80	34493.23
Inter Corporate Deposits given	14628.85	12103.54
Deposits for office premises/others	1093.07	554.54
Loans against Assets (Secured) (including overdue loans)	115699.77	803350.68
Loans and Advances (including overdue loans)	19649.52	22512.52
Advance payment of Tax (net of provisions)	4042.08	2652.27
Total (B)	1246498.86	879450.69
TOTAL (A+B)	1278103.83	904452.08

Includes Non-Performing Assets of Rs. 54,877.96 lacs (Previous year : Rs. 61,125.28 lacs)

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE IX		
CURRENT LIABILITIES		
Sundry Creditors	27650.19	22929.35
Amount due to Subsidiary Companies	903.18	348.89
Deposits/Advances received against Loan agreements	2239.96	1510.11
Investors Education and Protection Fund shall be credited by the following amounts (as and when due) :		
Unclaimed Dividend	42.16	33.88
Credit balances in Current Accounts with Banks	8546.48	5435.94
Amount received in advance from ESOS Trust	393.09	468.71
Less : Loan given to the ESOS Trust	0.00	118.45
	393.09	350.26
Other Current Liabilities	23705.12	17445.94
Interest accrued but not due - Loans	14531.14	11919.57
- Others	8.20	15.29
TOTAL	78019.52	59989.23

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE X		
PROVISIONS		
Provision for Non-Performing Assets (Refer Notes to the Accounts - 10)	36783.72	41996.46
Contingent Provision against Standard Assets (Refer Notes to the Accounts - 11)	3143.00	0.00
Provision for Estimated Loss/Expenses on Assignments	25426.37	19244.29
Provision for Employee Benefits (Refer Notes to the Accounts - 17)	3398.37	3133.65
Proposed Dividend	10400.27	7267.54
Corporate Dividend Tax	1727.36	1235.12
TOTAL	80879.09	72877.06

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XI		
INCOME FROM OPERATIONS		
Income from Loan	187487.74	140129.40
Income from Assignment transactions (Refer Notes to the Accounts - 21)	9059.40	12537.51
Income from Bills	759.47	302.68
Income from Hire Purchase	85.36	105.65
Income from Lease	1.38	1.72
TOTAL	197393.35	153076.96

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XII		
OTHER INCOME		
Profit/Premium on Sale/Redemption of Investments	52.41	92.95
Interest on Government Securities :		
- Short Term	11.35	46.63
- Long Term	615.76	39.31
Dividend received from Investments in Mutual Fund Units	218.08	1507.80
Dividend received from Subsidiary Companies	62.00	0.00
Interest on Term Deposits/ICDs (TDS Rs. 186.47 lacs, Previous year : Rs. 145.89 lacs)	1922.50	1412.38
Profit on Sale/Retirement of Owned Assets	11.46	20.40
Income - Others	971.43	683.98
TOTAL	3864.99	3803.45

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XIII		
FINANCIAL EXPENSES		
Interest on :		
- Fixed loans	41501.42	24434.97
- Debentures	18999.16	21291.64
- Others	4371.31	3459.02
Bank Charges	1149.08	987.61
TOTAL	66020.97	50173.24

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XIV		
EMPLOYEE COST		
Salary, Bonus & Incentives	13137.14	11489.96
Company's Contribution to P. F. & other funds	1008.85	740.20
Staff Welfare	861.32	543.04
Employee Compensation Expense on account of ESOS	143.18	34.29
TOTAL	15150.49	12807.49

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XV		
OTHER EXPENSES		
Electricity Charges	496.02	386.16
Rent	2076.57	1313.50
Repairs & Maintenance - Building	1889.51	91.01
- Others	59.58	52.01
Insurance	845.60	941.59
Rates & Taxes	1641.92	942.48
Directors Remuneration - Fees	5.30	2.35
- Commission	83.72	77.63
Commission & Brokerage	5629.19	2717.11
Legal & Professional Charges	4973.07	3281.67
Manpower Outsourcing Cost	5626.22	1828.33
Auditors Remuneration - Audit Fees	21.00	16.00
- Other Services	20.74	9.74
Donations	313.80	90.95
General & Administrative Expenses	8910.45	6949.83
TOTAL	32592.69	18700.36

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XVI		
PROVISIONS & WRITE OFF'S		
Bad Debts & Write off's	17728.16	19261.07
Provision for Non-Performing Assets (Net)	(5200.59)	2891.11
(Refer Notes to the Accounts - 10)		
TOTAL	12527.57	22152.18

Schedules

SCHEDULE XVII

Schedule to the Balance Sheet of a Non-Banking Financial Company
(as required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

Sr. No.	Particulars	MARCH 2011		MARCH 2010	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Liabilities side				
(1)	LOANS AND ADVANCES AVAILABLE BY THE NBFC INCLUSIVE OF INTEREST ACCRUED THEREON BUT NOT PAID :				
	(a) Debentures : Secured	172900.00	0.00	175300.00	0.00
	: Unsecured (other than falling within the meaning of public deposits)	0.00	0.00	5000.00	0.00
	(b) Deferred Credits	57978.89	0.00	20452.36	0.00
	(c) Term Loans	589186.38	0.00	336840.73	0.00
	(d) Inter-corporate loans and Other Borrowings	2462.00	0.00	1652.00	0.00
	(e) Commercial Paper	2500.00	0.00	12500.00	0.00
	(f) Public Deposits	80159.89	0.00	44192.11	0.00
	(g) Fixed Deposits accepted from Corporates	7192.69	0.00	4948.82	0.00
	(h) FCNR Loans	10000.00	0.00	0.00	0.00
	(i) Subordinate debt	49100.00	0.00	37100.00	0.00
	(j) Other Short Term Loans and credit facilities from banks	0.00	0.00	9000.00	0.00
(2)	BREAK-UP OF (1) (f) ABOVE (OUTSTANDING PUBLIC DEPOSITS INCLUSIVE OF INTEREST ACCRUED THEREON BUT NOT PAID) :				
	(a) In the form of Unsecured debentures	0.00	0.00	0.00	0.00
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	0.00	0.00	0.00	0.00
	(c) Other public deposits	80159.89	0.00	44192.11	0.00
	Asset side				
(3)	BREAK-UP OF LOANS AND ADVANCES INCLUDING BILLS RECEIVABLES [OTHER THAN THOSE INCLUDED IN (4) BELOW] :				
	(a) Secured		0.00		0.00
	(b) Unsecured		83391.43		72203.73
(4)	BREAK UP OF LEASED ASSETS AND STOCK ON HIRE AND HYPOTHECATION LOANS COUNTING TOWARDS AFC ACTIVITIES :				
	(i) Lease assets including lease rentals under sundry debtors :				
	(a) Financial lease		0.00		0.00
	(b) Operating lease		0.00		0.00
	(ii) Stock on hire including hire charges under sundry debtors :				
	(a) Assets on hire		0.00		0.00
	(b) Repossessed Assets		0.00		0.00
	(iii) Other loans counting towards AFC activities :				
	(a) Loans where assets have been repossessed		1145.49		1612.80
	(b) Loans other than (a) above		1120427.13		760856.48

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Sr. No.	Particulars	Rs. in lacs	
		MARCH 2011	MARCH 2010
		Amount Outstanding	Amount Outstanding
(5)	BREAK-UP OF INVESTMENTS :		
	Current Investments :		
	1. Quoted :		
	(i) Shares : (a) Equity		
	(b) Preference		
	(ii) Debentures and Bonds		
	(iii) Units of Mutual Funds		
	(iv) Government Securities	0.00	1155.53
	(v) Investments in Certificate of Deposits with Banks	53157.78	14720.81
	2. Unquoted :		
	(i) Shares : (a) Equity		
	(b) Preference		
	(ii) Debentures and Bonds		
	(iii) Units of Mutual Funds		
	(iv) Government Securities		
	(v) Others (Specify)		
	Long Term Investments :		
	1. Quoted :		
	(i) Shares : (a) Equity		
	(b) Preference		
	(ii) Debentures and Bonds		
	(iii) Units of Mutual Funds		
	(iv) Government Securities	9359.64	4460.84
	2. Unquoted :		
	(i) Shares : (a) Equity	4938.03	1255.76
	(b) Preference		
	(ii) Debentures and Bonds		
	(iii) Units of Mutual Funds		
	(iv) Government Securities		

(6) BORROWER GROUP-WISE CLASSIFICATION OF ASSETS FINANCED AS IN (3) AND (4) ABOVE :

Category	MARCH 2011			MARCH 2010		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	0.00	12242.79	12242.79	0.00	2567.02	2567.02
(b) Companies in the same group	0.00	13220.55	13220.55	0.00	16896.76	16896.76
(c) Other related parties	0.00	0.00	0.00	0.00	0.00	0.00
2. Other than related parties	1121572.62	57928.09	1179500.71	762469.28	52739.95	815209.23
TOTAL	1121572.62	83391.43	1204964.05	762469.28	72203.73	834673.01

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(7) INVESTOR GROUP-WISE CLASSIFICATION OF ALL INVESTMENTS (CURRENT AND LONG TERM) IN SHARES AND SECURITIES (BOTH QUOTED AND UNQUOTED) :

Category	MARCH 2011		MARCH 2010	
	Market Value/Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries	2655.76	2655.76	1255.76	1255.76
(b) Companies in the same group	2282.27	2282.27	0.00	0.00
(c) Other related parties	0.00	0.00	0.00	0.00
2. Other than related parties	62517.42	62517.42	20337.18	20337.18
Total	67455.45	67455.45	21592.94	21592.94

(8) OTHER INFORMATION :

Particulars	MARCH 2011	MARCH 2010
	Amount	Amount
(i) Gross Non-Performing Assets :		
(a) Related parties	0.00	0.00
(b) Other than related parties	54877.96	61125.28
(ii) Net Non-Performing Assets :		
(a) Related parties	0.00	0.00
(b) Other than related parties	7443.64	8291.72
(iii) Assets acquired in satisfaction of debt	0.00	0.00

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SCHEDULE XVIII

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2011

SIGNIFICANT ACCOUNTING POLICIES (SAP) :

1) Basis for Preparation of Accounts :

The accounts have been prepared to comply in all the material aspects with (a) applicable accounting principles in India, (b) the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable and (c) relevant provisions of The Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies.

2) Use of Estimates :

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3) Revenue Recognition :

i. General :

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, fee based income and Interest on Trade advance, which on account of uncertainty of ultimate collection are accounted on receipt basis. Also in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies, income on business assets classified as Non-performing Assets, is recognised on receipt basis.

ii. Income from Loan :

Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

iii. Income from Subvention/Service/Document Charges :

Subvention received from dealers/manufacturers on retail cases is booked over the period of the contract. However, service charges & documentation charges are booked at the commencement of the contract.

iv. Income from Assignment Transactions :

In case of assignment of receivables the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser. On de-recognition, the difference between book value of the receivables assigned and consideration received as reduced by the estimated provision for loss/expenses & incidental expenses related to the transaction is recognised as gain or loss arising on assignment.

v. Income from Investments :

- a) Dividend from investments is accounted for as income when the right to receive dividend is established.
- b) Interest income is accounted on accrual basis.

4) Fixed Assets :

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.

Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

5) Depreciation :

- i. Depreciation on fixed assets, other than repossessed assets capitalised for own use, is charged using Straight Line Method at rates specified in Schedule XIV to The Companies Act, 1956 on a pro-rata basis except for :

- a) Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
- b) Assets costing less than Rs. 5,000/- are fully depreciated in the period of purchase and
- c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.

- ii. Repossessed assets that have been capitalised for own use are depreciated @ 15% using the Straight Line Method over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of 'Owned Assets'.

6) Foreign Exchange Transactions :

All assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the period end, except those covered by forward

exchange contracts which are translated at contracted rates, where the difference between the contracted rate and the spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

In case of the current assets, current liabilities and long term liabilities the exchange differences are recognised in the Profit and Loss Account.

7) Investments :

In terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

8) Loans against Assets :

Loan against assets are stated at agreement value net of instalments received less unexpired finance charges.

9) Employee Benefits :

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

(a) Defined Contribution Plans -

Company's contribution paid/payable during the period to Provident Fund and Labour Welfare fund are recognised in the Profit and Loss Account.

(b) Defined Benefit Plan -

Company's liabilities towards gratuity is determined using the Projected Unit Credit Method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognised immediately in the statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(c) Liability on account of encashment of privilege leave to employees is considered as short term compensated expense provided at actual and on account of sick leave is considered as long term unfunded benefit & recognised on the basis of actuarial valuation using Projected Unit Credit Method determined by appointed actuary.

10) Borrowing Cost :

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

11) Lease Hold Improvements :

Expenditure incurred on improvements to leasehold premises is classified into Capital and Revenue. Addition to assets are capitalised under Fixed Assets and balance expenditure if any is debited to Profit & Loss Account.

12) Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13) Intangible Assets :

All intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

Software expenses are treated as an intangible asset and amortised over the useful life of the asset. The maximum period for such amortisation is 36 months.

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14) Miscellaneous Expenditure :

- a) **Preliminary Expenses :**
Preliminary expenses are charged to Profit and Loss Account in the year of incurrence.
- b) **Share Issue Expenses :**
Expenses incurred in connection with fresh issue of Share Capital are adjusted against Securities Premium account in the year in which they are incurred.

15) Impairment of Assets :

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

16) Provisions & Contingent Liabilities :

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

17) Derivatives :

The hedging contracts comprise of interest rate swap undertaken to hedge interest rate risk on certain liabilities. These hedges are accounted for like the underlying liabilities. The net interest payable is accounted on accrual basis over the life of the swap.

18) Employee Stock Compensation Costs :

Measurement and disclosure of the Employee Share-based Payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the Intrinsic Value Method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

NOTES TO THE ACCOUNTS :

- 1) a) The Board of Directors of the Company, at its meeting held on November 29, 2010 and pursuant to Special Resolution passed by the members through postal ballot on January 3, 2011, had approved the increase in the Authorised Capital of the Company and infusion of capital.

Pursuant to the passing of the above resolution and in accordance with Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009, as amended.

The Company allotted 61,33,205 Equity Shares of face value of Rs. 10/- each at a price of Rs. 695/- per Equity Share including a premium of Rs. 685/- per Equity Share aggregating to Rs. 42,625.77 lacs to Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP).

The cost of issue of the shares to QIP holders amounting to Rs. 971.70 lacs is adjusted against the Securities Premium Account in accordance with the provisions of The Companies Act, 1956.

The utilisation of the funds received from the QIP are as under:

Particulars	Rs. in lacs
	Amount
Sources of Funds :	
QIP Proceeds	42625.77
Utilisation of Funds :	
QIP Issue Expenses	971.70
Disbursement of retail loans to customers	41654.07
TOTAL	42625.77

- b) During the year, the Company has issued 9,69,005 Equity Shares of Rs. 10/- each for cash, at par to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust under the newly approved Employees' Stock Option Scheme 2010.
- 2) During the year, the Company has made an investment of Rs. 2,282.27 lacs (US\$ 5.02 million) as its contribution towards 49% ownership in Mahindra Finance USA, LLC, a Joint Venture Company formed jointly with De Lage Landen Financial Services Inc. in United States.

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- 3) In compliance with the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS-27), the Company has interest in the following jointly controlled entity :

Rs. in lacs

Name of Joint Ventures	Country of Incorporation	Percentage of ownership interest	Amount based on the Unaudited Accounts for the year ended March 31, 2011				
			Assets	Liabilities	Income	Expenditure	Capital Commitment and Contingent Liability
Mahindra Finance USA, LLC	United States of America	49.00%	2245.25	1.12	0.93	1.62	NIL

- 4) During the year, the Company has granted 2,51,565 Stock Options to the eligible employees under the newly approved Employees' Stock Option Scheme 2010. The details of the Employee Stock Option Scheme 2010 are as under :

Particulars	Grant dated February 7, 2011
Type of Arrangement	Employee Share-Based Payment Plan administered through Employee Stock Option Trust.
Number of Options Granted	2,51,565
Contractual life	Options will lapse if not exercised within 6 months from the date of each vesting.
Exercise Price	Rs. 10/- per share
Method of Settlement	By Issue of shares at Exercise Price
Vesting Conditions	20% On expiry of 12 months from the date of grant ;
	20% On expiry of 24 months from the date of grant ;
	20% On expiry of 36 months from the date of grant ;
	20% On expiry of 48 months from the date of grant ;
	20% On expiry of 60 months from the date of grant.

The Company has adopted Intrinsic Value Method in accounting for employee cost on account of ESOS. The intrinsic value of the shares is based on the latest available closing market price, prior to the date of meeting of the Board of Directors in which the options were granted on the stock exchange in which the shares of the Company are listed. The difference between the intrinsic value & the exercise price is being amortised as employee compensation cost over the vesting period. The details of the same are given here under :

Particulars	Grant dated February 7, 2011
Intrinsic Value of shares based on latest available closing market price	Rs. 693.00
Total Amount to be amortised over the vesting period	Rs. 1718.19 lacs
Charge to Profit & Loss Account for the year	Rs. 130.77 lacs
Compensation in respect of lapsed cases	Nil
Unamortised Amount carried forward	Rs. 1587.42 lacs

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The Fair Value of options, based on the valuation of the independent valuer as on date of grant are :

Vesting period in years	Grant dated February 7, 2011	
	Expected Vesting	Fair Value (Rs.)
1	50315	618.31
2	50315	
3	50315	
4	50315	
5	50305	
	251565	

The Fair Value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	Grant dated February 7, 2011
Risk free interest rate	7.73%
Expected life	4.5 years
Expected volatility	42.38%
Expected dividend yield	2.28%
Exercise price	Rs. 10.00
Stock price	Rs. 693.00

- 5) Earnings Per Share as required by Accounting Standard 20 read with the Guidance Note on "Accounting for Employee Share-based Payments" is as follows:

Particulars	Intrinsic Value Method		Fair Value Method	
	MARCH 2011	MARCH 2010	MARCH 2011	MARCH 2010
A Net Profit After Tax (Rs. in lacs)	46310.92	34270.73	46264.74	34120.95
B Weighted Average number of Equity Shares of Rs. 10/- each (Basic)	96773669	95791589	96773669	95791589
C Weighted Average number of Equity Shares of Rs. 10/- each (Diluted)	104002735	96900525	104002735	96900525
D Basic Earning per Share (Rs.)	4785	35.78	4773	35.62
E Diluted Earning per Share @ (Rs.)	44.53	35.37	44.48	35.21

@ Dilution in Earning per share is on account of 15,49,771 Equity Shares (Previous year : 9,19,048 Equity Shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

- 6) The Company had allotted 26,86,550 Equity Shares on December 6, 2005 and 9,69,005 Equity Shares on February 3, 2011, to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company.

The compensation costs of stock options granted to employees are accounted by the Company using the Intrinsic Value Method.

Summary of Stock Options	No. of stock options	Weighted Average Exercise Price (Rs.)
Options outstanding on April 1, 2010	872159	161.97
Options granted during the year	251565	10.00
Options forfeited/lapsed during the year	22654	135.26
Options exercised during the year	338282	145.20
Options outstanding on March 31, 2011	762788	120.08
Options vested but not exercised on March 31, 2011	346953	143.43

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Average Share price at recognised stock exchange (NSE) on the date of exercise of the option are as under:

Date of Exercise	Average Share Price (Rs.)
June 10, 2010	469.06
September 8, 2010	644.43
September 16, 2010	667.73
October 15, 2010	709.52
October 21, 2010	688.14
December 22, 2010	702.32
December 30, 2010	736.25
January 13, 2011	669.76
January 14, 2011	641.51

Information in respect of options outstanding as on March 31, 2011:

Exercise price	No. of Options	Weighted average remaining life
Rs. 51.00	189317	8 months
Rs. 211.00	80271	27 months
Rs. 304.00	87125	35 months
Rs. 233.00	154510	41 months
Rs. 10.00	251565	70 months

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|--|---|
| <p>7) As per Guidance note issued by The Institute of Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly the Company has reduced the Share Capital by Rs. 154.98 lacs (Previous year : Rs. 91.90 lacs), Securities Premium by Rs. 238.11 lacs (Previous year : Rs. 376.81 lacs) in respect of 15,49,771 shares (Previous year : 9,19,048 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.</p> <p>8) The Holding Company, Mahindra & Mahindra Limited, has incurred a cost of Rs. 3.43 lacs (Previous year : Rs. 0.13 lacs) under Employee Stock Options Scheme (ESOS) to employees of the Company.</p> <p>9) During the year, the Company has made an investment of Rs. 1,400.00 lacs in Mahindra Rural Housing Finance Limited, its subsidiary, in response to call @ Rs. 4/- per share being made on 3,50,00,000 Equity Shares of Rs. 10/- each.</p> <p>10) The Company has made adequate provision for the Non-performing Assets identified, in accordance with the guidelines issued by The Reserve Bank of India. The Company also makes additional provision on a prudential basis. The cumulative additional provision made by the Company as on March 31, 2011 is Rs. 13,296.40 lacs (Previous year : Rs. 19,855.73 lacs).</p> | <p>11) In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated 17.01.2011 issued by The Reserve Bank of India (RBI) vide its directions to all NBFC's to make a general provision of 0.25% on the standard assets, the Company has for the first time made a provision of Rs. 3,143.00 lacs on the standard assets as on March 31, 2011. The amount of provision on standard assets is shown separately as "Contingent Provision against Standard Assets" under "Provision" in the Balance Sheet.</p> <p>12) Bad debts & Write offs includes loss on termination which mainly represents shortfall on settlement of certain contracts due to lower realisation from such Hire Purchase/Leased/ Loan assets on account of poor financial position of such customers.</p> <p>13) Commission & Brokerage mainly represents amount incurred in respect of acquisition of customers & mobilisation of public deposits.</p> <p>14) The Company has single reportable segment "Financial Services" for the purpose of Accounting Standard 17 on Segment Reporting.</p> <p>15) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.</p> <p>16) Current Liabilities include Deposits/Advances received on account of Lease/Hire Purchase/Loans against Assets, which are repayable/adjusted over the period of the contract.</p> |
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17) Employee Benefits : Defined Benefit Plans - As per Actuarial valuation

Rs. in lacs

Sr. No.	Particulars	Gratuity (Funded)		Sick leave (Non funded)	
		MARCH 2011	MARCH 2010	MARCH 2011	MARCH 2010
I.	Expense recognised in the Statement of Profit & Loss Account for the year ended March 31				
1	Current service cost	275.34	232.88	61.79	44.31
2	Interest cost	31.31	23.13	4.95	5.15
3	Expected return on plan assets	(30.63)	(23.27)	0.00	0.00
4	Actuarial (Gains)/Losses	(124.65)	(120.86)	(48.51)	(68.04)
5	Total expense	151.37	111.88	18.23	(18.58)
II.	Net asset/(liability) recognised in the Balance Sheet as at March 31				
1	Present Value of Defined Benefit obligation as at March 31	442.42	343.83	73.31	55.08
2	Fair value of plan assets as at March 31	375.80	305.50	0.00	0.00
3	Funded status (surplus/(deficit))	(66.62)	(38.33)	(73.31)	(55.08)
4	Net asset/(liability) as at March 31	(66.62)	(38.33)	(73.31)	(55.08)
III.	Change in the obligations during the year ended March 31				
1	Present Value of Defined Benefit obligation at the beginning of the year	343.83	256.67	55.08	73.66
2	Current service cost	275.34	232.88	61.79	44.31
3	Interest cost	31.31	23.13	4.95	5.15
4	Actuarial (Gains)/Losses	(155.28)	(144.12)	(48.51)	(68.04)
5	Benefits paid	(52.78)	(24.73)	0.00	0.00
6	Present Value of Defined Benefit obligation at the year ended March 31	442.42	343.83	73.31	55.08
IV.	Change in the fair value of plan assets during the year ended March 31				
1	Fair value of plan assets at the beginning of the year	305.50	208.08		
2	Expected return on plan assets	30.63	23.27		
3	Contributions by employer	123.08	122.15		
4	Actuarial (Gains)/Losses	(30.63)	(23.27)		
5	Actual Benefits paid	(52.78)	(24.73)		
6	Fair value of plan assets at March 31	375.80	305.50		
V.	Major category of plan assets as a percentage of total plan				
	Funded with LIC	100%	100%		
VI.	Actuarial Assumptions				
1	Discount Rate	8.00% pa.	8.00% pa.	8.00% pa.	8.00% pa.
2	Expected Rate of return on plan assets	8.00% pa.	8.00% pa.		
3	Rate of Salary increase	5.00% pa	5.00% pa	5.00% pa	5.00% pa
4	In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

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18) Disclosure on Derivatives :

There were 2 Derivative instruments (Previous year : 4) for hedging interest rate risk outstanding as on March 31, 2011.

19) Collateral and Lien marked Deposits/Investments :

Term Deposits include :

- a) Rs. Nil (Previous year : Rs. 9,079.00 lacs) maintained as cash collateral deposits in accordance with the assignment transactions.
- b) Rs. 3,800.00 lacs (Previous year : Rs. 810 lacs) being the Term Deposits kept with Scheduled Banks as Statutory Liquid Assets as required under section 45 IB of The Reserve Bank of India Act, 1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C.No. 87/03.02.004/2006-07 dated January 4, 2007 issued by The Reserve Bank of India.
- c) Rs. 21.00 lacs (Previous year : Rs. 9.50 lacs) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suits filed by the Company.

Investments include :

Rs. 9,359.64 lacs (Previous year : Rs. 5,616.37 lacs) being the investments in Treasury Bills/Government Stocks as Statutory Liquid Assets as required under section 45 IB of The Reserve Bank of India Act, 1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C.No. 87/03.02.004/2006-07 dated January 4, 2007 issued by The Reserve Bank of India.

20) Expenditure in Foreign Currency :

Foreign Travel Rs. 9.80 lacs (Previous year : Rs. 3.96 lacs)

Legal and Professional Fees Rs. 136.95 lacs (Previous year : Rs. 113.58 lacs)

Others Rs. 41.56 lacs (Previous year : Rs. 8.94 lacs)

- 21) a) During the year, the Company has without recourse assigned loan receivables of 36,618 (Previous year : 31,628) contracts amounting to Rs. 1,22,764.34 lacs (Previous year : Rs. 1,04,460.66 lacs) (including future interest receivable) for a consideration of Rs. 1,08,930.92 lacs (Previous year : Rs. 97,127.63 lacs) and de-recognised the assets from the books. The income booked in respect of assignment of receivables includes certain amount towards cost of future servicing of the assigned pool and an appropriate amount has been provided towards expenditure for future services. On assignment of receivables income recognised upfront for the current period is Rs. 15,152.22 lacs (Previous year : Rs. 19,058.16 lacs) against which a provision for estimated loss/expenses of Rs. 9,830.08 lacs (Previous year : Rs. 8,051.42 lacs) is made.
 - b) During the year, the provision in respect of assignment transactions amounting to Rs. 3,648.00 lacs (Previous year : Rs. 1,546.07 lacs) considered no longer necessary has been written back.
- 22) During the year, the Company has acquired without recourse portfolio of Rs. 2,076.46 lacs (Previous year : Rs. 48,296.16 lacs) for a consideration of Rs. 2,010.05 lacs (Previous year : Rs. 44,809.11 lacs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company and interest income booked on these portfolios is Rs. Nil (Previous year : Rs. 1,377.66 lacs). The Company has received cash collateral amounting to Rs. 2,21.11 lacs (Previous year : Rs. 19,395.42 lacs) and over collateral of Rs. 417.26 lacs (Previous year : Rs. Nil) against these assignments.

Schedules

23) Related Party Disclosure as per Accounting Standard 18 :

List of the related parties which have transactions with our Company during the year :

Holding Company	Mahindra & Mahindra Limited
Subsidiary Companies	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Business & Consulting Services Private Limited (formerly known as Mahindra IT Consulting Private Limited)
Joint Ventures	Mahindra Finance USA, LLC
Fellow subsidiary Companies	As per list given below :
Mahindra Navistar Automotives Limited (formerly known as Mahindra International Limited)	NBS International Limited
Mahindra USA, Inc	Mahindra First Choice Services Limited
Mahindra USA, Inc	Mahindra Retail Pvt. Limited
Mahindra Holidays & Resorts Limited	Mahindra Two Wheelers Limited
Mahindra Auto Developers Pvt. Limited (formerly known as Mahindra Renault Pvt. Limited)	Mahindra Life Space Developers Limited
Mahindra Intertrade Limited	
Mahindra First Choice Wheels Limited	
Key Management Personnel	Mr. Ramesh Iyer (Managing Director)

Related Party transactions are as under :

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Joint Ventures	Rs. in lacs	
						Key Management Personnel	
1	Income						
	Loan income	761.44	-	377.70	-	-	-
		(684.36)	-	(190.62)	-	-	-
	Other income	-	803.44	267.29	-	-	-
		-	(374.21)	(52.31)	-	-	-
2	Expenses						
	Interest	386.40	150.66	213.66	-	-	-
		(243.81)	(94.38)	-	-	-	-
	Other Expenses	777.14	8,604.56	15.54	-	156.42	
		(251.32)	(3407.61)	(5.22)	-	(118.57)	
3	Investment in share capital	-	1400.00	-	2282.27	-	-
		-	-	(1.00)	-	-	-
4	Purchase of Vehicles	352.26	-	3.41	-	-	-
		(554.86)	-	-	-	-	-

Schedules

Rs. in lacs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Joint Ventures	Key Management Personnel
5	Sale of Fixed Assets	-	-	-	-	-
		-	(5.41)	-	-	-
6	Finance					
	Unsecured Bonds held (incl. int. accd.)	-	-	-	-	-
		-	-	-	-	-
	NCD held (incl. int. accd.)	2646.71	-	-	-	-
		(2646.71)	-	-	-	-
	Dividend paid – for previous year	4368.11	-	-	-	3.98
		(3203.28)	-	-	-	(3.30)
	Inter Corporate Deposits taken (including interest accrued but not due)	-	2557.09	-	-	-
		-	(1687.23)	-	-	-
	Inter Corporate Deposits given (including interest accrued but not due)	-	12242.79	2500.00	-	-
		-	(2567.02)	(1461.70)	-	-
	Loan given (including interest accrued but not due)	-	-	491.98	-	-
		-	-	(755.98)	-	-
	Loan taken (including interest accrued but not due)	-	-	-	-	-
		-	-	-	-	-
7	Other Transactions					
	Reimbursement to parties	-	-	86.73	-	-
		-	-	(75.27)	-	-
	Reimbursement from parties	-	-	-	-	-
		-	-	-	-	-
8	Outstandings					
	Receivables	73.71	75.57	10383.56	-	-
		(204.44)	(19.02)	(14708.16)	-	-
	Payables	123.70	978.75	10.97	-	-
		(80.20)	(367.91)	(5.12)	-	-

Figures in bracket represent corresponding figures of previous year.

Schedules

- 24) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the Company has accounted for Deferred Tax Asset/Liability. The break up of the Deferred Tax Asset as on March 31, 2011 of Rs. 21,672.96 lacs (Previous year : Rs. 20,692.87 lacs) is as under :

Particulars	Rs. in lacs	
	MARCH 2011	MARCH 2010
Provision for Non-Performing Assets	20107.51	20257.16
General Provision on Standard Assets	1019.75	-
Depreciation	(14.12)	(43.95)
Other Disallowances	559.82	479.66
TOTAL	21672.96	20692.87

- 25) Contingent Liability not provided for :

- i. Taxation matters : Demands against the Company not acknowledged as debts and not provided for, in respect of which the Company is in appeal and exclusive of assessments remaining to be completed:
Income Tax: Rs. 5,569.24 lacs (Previous year : Rs. 5,252.67 lacs). These demands are met to the extent of Rs. 3,369.49 lacs (Previous year : Rs. 2,781.17 lacs), partly by payment and partly by adjustment against refunds due to the Company.
- ii. Estimated amount of contracts remaining to be executed on Capital account Rs. 599.16 lacs (Previous year : Rs. 419.56 lacs).
- iii. Corporate undertaking on assignment Rs. 73,253.29 lacs (Previous year : Rs. 62,625.36 lacs).
- iv. Legal Suits filed by the customers in Consumer Forums and Civil courts claiming compensation against Company amounting to Rs. 1,721.99 lacs (Previous year : Rs. 1,863.77 lacs).

- 26) The Company has sent letters to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 seeking information for which replies are awaited. In view of this, information required under Schedule VI of the Companies Act, 1956 is not given.

- 27) Secured Non-Convertible Debentures :

Date of Allotment	Rs. in lacs		
	MARCH 2011	MARCH 2010	Earliest Redemption Date
August 25, 2006	10000	10000	1826 days from date of allotment
October 11, 2007	0	1000	1096 days from date of allotment
October 25, 2007	0	5000	1096 days from date of allotment
October 26, 2007	0	2500	1096 days from date of allotment
November 5, 2007	0	50	1103 days from date of allotment
November 12, 2007	0	4950	1096 days from date of allotment
December 5, 2007	2000	2000	1827 days from date of allotment
January 14, 2008	5000	5000	1463 days from date of allotment
January 14, 2008	0	2500	1096 days from date of allotment
January 14, 2008	0	1000	1096 days from date of allotment
May 2, 2008	0	1000	731 days from date of allotment
May 6, 2008	0	1000	730 days from date of allotment

Schedules

Date of Allotment	Rs. in lacs		
	MARCH 2011	MARCH 2010	Earliest Redemption Date
May 6, 2008	0	2500	730 days from date of allotment
July 8, 2008	20000	20000	1825 days from date of allotment
September 5, 2008	15000	15000	1826 days from date of allotment
September 11, 2008	0	1500	581 days from date of allotment
September 26, 2008	500	500	1826 days from date of allotment
October 24, 2008	10000	10000	1095 days from date of allotment
October 27, 2008	16000	20000	2191 days from date of allotment
June 8, 2009	1000	1000	730 days from date of allotment
July 15, 2009	2500	2500	730 days from date of allotment
July 15, 2009	5000	5000	730 days from date of allotment
July 15, 2009	5000	5000	730 days from date of allotment
July 23, 2009	2500	2500	1096 days from date of allotment
August 6, 2009	12500	12500	732 days from date of allotment
September 23, 2009	4000	4000	947 days from date of allotment
September 29, 2009	0	5000	364 days from date of allotment
September 29, 2009	10000	10000	601 days from date of allotment
September 29, 2009	1000	1000	1092 days from date of allotment
October 1, 2009	9000	9000	552 days from date of allotment
October 6, 2009	1800	1800	545 days from date of allotment
October 6, 2009	500	500	563 days from date of allotment
November 10, 2009	5000	5000	1098 days from date of allotment
November 23, 2009	5000	5000	1827 days from date of allotment
June 28, 2010	7500	0	1067 days from date of allotment
July 5, 2010	5000	0	1086 days from date of allotment
July 12, 2010	5500	0	400 days from date of allotment
September 28, 2010	600	0	730 days from date of allotment
October 8, 2010	5000	0	544 days from date of allotment
October 15, 2010	1500	0	731 days from date of allotment
October 15, 2010	1000	0	731 days from date of allotment
December 1, 2010	3500	0	537 days from date of allotment
TOTAL	172900	175300	

Of the above, NCDs issued to Banks Rs. 1,000 lacs (Previous year : Rs. 6,000 lacs) and Others Rs. 1,71,900 lacs (Previous year : Rs. 1,69,300 lacs).

28) Unsecured Non-Convertible Debentures :

Date of Allotment	Rs. in lacs		
	MARCH 2011	MARCH 2010	Earliest Redemption Date
March 31, 2010	0	2500	89 days from date of allotment
March 31, 2010	0	2500	89 days from date of allotment
TOTAL	0	5000	

Of the above, NCDs issued to Banks Rs. Nil (Previous year : Rs. Nil) and Others Rs. Nil lacs (Previous year : Rs. 5,000 lacs).

Schedules

29) Unsecured Bonds (Subordinate Debt) :

Date of Allotment	Rs. in lacs		
	MARCH 2011	MARCH 2010	Earliest Redemption Date
September 3, 2004	0	4000	2068 days from date of allotment
October 26, 2004	0	4000	2008 days from date of allotment
June 15, 2005	5000	5000	2145 days from date of allotment
December 6, 2006	3140	3140	2007 days from date of allotment
May 11, 2007	2500	2500	3653 days from date of allotment
April 17, 2007	400	400	3653 days from date of allotment
June 13, 2007	1480	1480	3631 days from date of allotment
July 26, 2007	2500	2500	3653 days from date of allotment
September 28, 2007	1270	1270	3589 days from date of allotment
October 15, 2007	130	130	2039 days from date of allotment
October 24, 2007	1000	1000	2039 days from date of allotment
December 14, 2007	700	700	2010 days from date of allotment
October 17, 2008	980	980	3652 days from date of allotment
November 10, 2009	2500	2500	3653 days from date of allotment
November 20, 2009	7500	7500	3652 days from date of allotment
November 20, 2009	20000	0	3713 days from date of allotment
TOTAL	49100	37100	

Of the above, Unsecured bonds issued to Banks Rs. 27,310 lacs (Previous year : Rs. 13,100 lacs) and Others Rs. 21,790 lacs (Previous year : Rs. 24,000 lacs).

- 30) Managerial Remuneration paid to Directors included in the Profit and Loss Account is Rs. 249.17 lacs (Previous year : Rs. 173.47 lacs) includes Directors' Fees of Rs. 5.30 lacs (Previous year : Rs. 2.35 lacs) and Perquisites Rs. 48.68 lacs (Previous year : Rs. 11.34 lacs) and excluding charge for gratuity, provision for leave encashment and sick leave as separate actuarial valuation figures are not available. The above perquisites do not include amortisation of Employees Stock Options.
- 31) Computation of Net Profit in accordance with Section 198 & 309(5) of The Companies Act, 1956 for the year ended March 31, 2011.

Particulars	Rs. in lacs	
	MARCH 2011	MARCH 2010
Profit before Taxation as per Profit and Loss Account	70244.82	52056.85
Add : Depreciation charged in the Account	1578.80	863.40
Directors' Remuneration including Directors' fees	207.34	164.77
Provision for non-performing assets (Net)	(5200.59)	2891.11
Provision for standard assets	3143.00	0.00

Schedules

Particulars		Rs. in lacs	
		Financial Year 2010 - 2011	Financial Year 2009 - 2010
Estimated Loss on Assignments	6549.42		5912.62
Provision for expenses on Assignments	(367.34)		592.72
		5910.63	10424.62
		76155.45	62481.47
Less : Depreciation u/s 350 of The Companies Act, 1956	1578.80		863.40
Profit on Sale, etc. of Fixed Assets (Net)	11.46		20.40
Profit/Premium on Sale/Redemption of Long Term Investments	0.00		0.00
		1590.26	883.80
Total		74565.19	61597.67
Commission payable to the wholetime Directors @ 0.25%		38.10	30.84
Commission payable to the non-wholetime Directors @ 1%		45.62	46.79

32) Previous year figures have been regrouped wherever found necessary.

Signatures to Schedules I to XVIII

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Cash Flow Statement

for the year ended March 31, 2011

		Rs. in lacs
	MARCH 2011	MARCH 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies	70244.82	52056.85
Add/(Less) :		
Non Cash Expenses :		
Depreciation & Amortisation	1578.80	990.29
Provision for Non-Performing Assets	(5200.59)	2891.11
General Provision for Standard Assets	3143.00	0.00
Employee Compensation Expense on account of ESOS	143.18	34.29
	(335.61)	3915.69
Add/(Less) :		
Income considered separately :		
Income on investing activities	(907.19)	(1593.74)
(Profit)/Loss on sale/retirement of assets	(11.46)	(20.40)
(Profit)/Loss on sale of Investment	(52.41)	(92.95)
Income from Assignment transactions	(8970.14)	(12552.82)
	(9941.20)	(14259.91)
Operating profit before working capital changes	59968.01	41712.63
Less :		
(Increase)/Decrease in interest accrued others	(280.27)	(29.34)
(Increase)/Decrease in Trade receivables	29.38	338.20
(Increase)/Decrease in Loans & Advances	(460085.42)	(234456.11)
	(460336.31)	(234147.25)
Add: Increase in Current liabilities	18295.01	5928.08
	(II)	(228219.17)
Cash generated from operations	(I+II)	(186506.54)
Advance taxes paid	(26303.81)	(21431.59)
NET CASH FROM OPERATING ACTIVITIES	(A)	(207938.13)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets/Software	(5052.87)	(2128.68)
Sale of Fixed Assets	68.37	142.73
Purchase of Investments	(61738.85)	(20338.18)
Investments in Term Deposits with Banks	6077.50	(814.00)
Sale of Investments	15928.75	9809.29
Income received on investments	753.55	1516.94
NET CASH FROM INVESTING ACTIVITIES	(B)	(11811.90)

Cash Flow Statement

		Rs. in lacs	
		MARCH 2011	MARCH 2010
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares (net of issue expenses)		41826.59	138.02
Increase/(Decrease) in Bank borrowings (net)		290872.18	140739.77
Increase/(Decrease) in Long Term Borrowings (net)		9600.00	(47330.00)
Increase/(Decrease) in Short Term Borrowings (net)		(14190.00)	(9625.00)
Increase/(Decrease) in Fixed Deposits (net)		35444.06	40688.89
Proceeds from Assignment transaction		108930.92	97127.63
Dividend paid		(8502.77)	(6235.39)
NET CASH FROM FINANCING ACTIVITIES	(C)	463980.98	215503.92
NET INCREASE/(DECREASE) IN			
CASH AND CASH EQUIVALENT	(A+B+C)	11640.33	(4246.11)
CASH AND CASH EQUIVALENTS AS AT :			
Beginning of the year	*	14300.66	18546.77
End of the year	*	25940.99	14300.66

* Cash and Cash Equivalents does not include "Term Deposits under lien" in respect of Assignment Transactions, Term Deposits kept with Scheduled banks as Statutory Liquid Assets and Other Deposits towards Bank Guarantee against legal suits filed by the company.

Examined and found correct

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Balance Sheet Abstract

and Company's General Business Profile

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

I) Registration Details

Registration no. - State Code:

Balance Sheet date

Date Month Year

II) Capital Raised during the year (Amount in Rs. Thousands)

Public issue Right issue

Bonus issue Private placement

III) Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total liabilities

Sources of funds:

Paid-up capital

Secured loans

Reserves and surplus

Unsecured loans

Application of funds :

Net Fixed Assets

Net Current Assets

Accumulated losses

Investments

Miscellaneous expenditure

Deferred Tax Asset (Net)

IV) Performance of company (Amount in Rs. Thousands)

Turnover (including other income)

+ - Profit/Loss Before Tax

Earning per share in Rs.

Basic .

Diluted .

Total expenditure

+ - Profit /Loss after tax

Dividend rate %

V) Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

Place : Mumbai
Dated : April 25, 2011

V. Ravi
Chief Financial Officer

Arnavez Pardiwala
Company Secretary

Statement Pursuant to Section 212

of The Companies Act, 1956, relating to Subsidiary Companies

Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Mahindra & Mahindra Financial Services Limited at the financial year ending date	The net aggregate of profits/(losses) of the Subsidiary Companies so far as they concern the members of Mahindra & Mahindra Financial Services Limited				
			For Current Financial Year		For Previous Financial Years	
	Equity	Extent of holding	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended March 31, 2011	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended March 31, 2011	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended March 31, 2011	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended March 31, 2011
	Nos.	%	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Mahindra Insurance Brokers Ltd.	5,00,000	100%	-	2137.70	-	2616.96
Mahindra Rural Housing Finance Ltd.	4,00,00,000	87.5%	-	763.04	-	52.69
Mahindra Business & Consulting Services Pvt. Ltd.	10,000	100%	-	54.42	-	13.32

Notes :

The financial year of the subsidiary companies ended on March 31, 2011.

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

Place : Mumbai
Dated : April 25, 2011

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Auditors' Report

Report of the Auditors to the Board of Directors of Mahindra & Mahindra Financial Services Limited

1. We have audited the attached consolidated balance sheet of Mahindra & Mahindra Financial Services Limited and its subsidiaries and its joint venture as at March 31, 2011 and the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are responsibility of Mahindra & Mahindra Financial Services Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have relied on the unaudited financial statements of its joint venture which reflects the Group's share of total assets of Rs. 2,245.25 Lacs as at March 31, 2011 and the Group's share of total revenue of Rs. 0.93 Lacs and net cash inflows of Rs. 2,244.28 Lacs for the year ended on that date considered in the consolidated financial statements. We have neither carried out an audit or review in respect of these financial statements.
3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements' & Accounting Standard 27 - 'Financial Reporting of Interest in Joint Ventures' issued by the Institute of Chartered Accountants of India.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Mahindra & Mahindra Financial Services Limited, its aforesaid subsidiaries & unaudited financial statements of the joint venture, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the consolidated balance sheet of the consolidated state of affairs of Mahindra & Mahindra Financial Services Limited, its subsidiaries & its interests in joint venture & as at March 31, 2011;
 - b) in the case of the consolidated profit and loss account on the consolidated results of operations of Mahindra & Mahindra Financial Services Limited, its subsidiaries & its interest in joint venture for the year ended on that date; and
 - c) in the case of consolidated cash flow statement of the consolidated cash flows of Mahindra & Mahindra Financial Services Limited, its subsidiaries & its interests in joint venture for the year ended on that date.

For **B. K. KHARE & CO.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership no. 44784

Place : Mumbai
Dated : April 25, 2011

Consolidated Balance Sheet

as at March 31, 2011

	Schedule	MARCH 2011	MARCH 2010
Rs. in lacs			
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Capital	I	10245.29	9598.15
Employee Stock Options Outstanding	II	208.08	119.95
Reserves & Surplus	III	244044.43	165758.06
		254497.80	175476.16
Minority Interest		468.34	179.28
LOAN FUNDS :			
Secured Loans	IV	843488.40	540968.09
Unsecured Loans	V	134974.17	111530.11
		978462.57	652498.20
TOTAL		1233428.71	828153.64
APPLICATION OF FUNDS			
FIXED ASSETS :			
Gross Block		12879.69	8361.48
Less : Depreciation		5487.98	4179.11
Net Block	VI	7391.71	4182.37
Add : Capital Work-In-Progress		1010.82	681.12
		8402.53	4863.49
INVESTMENTS	VII	62517.42	20337.18
DEFERRED TAX ASSET (Refer Notes to the Accounts - 29)		21755.97	20716.82
CURRENT ASSETS, LOANS & ADVANCES :			
(a) Sundry Debtors		726.81	554.43
(b) Cash & Bank Balances		32358.73	24434.49
(c) Other Current Assets		1273.16	391.97
(d) Loans & Advances		1266923.54	890243.71
	VIII	1301282.24	915624.60
LESS: CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	IX	78757.35	60006.21
(b) Provisions	X	81772.10	73382.24
		160529.45	133388.45
NET CURRENT ASSETS		1140752.79	782236.15
TOTAL		1233428.71	828153.64

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred in our report of even date.

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnava Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Consolidated Profit and Loss Account

for the year ended March 31, 2011

	Schedule	MARCH 2011	MARCH 2010
Rs. in lacs			
INCOME :			
Income from Operations	XI	204351.71	156122.52
Other Income	XII	3086.91	3437.63
TOTAL INCOME		207438.62	159560.15
EXPENDITURE :			
Financial Expenses	XIII	66618.59	50279.71
Employee cost	XIV	22398.30	15943.20
Other Expenses	XV	26222.69	16135.26
Provisions & Write Offs	XVI	12592.26	22180.15
General Provision on Standard Assets (Refer Notes to the Accounts - 16 & 17)		3220.69	0.00
Depreciation & Amortisation		1614.69	1007.72
TOTAL EXPENDITURE		132667.22	105546.04
PROFIT BEFORE TAX		74771.40	54014.11
Less : Current Tax		26434.01	21078.75
MAT Credit Entitlement		0.00	(2.00)
		26434.01	21076.75
Add/(Less) : Deferred Tax		(1038.94)	(2839.96)
PROFIT AFTER TAX BEFORE MINORITY INTEREST		49376.33	35777.32
Add/Less : (Excess)/Short Provision for Income Tax-earlier years (net)		10.14	167.91
PROFIT AFTER TAX BEFORE MINORITY INTEREST		49366.19	35609.41
Less : Minority Interest		89.06	27.27
PROFIT AFTER TAX AFTER MINORITY INTEREST		49277.13	35582.14
Add : Balance brought forward		53311.24	36702.63
AMOUNT AVAILABLE FOR APPROPRIATION		102588.37	72284.77
APPROPRIATION :			
General Reserve		4852.00	3548.00
Statutory Reserve		9541.35	6910.22
Proposed Dividend on Equity Shares		10418.93	7269.34
Corporate Dividend Tax on Equity Shares		1768.67	1245.97
Balance Profit carried to Balance Sheet		76007.42	53311.24
		102588.37	72284.77
EARNINGS PER SHARE (Refer Notes to the Accounts - 10) : (Face Value of Rs. 10/- per share) (Rupees)			
Basic		50.92	37.15
Diluted		47.38	36.72
Notes to the Accounts	XVII		

The Schedules referred to above and attached notes form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred in our report of even date.

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE I		
SHARE CAPITAL		
Authorised :		
11,00,00,000 Equity Shares of Rs. 10/- each (Previous year : 11,00,00,000 shares)	14000.00	11000.00
50,00,000 Redeemable Preference shares of Rs. 100/- each (Previous year : 50,00,000 shares)	5000.00	5000.00
Issued :		
10,40,02,735 Equity Shares of Rs. 10/- each (Previous year : 9,69,00,525 shares)	10400.27	9690.05
Subscribed and Paid-up :		
10,40,02,735 Equity Shares of Rs. 10/- each fully paid up (Previous year : 9,69,00,525 shares) (Refer Notes to the Accounts - 2)	10400.27	9690.05
Less : Shares issued to ESOP Trust but not allotted by it to employees (15,49,771 shares (Previous year : 9,19,048) issued to ESOS Trust) (Refer Notes to the Accounts -12)	154.98	91.90
TOTAL	10245.29	9598.15

NOTE :-

Mahindra & Mahindra Ltd, the Holding Company holds 5,82,41,532 shares as on March 31, 2011
(Previous year : 5,82,41,532 shares)

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE II		
EMPLOYEE STOCK OPTION OUTSTANDING		
A) Employee Stock Option Outstanding :		
Opening Balance	144.04	193.29
Add : Fresh grant of options	1718.19	0.00
Less : Amount transferred to Securities Premium/Options Lapsed	58.72	49.25
Closing Balance (A)	1803.51	144.04
Less :		
B) Deferred Employee Compensation Expenses :		
Opening Balance	24.09	63.96
Add : Fresh grant of options	1718.19	0.00
Less : Transfer to Employee Compensation/Options Lapsed	146.85	39.87
Closing Balance (B)	1595.43	24.09
TOTAL (A-B)	208.08	119.95

Schedules

	MARCH 2011	Rs. in lacs MARCH 2010
SCHEDULE III		
RESERVES & SURPLUS		
Capital Redemption Reserve :		
As per last Balance Sheet	5000.00	5000.00
	5000.00	5000.00
Securities Premium Account :		
As per last Balance Sheet	75339.18	75295.51
Add : Additions during the year	42067.50	43.67
Less : Share issue expenses	971.70	0.00
	116434.98	75339.18
Less : Shares issued to ESOP Trust but not allotted by it to employees (Refer Notes to the Accounts - 12)	238.11	376.81
	116196.87	74962.37
Statutory Reserve :		
As per last Balance Sheet	24522.84	17612.62
Add : Transfer during the year	9541.35	6910.22
	34064.19	24522.84
General Reserve :		
As per last Balance Sheet	7961.60	4413.60
Add : Transfer during the year	4852.00	3548.00
	12813.60	7961.60
Foreign Exchange Fluctuation Reserve :		
As per last Balance Sheet	0.00	0.00
Add : Transfer during the year	(37.66)	0.00
	(37.66)	0.00
Balance in Profit & Loss Account	76007.42	53311.24
TOTAL	244044.43	165758.06

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE IV		
SECURED LOANS		
Non-Convertible Debentures	172900.00	175300.00
(Repayable within a year Rs. 93,350.00 lacs; Previous year : Rs. 32,000.00 lacs) (Secured by pari passu charge over immovable assets and first charge over Loan agreements and relative book debts)		
Loans & Advances from Banks		
a) Term Loans	602609.51	345215.73
(Repayable within a year Rs. 1,41,696.53 lacs; Previous year : Rs. 1,06,695.53 lacs) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		
b) Cash Credit	57978.89	20452.36
(Repayable fully within a year) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		
c) Foreign Currency Loans	10000.00	0.00
(against FCNR deposits of Banks) (Secured by hypothecation over the Company's current assets covered by Lease/HP/Loan agreements and relative rentals/book debts)		
TOTAL	843488.40	540968.09

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE V		
UNSECURED LOANS		
Fixed Deposits	83374.17	47930.11
(Repayable within a year Rs. 17,520.23 lacs; Previous year : Rs. 9,312.05 lacs)		
Non-Convertible Debentures (Repayable fully within a year)	0.00	5000.00
Unsecured Bonds (Subordinate Debt)	49100.00	37100.00
(Repayable within a year Rs. 5,000.00 lacs; Previous year : Rs. 8,000.00 lacs)		
Short Term Loans & Advances :		
Commercial Paper (Repayable fully within a year)	2500.00	12500.00
Other Loans from Banks (Repayable fully within a year)	0.00	9000.00
TOTAL	134974.17	111530.11

Schedules

DESCRIPTION OF ASSETS	GROSS BLOCK AT COST			DEPRECIATION & AMORTISATION				NET BLOCK		
	As at April 1, 2010	Additions for Purch/ Transfer	Deductions for Sale/ Transfer	As at March 31, 2011	Upto April 1, 2010	For the year/ Transfer	Deductions /Transfer	Upto March 31, 2011	As at March 31, 2011	As at April 1, 2010
SCHEDULE VI										
FIXED ASSETS										
Freehold Land	6.96	0.00	0.00	6.96	0.00	0.00	0.00	0.00	6.96	6.96
Premises	108.92	0.00	0.00	108.92	10.49	1.78	0.00	12.27	96.65	98.43
Office Equipments	1332.99	915.41	8.80	2239.60	706.52	268.54	6.47	968.59	1271.01	626.47
Vehicles	2344.76	1181.44	229.34	3296.86	630.07	483.29	188.50	924.86	2372.00	1714.69
Furniture	1399.13	1746.36	1.86	3143.63	649.95	318.82	0.66	968.11	2175.52	749.18
Computers	2352.64	865.67	127.99	3090.32	1504.42	378.66	110.18	1772.90	1317.42	848.23
Software Expenditure	811.32	177.32	0.00	988.64	677.66	163.59	0.00	841.25	147.39	133.66
Goodwill \$	4.76	0.00	0.00	4.76	0.00	0.00	0.00	0.00	4.76	4.76
GRAND TOTAL	8361.48	4886.20	367.99	12879.69	4179.11	1614.69	305.81	5487.98	7391.71	4182.37
As at March 31, 2010	7202.12	1535.43	376.07	8361.48	3424.76	1007.72	253.37	4179.11	4182.37	3777.36
\$ - Goodwill arising on consolidation										

Numbers	Face value per unit	Particulars	MARCH 2011		MARCH 2010	
			Long Term	Current	Long Term	Current
SCHEDULE VII						
INVESTMENTS						
I - Government Securities (Quoted) :						
(Under Lien)						
	10,00,00,000 \$	(a) 364 Days T-Bills		0.00		963.85
	2,00,00,000 \$	(b) 364 Days T-Bills		0.00		191.68
	35,00,00,000 \$	(c) 6.90% Government Stock (Maturity : 13/07/2019)	3307.84		3307.84	
	10,00,00,000 \$	(d) 10.25% Government Stock (Maturity : 30/05/2021)	1153.00		1153.00	
	10,00,00,000 \$	(e) 6.35% Government Stock (Maturity : 02/01/2020)	885.25		0.00	
	15,00,00,000 \$	(f) 8.13% Government Stock (Maturity : 21/09/2022)	1511.55		0.00	
	20,00,00,000 \$	(g) 8.20% Government Stock (Maturity : 15/02/2022)	2013.35		0.00	
	5,00,00,000 \$	(h) 7.80% Government Stock (Maturity : 03/05/2020)	488.65		0.00	
		(I)	9359.64	0.00	4460.84	1155.53
II - Investments in Certificate of Deposits (Quoted)						
	5,50,00,00,000	With Banks		53157.78		14720.81
		(II)		53157.78		14720.81
		(I+II)	9359.64	53157.78	4460.84	15876.34
TOTAL				62517.42		20337.18

\$ - Total Face Value

- Aggregate market value of quoted Investments :
 - Government Securities : Treasury Bills - Rs. Nil (Previous year : Rs. 1,168.10 lacs) , Government Stock - Rs. 9,296.64 lacs (Previous year : Rs. 4,442.50 lacs)
 - Investments in Certificate of Deposits with Banks : Rs. 53,319.58 lacs (Previous year : Rs. 14,720.81 lacs)
- Following are the movements in Government Securities during the period :
Treasury Bills & Government Stock of the face value of Rs. 5,000.00 lacs (Previous year : Rs. 6,200.00 lacs) were purchased and those of the face value of Rs. 1,200.00 lacs (Previous year : Rs. 700.00 lacs) were sold/redeemed/matured during the year.

Schedules

3) Following are the movements in Units during the year :

Sr. No.	Name of the Mutual Fund	Acquired		Sold
		Units	Amount (Rs. in lacs)	Units
1	AXIS MUTUAL FUND	1265445	12655.31	1265445
2	BARODA PIONEER MUTUAL FUND	50002029	5004.05	50002029
3	BIRLA SUNLIFE MUTUAL FUND	200770821	20113.06	200770821
4	CANARA ROBECO MUTUAL FUND	158499804	16506.35	158499804
5	DEUTSCHE MUTUAL FUND	15953186	1600.17	15953186
6	ICICI PRUDENTIAL MUTUAL FUND	38777488	39327.38	38777488
7	J P MORGAN MUTUAL FUND	69954493	7000.98	69954493
8	JM MUTUAL FUND	510948656	51171.33	510948656
9	KOTAK MUTUAL FUND	847333439	91357.15	847333439
10	LIC NOMURA MUTUAL FUND	208471329	21820.14	208471329
11	PRAMERICA MUTUAL FUND	3501674	5301.96	3501674
12	RELIANCE MUTUAL FUND	171033875	29518.08	171033875
13	RELIGARE MUTUAL FUND	314846267	50835.03	314846267
14	SBI MUTUAL FUND	241314172	24209.84	241314172
15	UTI MUTUAL FUND	958978	9607.01	958978

Schedules

	MARCH 2011	Rs. in lacs MARCH 2010
SCHEDULE VIII		
CURRENT ASSETS, LOANS & ADVANCES		
[A] Current Assets :		
Interest accrued on :		
a) Investments	233.94	80.30
b) Others	130.23	52.06
Sundry Debtors : HP and Lease (Secured) #		
a) Debts Outstanding for a period exceeding six months	391.56	426.26
b) Other Debts	345.25	130.67
	736.81	556.93
Less : Provision for Non-Performing Assets & Doubtful debts	10.00	2.50
Debtors considered good	726.81	554.43
Cash & Bank balances :		
Cash & Cheques on hand	814.70	939.99
Balance with Scheduled Banks in Current Account	16459.65	12658.88
Balance with Scheduled Banks in Cash Credit Account	1109.20	891.13
Balance in Unclaimed Dividend Bank Account	44.18	35.99
Term Deposits with Scheduled Banks		
- Free of lien	10100.00	0.00
- Under lien	3831.00	9908.50
(Refer Notes to the Accounts - 24)		
Other Current Assets	908.99	259.61
Total (A)	34358.70	25380.89
[B] Loans & Advances (Unsecured unless otherwise stated) #		
Bills of Exchange	8059.77	3783.91
Trade Advances (Advances recoverable in cash or in kind or for value to be received)	42027.80	34493.23
Inter Corporate Deposits given	2600.00	9550.00
Deposits for office premises/others	1114.33	577.08
Loans against Assets (Secured) (including overdue loans)	1188516.76	816326.67
Loans and Advances (including overdue loans)	19750.58	22620.82
MAT Credit Entitlement	0.00	2.00
Advance Payment of Tax (net of provisions)	4854.30	2890.00
Total (B)	1266923.54	890243.71
TOTAL (A+B)	1301282.24	915624.60

Includes Non-Performing Assets of Rs. 55,388.56 lacs (Previous year : Rs. 61,255.20 lacs)

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE IX		
CURRENT LIABILITIES		
Sundry Creditors	28991.99	23213.50
Deposits/Advances received against Loan agreements	2239.96	1510.11
Investors Education and Protection Fund shall be credited by the following amounts (as and when due):		
Unclaimed Dividend	42.16	33.88
Credit balances in Current Accounts with Banks	8553.94	5447.34
Amount received in advance from ESOS Trust	393.09	468.71
Less : Loan given to the ESOS Trust	0.00	118.45
	393.09	350.26
Other Current Liabilities	23923.86	17549.61
Interest accrued but not due - Loans	14604.15	11886.22
- Others	8.20	15.29
TOTAL	78757.35	60006.21

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE X		
PROVISIONS		
Provision for Non-Performing Assets (Refer Notes to the Accounts - 15)	36864.40	42024.43
Contingent Provision against Standard Assets (Refer Notes to the Accounts - 16 & 17)	3220.69	0.00
Provision for Estimated Loss/Expenses on Assignments	25426.37	19244.29
Provision for Employee Benefits (Refer Notes to the Accounts - 22)	4073.15	3598.32
Proposed Dividend	10418.84	7269.25
Corporate Dividend Tax	1768.65	1245.95
TOTAL	81772.10	73382.24

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XI		
INCOME FROM OPERATIONS		
Income from Loan	192419.70	141759.28
Income from Assignment Transactions (Refer Notes to the Accounts - 26)	9059.40	12537.51
Income from Bills	759.47	302.68
Income from Hire Purchase	85.36	105.65
Income from Lease	1.38	1.72
Income from Insurance Business/Services	2026.40	1415.68
TOTAL	204351.71	156122.52

Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XII		
OTHER INCOME		
Profit/Premium on Sale/Redemption of Investment	52.41	92.95
Interest on Government Securities :		
- Short Term	11.35	46.63
- Long Term	615.76	39.31
Dividend received from Investments in Mutual Fund Units	218.08	1507.80
Interest on Term Deposits/ICDs (TDS Rs. 171.41 lacs, Previous year : Rs. 157.81 lacs)	1410.77	1117.53
Profit on Sale/Retirement of Owned Assets	11.46	20.27
Income - Others	767.08	613.14
TOTAL	3086.91	3437.63

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XIII		
FINANCIAL EXPENSES		
Interest on		
- Fixed Loans	42223.83	24621.37
- Debentures	18999.16	21291.64
- Others	4224.77	3364.71
Bank Charges	1170.83	1001.99
TOTAL	66618.59	50279.71

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XIV		
EMPLOYEE COST		
Salary, Bonus & Incentives	19841.88	14409.12
Company's Contribution to P. F. & Other Funds	1520.87	940.84
Staff Welfare	892.37	558.95
Employee Compensation Expense on account of ESOS	143.18	34.29
TOTAL	22398.30	15943.20



Schedules

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XV		
OTHER EXPENSES		
Electricity Charges	496.68	386.90
Rent	2100.63	1337.12
Repairs & Maintenance - Building	1889.51	91.01
- Others	59.58	52.01
Insurance	962.48	997.99
Rates & Taxes	1726.28	972.87
Directors Remuneration - Fees	5.30	2.35
- Commission	83.72	77.63
Commission & Brokerage	5632.88	2717.16
Legal & Professional Charges	2097.63	1718.88
Loss on Sale/Retirement of Owned Assets	2.00	0.00
Auditors Remuneration - Audit Fees	26.37	19.25
- Other Services	22.89	11.29
Donations	323.80	93.45
General & Administrative Expenses	10792.94	7657.35
TOTAL	26222.69	16135.26

	Rs. in lacs	
	MARCH 2011	MARCH 2010
SCHEDULE XVI		
PROVISIONS & WRITE OFFS		
Bad Debts & Write offs	17732.64	19261.07
Provision for Non-Performing Assets (Net)	(5140.38)	2919.08
(Refer Notes to the Accounts - 15)		
TOTAL	12592.26	22180.15

Schedules

SCHEDULE XVII

CONSOLIDATED NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

SIGNIFICANT ACCOUNTING POLICIES (SAP) :

1) Basis for Preparation of Accounts :

The accounts have been prepared to comply in all the material aspects with (a) applicable accounting principles in India, (b) the Accounting Standards issued by The Institute of Chartered Accountants of India, as applicable and (c) relevant provisions of The Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies.

2) Use of Estimates :

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future years.

3) Revenue Recognition :

i. General :

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, fee based income and Interest on Trade advance, which on account of uncertainty of ultimate collection are accounted on receipt basis. Also in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies, income on business assets classified as Non-performing Assets, is recognised on receipt basis.

ii. Income from Loan Against Assets (movable) :

Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

iii. Income from Subvention/Service/Document Charges :

Subvention received from dealers/manufacturers on retail cases is booked over the year of the contract. However, service charges & documentation charges are booked at the commencement of the contract.

iv. Brokerage and Handling charges Income :

Brokerage and Handling charges income is recognised on accrual basis when services are rendered and is net of Service Tax.

v. Interest and Other Income from Housing Loans :

Repayment of housing loans is generally by way of Equated Monthly/Quarterly/Half yearly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is accounted every month.

vi. Income from Manpower Supply Services :

Manpower Supply Services income is recognised on accrual basis when services are rendered and is net of Service Tax.

vii. Income from Assignment transactions :

In case of assignment of receivables the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser. On de-recognition, the difference between book value of the receivables assigned and consideration received as reduced by the estimated provision for loss/expenses & incidental expenses related to the transaction is recognised as gain or loss arising on assignment.

viii. Income from Investments :

- Dividend from investments is accounted for as income when the right to receive dividend is established.
- Interest income is accounted on accrual basis.

4) Fixed Assets :

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.

Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

5) Depreciation :

i. Depreciation on fixed assets, other than leased assets and repossessed assets capitalised for own use, is charged using Straight Line Method at rates specified in Schedule XIV to The Companies Act, 1956 on a pro-rata basis except for :

- Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
- Assets costing less than Rs. 5,000/- are fully depreciated in the year of purchase and

- c) Vehicles used by employees are depreciated over the year of 48 months considering this period as the useful life of vehicle for the Company.
- ii. Repossessed assets, that have been capitalised for own use, are depreciated @ 15% using the Straight Line Method over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of 'Owned Assets'.

6) Foreign Exchange Transactions :

All assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end, except those covered by forward exchange contracts which are translated at contracted rates, where the difference between the contracted rate and the spot rate on the date of the transaction is charged to Profit and Loss Account over the year of the contract.

In case of the current assets, current liabilities and long term liabilities the exchange differences are recognised in the Profit and Loss account.

7) Investments :

In terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

8) Loans against Assets :

Loan against assets are stated at agreement value net of instalments received less unexpired finance charges.

9) Employee benefits :

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

(a) Defined Contribution Plans -

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognised in the Profit and Loss Account.

(b) Defined Benefit Plan -

Company's liabilities towards gratuity is determined using the Projected Unit Credit Method which considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- (c) Liability on account of encashment of privilege leave to employees is considered as short term compensated expense provided at actual and on account of sick leave is considered as long term unfunded benefit & recognised on the basis of actuarial valuation using Projected Unit Credit Method determined by appointed actuary.

10) Borrowing Cost :

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial year of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

11) Lease Hold Improvements :

Expenditure incurred on improvements to leasehold premises is classified into Capital and Revenue. Addition to assets are capitalised under Fixed Assets and balance expenditure, if any, is debited to Profit & Loss Account.

12) Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Deferred Tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing

Schedules

evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

13) Intangible Assets :

All intangible assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

Software expenses are treated as an intangible asset and amortised over the useful life of the asset. The maximum period for such amortisation is 36 months.

14) Miscellaneous Expenditure :

- a) **Preliminary Expenses :**
Preliminary expenses are charged to Profit and Loss Account in the year of incurrence.
- b) **Share Issue Expenses :**
Expenses incurred in connection with fresh issue of Share Capital are adjusted against Securities Premium Account in the year in which they are incurred.

15) Impairment of Assets :

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

16) Provisions & Contingent Liabilities :

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

17) Derivatives :

The hedging contracts comprise of interest rate swap undertaken to hedge interest rate risk on certain liabilities. These hedges are accounted for like the underlying liabilities. The net interest payable is accounted on accrual basis over the life of the swap.

18) Employee Stock Compensation Costs :

Measurement and disclosure of the Employee Share-based Payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the Intrinsic Value Method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

NOTES TO THE ACCOUNTS :

- 1) The Consolidated Financial Statements relate to Mahindra & Mahindra Financial Services Limited, the Holding Company, its Subsidiary Companies namely Mahindra Insurance Brokers Limited, Mahindra Rural Housing Finance Limited and Mahindra Business & Consulting Services Private Limited and its Joint Venture entity, Mahindra Finance USA, LLC. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS-21) "Consolidated Financial Statements" and Accounting Standard 27 (AS-27) "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis :
 - a. The Financial Statements of the Company, its Subsidiary Companies and the Joint Venture have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealised profits or losses.
 - b. The difference between the cost of investment in the Subsidiary Companies over the Company's portion of equity of the Subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.
 - c. The difference between the foreign exchange rates prevailing at the time of making the investment and on the date on which the accounts of the Joint Venture are made, is recognised in the financial statements as Foreign Exchange Fluctuation Reserve.
 - d. The Financial Statements of the Subsidiary Companies and the Joint Venture are drawn upto March 31, 2011.

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- e. The Subsidiary Companies and the Joint Venture (which along with Mahindra & Mahindra Financial Services Limited, the parent, constitute the group) considered in the presentation of these consolidated financial statements are :

Name of the Subsidiary Company/Joint Venture	Country of Origin	Proportion of Ownership Interest
Mahindra Insurance Brokers Limited (MIBL)	India	100.00%
Mahindra Rural Housing Finance Limited (MRHFL)	India	87.50%
Mahindra Business & Consulting Services Pvt. Ltd. (MBCSPL)	India	100.00%
Mahindra Finance USA, LLC	USA	49.00%

- 2) a) The Board of Directors of the Company, at its meeting held on November 29, 2010 and pursuant to Special Resolution passed by the members through postal ballot on January 3, 2011, had approved the increase in the Authorised Capital of the Company and issue of Equity Shares.

Pursuant to the passing of the above resolution and in accordance with Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009, as amended :

The Company allotted 61,33,205 Equity Shares of face value of Rs. 10/- each at a price of Rs. 695/- per Equity Share including a premium of Rs. 685/- per Equity Share aggregating to Rs. 42,625.77 lacs to Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP).

The cost of issue of the shares to QIP holders amounting to Rs. 971.70 lacs is adjusted against the Securities Premium Account in accordance with the provisions of The Companies Act, 1956.

The utilisation of the funds received from the QIP are as under :

Particulars	Rs. in lacs
	Amount
Sources of Funds :	
QIP Proceeds	42625.77
Utilisation of Funds :	
QIP Issue Expenses	971.70
Disbursement of retail loans to customers	41654.07
TOTAL	42625.77

- b) Further, the Company has issued 9,69,005 Equity Shares of Rs. 10/- each for cash, at par, to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust under the newly approved Employees' Stock Option Scheme 2010.
- 3) During the year, the Company has made an investment of Rs. 2,282.27 lacs (US\$ 5.02 million) as its contribution towards 49% ownership in Mahindra Finance USA, LLC, a Joint Venture company formed jointly with De Lage Landen Financial Services Inc. in United States.
- 4) The Company has the following investments in Joint Venture for which the required treatment as per Accounting Standard 27(AS-27) "Financial Reporting of Interests in Joint Ventures", has been given in the Consolidated Financial Statements :

Name of Joint Ventures	Country of Incorporation	Percentage of ownership interest
Mahindra Finance USA, LLC	United States of America	49.00%

(Considered on the basis of unaudited financial statements.)

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- 5) The Subsidiary Company, Mahindra Insurance Brokers Limited, earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. The Company does not expect any significant variation in the book balances.
- 6) In case of Mahindra Insurance Brokers Limited, the direct broking license which expired on May 18, 2010 has been renewed by the Insurance Regulatory & Development Authority (IRDA) for a further period of three years.
- 7) In case of Mahindra Rural Housing Finance Limited (MRHFL), during the year under audit, due to change in basis of accounting of income from completed month basis to days basis, there is one time impact of Rs. 152 lacs (net of tax Rs. 110.55 lacs) which has been credited to income from operations.
- 8) In case of MRHFL, in terms of Section 29C(i) of The National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profits to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Company under Section 36(1)(viii) of The Income-tax Act, 1961 is considered to be an eligible transfer. During the year, the Company has transferred an amount of Rs. 2,78,35,000/- (Previous year Rs. 55,21,638/-) to Special Reserve in terms of Section 36(1)(viii) of The Income Tax Act, 1961. The Company does not anticipate any withdrawal from such Special Reserve in the foreseeable future.
- 9) During the year, the Company has granted 2,51,565 Stock Options to the eligible employees under the newly approved Employees' Stock Option Scheme 2010. The details of the Employee Stock Option Scheme 2010 are as under :

Particulars	Grant dated February 7, 2011
Type of Arrangement	Employee Share-Based Payment Plan administered through Employee Stock Option Trust.
Number of Options Granted	2,51,565
Contractual life	Options will lapse if not exercised within 6 months from the date of each vesting.
Exercise Price	Rs. 10/- per share
Method of Settlement	By Issue of shares at Exercise Price
Vesting Conditions	20% On expiry of 12 months from the date of grant ; 20% On expiry of 24 months from the date of grant ; 20% On expiry of 36 months from the date of grant ; 20% On expiry of 48 months from the date of grant ; 20% On expiry of 60 months from the date of grant .

The Company has adopted Intrinsic Value Method in accounting for employee cost on account of ESOS. The intrinsic value of the shares is based on the latest available closing market price, prior to the date of meeting of the Board of Directors in which the options were granted on the stock exchange in which the shares of the company are listed. The difference between the intrinsic value & the exercise price is being amortised as employee compensation cost over the vesting period. The details of the same are given here under:

Particulars	Grant dated February 7,2011
Intrinsic Value of shares based on latest available closing market price	Rs. 693.00
Total Amount to be amortised over the vesting period	Rs. 1718.19 lacs
Charge to Profit & Loss Account for the year	Rs. 130.77 lacs
Compensation in respect of lapsed cases	Nil
Unamortised Amount carried forward	Rs. 1587.42 lacs



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The Fair Value of options, based on the valuation of the independent valuer as on date of grant are :

Vesting period in years	Grant dated February 7, 2011	
	Expected Vesting	Fair Value (Rs.)
1	50315	618.31
2	50315	
3	50315	
4	50315	
5	50305	
	251565	

The Fair Value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows :

Particulars	Grant dated February 7, 2011
Risk free interest rate	7.73%
Expected life	4.5 years
Expected volatility	42.38%
Expected dividend yield	2.28%
Exercise price	Rs. 10.00
Stock price	Rs. 693.00

- 10) Earnings Per Share as required by Accounting Standard (AS-20) read with the Guidance Note on "Accounting for Employee Share-based Payments" is as follows :

Particulars	Intrinsic Value Method		Fair Value Method	
	MARCH 2011	MARCH 2010	MARCH 2011	MARCH 2010
A Net Profit After Tax (Rs. in lacs)	49277.13	35582.14	49230.95	35432.36
B Weighted Average number of Equity Shares of Rs. 10/- each (Basic)	96773669	95791589	96773669	95791589
C Weighted Average number of Equity Shares of Rs. 10/- each (Diluted)	104002735	96900525	96900525	96900525
D Basic Earning per Share (Rs.)	50.92	37.15	50.87	36.99
E Diluted Earning per Share @ (Rs.)	47.38	36.72	47.34	36.57

@ Dilution in Earning per share is on account of 15,49,771 Equity Shares (Previous year : 9,19,048 Equity Shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

- 11) The Company had allotted 26,86,550 Equity Shares on December 6, 2005 and 9,69,005 Equity Shares on February 3, 2011, to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company.

The compensation costs of stock options granted to employees are accounted by the Company using the Intrinsic Value Method.

Summary of Stock Options	No. of stock options	Weighted Average Exercise Price (Rs.)
Options outstanding on April 1, 2010	872159	161.97
Options granted during the year	251565	10.00
Options forfeited/lapsed during the year	22654	135.26
Options exercised during the year	338282	145.20
Options outstanding on March 31, 2011	762788	120.08
Options vested but not exercised on March 31, 2011	346953	143.43

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Average Share price at recognised stock exchange (NSE) on the date of exercise of the option are as under :

Date of Exercise	Average Share Price (Rs.)
June 10, 2010	469.06
September 8, 2010	644.43
September 16, 2010	667.73
October 15, 2010	709.52
October 21, 2010	688.14
December 22, 2010	702.32
December 30, 2010	736.25
January 13, 2011	669.76
January 14, 2011	641.51

Information in respect of options outstanding as on March 31, 2011 :

Exercise price	No. of Options	Weighted average remaining life
Rs. 51.00	189317	8 months
Rs. 211.00	80271	27 months
Rs. 304.00	87125	35 months
Rs. 233.00	154510	41 months
Rs. 10.00	251565	70 months

- 12) As per Guidance note issued by The Institute of Chartered Accountants of India on Accounting for Employee Share-based Payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly The Company has reduced the Share Capital by Rs. 154.98 lacs (Previous year : Rs. 91.90 lacs), Securities Premium by Rs. 238.11 lacs (Previous year : Rs. 376.81 lacs) in respect of 15,49,771 shares (Previous year : 9,19,048 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.
- 13) The Holding Company, Mahindra & Mahindra Limited, has incurred a cost of Rs. 3.69 lacs (Previous year : Rs. 0.62 lacs) under Employee Stock Options Scheme (ESOS) to employees of the Company.
- 14) During the year, the Company has made an investment of Rs. 1,400.00 lacs in Mahindra Rural Housing Finance Limited, its Subsidiary, in response to call @ Rs. 4/- per share being made on 3,50,00,000 Equity Shares of Rs. 10/- each.
- 15) The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by The Reserve Bank of India. The Company also makes additional provision on a prudential basis. The cumulative additional provision made by the Company as on March 31, 2011 is Rs. 13,296.40 lacs (Previous year : Rs. 19,855.73 lacs).
- 16) In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated 17.01.2011 issued by The Reserve Bank of India (RBI) vide its directions to all NBFC's to make a general provision of 0.25% on the standard assets, the Company has for the first time made a provision of Rs. 3,143.00 lacs on the standard assets as on March 31, 2011. The amount of provision on standard assets is shown separately as "Contingent Provision against Standard Assets" under provisions in the Balance Sheet.
- 17) The Company has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2001 for recognising Non-performing Assets in preparation of accounts. The Company has made adequate provision on Non-performing Assets as prescribed by under Housing Finance Companies (NHB) Directions, 2001.

During the year, the Company, for the first time has voluntarily made an additional provision on standard assets as on March 31, 2011 at the rate of 0.25% amounting to Rs. 77.69 lacs.



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- 18) Bad debts & Write off's includes loss on termination which mainly represents shortfall on settlement of certain contracts due to lower realisation from such Hire Purchase/Leased/Loan assets on account of poor financial position of such customers.
- 19) Commission & Brokerage mainly represents amount incurred in respect of acquisition of customers & mobilisation of public deposits.
- 20) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.
- 21) Current Liabilities include Deposits/Advances received on account of Lease/Hire Purchase/Loans against Assets, which are repayable/adjusted over the year of the contract.
- 22) Employee Benefits :

In case of Holding Company

Defined Benefit Plans - As per Actuarial valuation

Rs. in lacs

Sr. No.	Particulars	Gratuity (Funded)		Sick leave (Non funded)	
		MARCH 2011	MARCH 2010	MARCH 2011	MARCH 2010
I.	Expense recognised in the Statement of Profit & Loss Account for the year ended March 31				
1	Current service cost	275.34	232.88	61.79	44.31
2	Interest cost	31.31	23.13	4.95	5.15
3	Expected return on plan assets	(30.63)	(23.27)	0.00	0.00
4	Actuarial (Gains)/Losses	(124.65)	(120.86)	(48.51)	(68.04)
5	Total expense	151.37	111.88	18.23	(18.58)
II.	Net asset/(liability) recognised in the Balance Sheet as at March 31				
1	Present Value of Defined Benefit obligation as at March 31	442.42	343.83	73.31	55.08
2	Fair value of plan assets as at March 31	375.80	305.50	0.00	0.00
3	Funded status (surplus/(deficit))	(66.62)	(38.33)	(73.31)	(55.08)
4	Net asset/(liability) as at March 31	(66.62)	(38.33)	(73.31)	(55.08)
III.	Change in the obligations during the year ended March 31				
1	Present Value of Defined Benefit obligation at the beginning of the year	343.83	256.67	55.08	73.66
2	Current service cost	275.34	232.88	61.79	44.31
3	Interest cost	31.31	23.13	4.95	5.15
4	Actuarial (Gains)/Losses	(155.28)	(144.12)	(48.51)	(68.04)
5	Benefits paid	(52.78)	(24.73)	0.00	0.00
6	Present Value of Defined Benefit obligation at the year ended March 31	442.42	343.83	73.31	55.08

Schedules

Rs. in lacs

Sr. No.	Particulars	Gratuity (Funded)		Sick leave (Non funded)	
		MARCH 2011	MARCH 2010	MARCH 2011	MARCH 2010
IV.	Change in the fair value of plan assets during the year ended March 31				
1	Fair value of plan assets at the beginning of the year	305.50	208.08		
2	Expected return on plan assets	30.63	23.27		
3	Contributions by employer	123.08	122.15		
4	Actuarial (Gains)/Losses	(30.63)	(23.27)		
5	Actual Benefits paid	(52.78)	(24.73)		
6	Fair value of plan assets at March 31	375.80	305.50		
V.	Major category of plan assets as a percentage of total plan				
	Funded with LIC	100%	100%		
VI.	Actuarial Assumptions				
1	Discount Rate	8.00% pa.	8.00% pa.	8.00% pa.	8.00% pa.
2	Expected Rate of return on plan assets	8.00% pa.	8.00% pa.		
3	Rate of Salary increase	5.00% pa	5.00% pa	5.00% pa	5.00% pa
4	In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

In case of Subsidiary Company (MIBL)

GRATUITY - Fully Funded	(Rs. in lacs)	
	MARCH 2011	MARCH 2010
I. Change in Obligation during the year ended March 31		
1 Present value of obligation at the beginning of the year	23.08	15.69
2 Interest Cost	2.24	1.51
3 Current Service Cost	28.46	20.94
4 Actuarial (Gain)/Loss on Obligations	(19.89)	(15.06)
5 Benefits Paid	0.00	0.00
6 Present value of Defined Benefit Obligation at the end of the year	33.89	23.08
II. Change in Assets during the year ended March 31		
1 Plan Assets at the beginning of the year	30.05	23.55
2 Expected return on plan assets.	2.43	1.88
3 Contributions by Employer	8.00	6.50
4 Actual benefits paid	0.00	0.00
5 Actual Gain/(Losses)	(2.43)	(1.88)
6 Plan Assets at the end of the year	38.05	30.05

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GRATUITY - Fully Funded		(Rs. in lacs)	
		MARCH 2011	MARCH 2010
III. Net Asset/(Liability) recognised in the Balance Sheet as at March 31			
1	Present Value of Defined Obligation as at March 31	33.89	23.08
2	Fair Value of plan assets as at March 31	38.05	30.05
3	Fund status (Surplus/(Deficit))	4.15	6.96
4	Net Assets/(Liability) as at March 31	4.15	6.96
IV. Expenses recognised in the Statement of Profit and Loss for the year ended March 31			
1	Current Service cost	28.46	20.94
2	Interest Cost	2.24	1.51
3	Expected return on Plan Assets	(2.43)	(1.88)
4	Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/(Loss) adjustment)	(17.46)	(13.19)
5	Expenses recognised in Statement of Profit & Loss	10.81	7.39
V. Major Category in Plan Assets as a percentage of total plan			
1	Insurer Managed Funds	100%	100%
VI. Method of Valuation			
Projected Unit Credit Method			
		MARCH 2011	MARCH 2010
VII. Actuarial Assumption			
1	Discount Rate	8.00%	8.00%
2	Expected rate of return on plan assets	8.00%	8.00%
3	In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE
4	Salary Increment Rate	5.00%	5.00%
5	Retirement Age	60 years	60 years
6	Withdrawal	Attrition rate of 1% up to the age of 30 years	

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In case of Subsidiary Company (MRHFL)

Defined Benefit Plans - As per actuarial valuation on March 31, 2011

(Rs. in lacs)

	Gratuity (Funded)		Sick leave (Non funded)	
	MARCH 2011	MARCH 2010	MARCH 2011	MARCH 2010
I. Expense recognised in the Statement of Profit & Loss Account for the year ended March 31				
1 Current service cost	13.76	5.50	4.69	0.67
2 Interest cost	0.79	0.20	0.13	0.00
3 Expected return on plan assets	(0.97)	(0.28)	0.00	0.00
4 Actuarial (Gains)/Losses	(8.96)	(1.64)	(3.53)	0.49
5 Total expense	4.62	3.78	1.29	1.16
II. Net asset/(liability) recognised in the Balance Sheet as at March 31				
1 Present Value of Defined Benefit obligation as at March 31	12.95	7.36	2.46	1.16
2 Fair value of plan assets as at March 31	14.59	6.47	0.00	0.00
3 Funded status (surplus/(deficit))	1.64	(0.89)	(2.46)	(1.16)
4 Net asset/(liability) as at March 31	1.64	(0.89)	(2.46)	(1.16)
III. Change in the obligations during the year ended March 31				
1 Present Value of Defined Benefit obligation at the beginning of the year	7.36	3.31	1.16	0.00
2 Current service cost	13.76	5.50	4.69	0.67
3 Interest cost	0.79	0.20	0.13	0.00
4 Actuarial (Gains)/Losses	(8.96)	(1.64)	(3.53)	0.49
5 Benefits paid	0.00	0.00	0.00	0.00
6 Present Value of Defined Benefit obligation at the end of the period	12.95	7.36	2.46	1.16
IV. Change in the fair value of plan assets during the year ended March 31				
1 Fair value of plan assets at the beginning of the year	6.47	0.92	0.00	0.00
2 Expected return on plan assets	0.97	0.28	0.00	0.00
3 Contributions by employer	7.15	5.27	0.00	0.00
4 Actuarial (Gains)/Losses	0.00	0.00	0.00	0.00
5 Actual Benefits paid	0.00	0.00	0.00	0.00
6 Fair value of plan assets at the end of the year	14.59	6.47	0.00	0.00
V. Major category of plan assets as a percentage of total plan				
Funded with LIC	100%	100%		
Others				
VI. Actuarial Assumptions				
1 Discount Rate	8.00% pa.	8.00% pa.	8.00% pa.	8.00% pa.
2 Rate of Salary increase	5.00% pa	5.00% pa	5.00% pa	5.00% pa
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE		

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In case of Subsidiary Company (MBCSPL)

Defined Benefit Plans - As per actuarial valuation on March 31, 2011

	(Rs. in lacs)	
	MARCH 2011	MARCH 2010
Leave Benefits		
I. Expense recognised in the Statement of Profit & Loss Account for the year ended March 31		
1 Current service cost	98.15	8.31
2 Interest cost	1.56	0.00
3 Expected return on plan assets	0.00	0.00
4 Actuarial (Gains)/Losses	(63.61)	0.00
5 Total expense	36.10	8.31
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1 Present Value of Defined Benefit obligation as at March 31	44.41	8.31
2 Fair value of plan assets as at March 31	0.00	0.00
3 Funded status (surplus/(deficit))	(44.41)	(8.31)
4 Net asset/(liability) as at March 31	(44.41)	(8.31)
III. Change in the obligations during the year ended March 31		
1 Present Value of Defined Benefit obligation at the beginning of the year	8.31	0.00
2 Current service cost	98.15	8.31
3 Interest cost	1.56	0.00
4 Actuarial (Gains)/Losses	(63.61)	0.00
5 Benefits paid	0.00	0.00
6 Present Value of Defined Benefit obligation at the end of the period	44.41	8.31
IV. Change in the fair value of plan assets during the year ended March 31		
1 Fair value of plan assets at the beginning of the year	0.00	0.00
2 Expected return on plan assets	0.00	0.00
3 Contributions by employer	0.00	0.00
4 Actuarial (Gains)/Losses	0.00	0.00
5 Actual Benefits paid	0.00	0.00
6 Fair value of plan assets at the end of the year	0.00	0.00
V. Major category of plan assets as a percentage of total plan		
Funded with LIC	100%	100%
Others		
VI. Actuarial Assumptions		
1 Discount Rate	8.00% p.a.	8.00% p.a.
2 Rate of Salary increase	5.00% p.a.	5.00% p.a.
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

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23) Disclosure on Derivatives :

There were 2 Derivative instruments (Previous year : 4) for hedging interest rate risk outstanding as on March 31, 2011.

24) Collateral and Lien marked Deposits/Investments :

Term Deposits include :

- a) Rs. Nil (Previous year : Rs. 9,079.00 lacs) maintained as cash collateral deposits in accordance with the assignment transactions.
- b) Rs. 3,800.00 lacs (Previous year : Rs. 810 lacs) being the Term Deposits kept with Scheduled Banks as Statutory Liquid Assets as required under section 45 IB of The Reserve Bank of India Act, 1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C.No. 87/03.02.004/2006-07 dated 4th January, 2007 issued by The Reserve Bank of India.
- c) Rs. 21.00 lacs (Previous year : Rs. 9.50 lacs) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suits filed by the Company.

Investments include :

Rs. 9,359.64 lacs (Previous year : Rs. 5,616.37 lacs) being the investments in Treasury Bills/Government Stocks as Statutory Liquid Assets as required under section 45 IB of The Reserve Bank of India Act, 1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C.No. 87/03.02.004/2006-07 dated 4th January, 2007 issued by The Reserve Bank of India.

25) Expenditure in Foreign Currency :

Foreign Travel Rs. 13.89 lacs (Previous year : Rs. 5.05 lacs)
Legal and Professional Fees Rs. 136.95 lacs (Previous year : Rs. 113.58 lacs)
Others Rs. 41.56 lacs (Previous year : Rs. 8.94 lacs)

- 26) a) During the year, the Company has without recourse assigned loan receivables of 36618 (Previous year : 31628) contracts amounting to Rs. 1,22,764.34 lacs (Previous year : Rs.1,04,460.66 lacs) (including future interest receivable) for a consideration of Rs. 1,08,930.92 lacs (Previous year : Rs. 97,127.63 lacs) and de-recognised the assets from the books. The income booked in respect of assignment of receivables includes certain amount towards cost of future servicing of the assigned pool and an appropriate amount has been provided towards expenditure for future services. On assignment of receivables income recognised upfront for the current period is Rs. 15,152.22 lacs (Previous year : Rs.19,058.16 lacs) against which a provision for estimated loss/expenses of Rs. 9,830.08 lacs (Previous year : Rs.8,051.42 lacs) is made.
 - b) During the year, the provision in respect of assignment transactions amounting to Rs. 3,648.00 lacs (Previous year : Rs. 1,546.07 lacs) considered no longer necessary has been written back.
- 27) During the year, the Company has acquired without recourse portfolio of Rs. 2,076.46 lacs (Previous year : Rs. 48,296.16 lacs) for a consideration of Rs. 2,010.05 lacs (Previous year : Rs. 44,809.11 lacs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company and interest income booked on these portfolios is Rs. Nil (Previous year : Rs. 1,377.66 lacs). The Company has received cash collateral amounting to Rs. 221.11 lacs (Previous year : Rs. 19,395.42 lacs) and over collateral of Rs. 417.26 lacs (Previous year : Rs. Nil) against these assignments.



Schedules

28) Related Party Disclosure as per Accounting Standard 18 :

List of the related parties which have transactions with our Company during the year :

Holding Company	Mahindra & Mahindra Limited
Subsidiary Companies	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Business & Consulting Services Private Limited (formerly known as Mahindra IT Consulting Private Limited)
Joint Ventures	Mahindra Finance USA, LLC
Fellow Subsidiary Companies	As per list given below
Mahindra Navistar Automotives Limited (formerly known as Mahindra International Limited)	NBS International Ltd. Mahindra First Choice Services Limited
Mahindra USA, Inc.	Mahindra Retail Pvt. Limited
Mahindra Holidays & Resorts Limited	Mahindra Two Wheelers Limited
Mahindra Auto Developers Pvt. Limited (formerly known as Mahindra Renault Pvt. Limited)	Mahindra Life Space Developers Limited
Mahindra Intertrade Limited	
Mahindra First Choice Wheels Limited	
Key Management Personnel	Mr. Ramesh Iyer (Managing Director) Dr. Jaideep Devare (Managing Director) Mr. Anuj Mehra (Chief Executive Officer)

Related Party transactions are as under:

		Rs. in lacs			
Sr. No.	Nature of transactions	Holding Company	Fellow Subsidiary Companies	Joint Ventures	Key Management Personnel
1	Income				
	Loan income	761.44	377.70	-	-
		(684.36)	(190.62)	-	-
	Other income	163.45	267.29	-	-
		-	(52.31)	-	-
2	Expenses				
	Interest	386.40	213.66	-	-
		(243.81)	-	-	-
	Other Expenses	781.18	15.66	-	257.25
		(256.36)	(5.28)	-	(175.63)
3	Investment in Share Capital	-	-	2282.27	-
		-	(1.00)	-	-
4	Purchase of Vehicles	352.26	3.41	-	-
		(554.86)	-	-	-

Schedules

Rs. in lacs

Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	Joint Ventures	Key Management Personnel
5	Sale of Fixed Assets	-	-	-	-
6	Finance				
	Unsecured Bonds held (incl. int. accd.)	-	-	-	-
	NCD held (incl. int. accd.)	2646.71	-	-	-
		(2646.71)	-	-	-
	Dividend paid – for previous year	4368.11	-	-	3.98
		(3203.28)	-	-	(3.30)
	Inter Corporate Deposits taken (including interest accrued but not due)	-	-	-	-
	Inter Corporate Deposits given (including interest accrued but not due)	-	2500.00	-	-
		-	(1461.70)	-	-
	Loan given (including interest accrued but not due)	-	491.98	-	-
		-	(755.98)	-	-
	Loan taken (including interest accrued but not due)	-	-	-	-
7	Other Transactions				
	Reimbursement to parties	1.86	86.73	-	-
		(6.48)	(75.27)	-	-
	Reimbursement from parties	-	-	-	-
8	Outstandings				
	Receivables	73.71	10383.56	-	-
		(204.44)	(14708.16)	-	-
	Payables	147.43	10.97	-	-
		(84.96)	(5.12)	-	-

Figures in bracket represent corresponding figures of previous year.



Schedules

- 29) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the Company has accounted for Deferred Tax Asset/Liability. The break up of the Deferred Tax Asset as on March 31, 2011 of Rs. 21,755.97 lacs (Previous year : Rs. 20,716.82 lacs) is as under :

Particulars	Rs. in lacs	
	MARCH 2011	MARCH 2010
Provision for Non-Performing Assets	20137.01	20267.30
General Provision on Standard Assets	1044.96	-
Depreciation	(26.99)	(50.22)
Other Disallowances	600.99	499.74
Total	21755.97	20716.82

- 30) Contingent Liability not provided for :
- Taxation matters : Demands against the Company not acknowledged as debts and not provided for, in respect of which the Company is in appeal and exclusive of assessments remaining to be completed.
Income Tax: Rs. 5,569.24 lacs (Previous year : Rs. 5,252.67 lacs). These demands are met to the extent of Rs. 3,369.49 lacs (Previous year : Rs. 2,781.17 lacs), partly by payment and partly by adjustment against refunds due to the Company.
 - Estimated amount of contracts remaining to be executed on Capital account Rs. 599.16 lacs (Previous year : Rs. 419.56 lacs).
 - Corporate undertaking on assignment Rs. 73,253.29 lacs (Previous year : Rs. 62,625.36 lacs).
 - Legal Suits filed by the customers in Consumer Forums and Civil courts claiming compensation against Company amounting to Rs. 1,721.99 lacs (Previous year : Rs. 1,863.77 lacs).
- 31) The Company has sent letters to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 seeking information for which replies are awaited. In view of this, information required under Schedule VI of The Companies Act, 1956 is not given.

- 32) Segment information as per Accounting Standard 17:

Particulars	(Rs. in lacs)					
	Year ended March 31, 2011			Year ended March 31, 2010		
	Financing Activities	Other reconciling items	Total	Financing Activities	Other reconciling items	Total
External Revenue	205388.58	2050.04	207438.62	158136.40	1423.75	159560.15
Inter Segment Revenue	803.44	9122.76	9926.20	374.21	3552.79	3927.00
Total Revenue	206192.02	11172.80	217364.82	158510.61	4976.54	163487.15
Segment Results (Profit before tax and after interest on Financing Segment)	71462.75	3343.01	74805.76	52308.91	1711.54	54020.45
Less: Interest on Unallocated reconciling items	-	34.36	34.36	-	6.34	6.34
Net Profit before tax	71462.75	3308.65	74771.40	52308.91	1705.20	54014.11

Schedules

Particulars	(Rs. in lacs)					
	Year ended March 31, 2011			Year ended March 31, 2010		
	Financing Activities	Other reconciling items	Total	Financing Activities	Other reconciling items	Total
Less: Income taxes	-	-	25405.21	-	-	18404.70
Net profit	-	-	49366.19	-	-	35609.41
Other information:						
Segment Assets	1364365.43	2982.46	136734789	937452.65	482.62	937935.27
Unallocated corporate assets	-	-	26610.27	-	-	23606.82
Total Assets	1364365.43	2982.46	1393958.16	937452.65	482.62	961542.09
Segment Liabilities	1125543.90	1319.38	1126863.28	785362.84	523.81	785886.65
Unallocated corporate liabilities	-	-	-	-	-	-
Total Liabilities	1125543.90	1319.38	1126863.28	785362.84	523.81	785886.65
Capital Expenditure	4824.29	61.91	4886.20	1517.54	17.90	1535.44
Depreciation/Amortisation	1598.72	15.97	1614.69	996.44	11.28	1007.72
Non cash expenditure other than depreciation	(5004.70)	7.50	(4997.20)	2953.37	-	2953.37

33) Previous year figures have been regrouped wherever found necessary.

Signatures to Schedules I to XVII

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011

Consolidated Cash Flow Statement

for the year ended March 31, 2011

		Rs. in lacs	
		MARCH 2011	MARCH 2010
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit Before Taxes and Contingencies		74771.40	54014.11
Add/(Less):			
Non Cash Expenses :			
Depreciation & Amortisation		1614.69	1007.72
Provision for Non-Performing Assets (Net)		(5140.38)	2919.08
General Provision for Standard Assets		3220.69	0.00
Employee Compensation Expense on account of ESOS		143.18	34.29
		(161.82)	3961.09
Add/(Less):			
Income considered separately :			
Income on Investing Activities		(395.34)	(1299.21)
(Profit)/Loss on sale/retirement of Assets		(9.46)	(20.27)
(Profit)/Loss on sale of Investment		(52.41)	(92.95)
Income from Assignment Transactions		(8970.14)	(12552.82)
		(9427.35)	(13965.25)
Operating Profit Before Working Capital Changes	(I)	65182.23	44009.95
Less:			
(Increase)/Decrease in Interest Accrued on Investment/Others		6789	7.30
(Increase)/Decrease in Trade receivables		263.42	450.21
(Increase)/Decrease in Loans & Advances		(467341.90)	(238271.54)
		(467010.59)	(237814.03)
Add: Increase in Current liabilities		18770.12	6018.58
	(II)	(448240.47)	(231795.45)
Cash generated from Operations	(I+II)	(383058.24)	(187785.50)
Advance Taxes Paid		(28406.67)	(22101.15)
NET CASH FROM OPERATING ACTIVITIES	(A)	(411464.91)	(209886.65)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets/Software		(5215.90)	(2188.60)
Sale of Fixed Assets		71.63	148.37
Purchase of Investments		(59494.25)	(20338.18)
Investments in Term Deposit with Banks		6077.50	(814.00)
Sale of Investments		15928.75	9809.29
Income received on Investments		214.36	1207.07
NET CASH FROM INVESTING ACTIVITIES	(B)	(42417.91)	(12176.05)

Consolidated Cash Flow Statement

for the year ended March 31, 2011

	MARCH 2011	MARCH 2010
Rs. in lacs		
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares (net of issue expenses)	43426.59	138.02
Increase/(Decrease) in Bank Borrowings (net)	292163.85	141364.77
Increase/(Decrease) in Long term Borrowings (net)	13356.46	(44513.00)
Increase/(Decrease) in Short term Borrowings (net)	(16860.00)	(10800.00)
Increase/(Decrease) in Fixed Deposits (net)	35444.06	40688.89
Proceeds from Assignment Transactions	108930.92	97127.63
Dividend Paid	(8577.32)	(6243.89)
NET CASH FROM FINANCING ACTIVITIES (C)	467884.56	217762.42
NET INCREASE/(DECREASE) IN		
CASH AND CASH EQUIVALENT (A+B+C)	14001.74	(4300.28)
CASH AND CASH EQUIVALENTS AS AT:		
Beginning of the year *	14525.99	18826.27
End of the year *	28527.73	14525.99

* Cash and Cash Equivalents does not include "Term Deposits under lien" in respect of Assignment Transactions, Term Deposits kept with Scheduled banks as Statutory Liquid Assets and Other Deposits towards Bank Guarantee against legal suits filed by the company.

Examined and found correct

For B. K. Khare and Co.
Chartered Accountants
FRN : 105102W

Bharat Doshi
Chairman

Uday Y. Phadke
Vice Chairman

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
(Membership No. 44784)

Dhananjay Mungale
Director

Piyush Mankad
Director

Rama Bijapurkar
Director

Pawan Goenka
Director

V. Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Place : Mumbai
Dated : April 25, 2011



Details of Subsidiary Companies

- 1) Mahindra Insurance Brokers Limited (MIBL)
- 2) Mahindra Rural Housing Finance Limited (MRHFL)
- 3) Mahindra Business & Consulting Services Private Limited (MBCSPL)

		Rs. in lacs		
Sr. No.	Particulars	MIBL	MRHFL	MBCSPL
a	Capital	50.00	2,971.43	1.00
b	Reserves & Surplus	4,550.56	775.31	67.55
c	Total Assets	4,600.56	30,074.98	742.29
d	Total Liabilities	4,600.56	30,074.98	742.29
e	Details of Investments (except in case of investment in subsidiaries)	-	-	-
f	Turnover	5,177.33	4,933.68	5,994.54
g	Profit Before Tax	3,289.34	1,217.93	82.00
h	Provision For Taxation	1,111.78	332.17	27.58
i	Profit After Tax	2,177.56	885.76	54.42
j	Proposed Dividend & Tax thereon	116.61	173.25	-



Driving Positive
Change...



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