



**EMPOWERING
IDEAS**

**ENDURING
RELATIONSHIPS**

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CORPORATE INFORMATION

Directors

Bharat Doshi - *Chairman*
Uday Y. Phadke
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*
Uday Y. Phadke
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

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

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

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

Bankers

Allahabad Bank
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 N.A.
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
Punjab National Bank
Standard Chartered Bank
State Bank of India
State Bank of Bikaner and Jaipur
Syndicate Bank
The Bank of Novascotia
The Jammu & Kashmir Bank Ltd
The Royal Bank of Scotland
UCO Bank
UBS AG
United Bank of India
Yes Bank Ltd



AT MAHINDRA FINANCE, WHEN WE COMMENCED OUR JOURNEY, MAHINDRA & MAHINDRA GROUP HAD ALREADY ESTABLISHED LEADERSHIP IN SMALLER TOWNS AND RURAL AREAS. THEREFORE, IT WAS NATURAL FOR US TO LEVERAGE THESE STRENGTHS AND FOCUS ON THESE GEOGRAPHIES FOR OUR BUSINESS SUSTENANCE. LONG BEFORE, 'FINANCIAL INCLUSION' AND 'RURAL OPPORTUNITY' BECAME FASHIONABLE BUZZWORDS, WE STARTED FOCUSING ON THE RURAL OPPORTUNITY. THE COMBINATION OF A VIBRANT ECONOMY AND A HARD-WORKING, INNOVATIVE POPULATION CREATES A BEEHIVE OF OPPORTUNITIES IN RURAL INDIA. THE RESOURCE SCARCITY THAT CONSTRAINS PERFORMANCE IN LARGE CITIES, ALTERNATIVELY SPURS RURAL PEOPLE TO DEVELOP INNOVATIVE SOLUTIONS. WE HAVE PARTICIPATED IN NUMEROUS INSTANCES OF INNOVATIVE SOLUTIONS THAT PROVIDE BENEFITS SIMILAR TO CONVENTIONAL ONES, BUT AT A FRACTION OF THE COST.

Our close interactions with rural customers help us understand their aspirations, forge closer bonds of trust and evolve a viable business model, aligned to their needs. Today, we are an active enabler, helping both the manufacturers and the customers. Our simplest thoughts have a profound ability to transform lives and empower people.

The outcome: a glitter in the eyes of over 2 million customers across all spheres of life; a transformation that is powering the engine of rural and semi-urban India; two decades of value-focused growth, despite economic volatilities and business challenges.

THIS IS MAHINDRA FINANCE ON THE MOVE.

This Annual Report showcases multiple instances of ingenious ideas and relationships, culled from day-to-day life in rural India. As you read this, more and more people are reposing their confidence in our ecosystem of ideas and relationships. To help shape their future and reinforce India's inclusive growth.

**MORE RETURNS.
MORE SMILES.**

At Mahindra Finance, we create productive relationships. We finance tractors that enhance agricultural output for farmers.

And open multiple doors of opportunities.

Forging a human bond of trust that deepens with time. Our approach is to help create more farmer-entrepreneurs across India.

Who take forward our message of inclusive growth.



LIVELIHOOD

WITH DIGNITY

Mahindra Finance empowers the aspirations of many three-wheeler owners.

Who traverse the road with confidence.

And enjoy a livelihood with dignity.

We support their perseverance and courage.

And they help drive our performance.





VISION

**TO BE A LEADING
FINANCIAL SERVICES
PROVIDER IN SEMI-URBAN
AND RURAL INDIA.**

MISSION

The Company's operations are spread out across the country with over 600 branches that are fully empowered to operate within prudent policies and guidelines. Even though our operations are diversified and well spread, we are glued by a common purpose, i.e., to **TRANSFORM RURAL LIVES AND DRIVE POSITIVE CHANGE IN THE COMMUNITIES**. This is also evident from the feedback from our customers and analysis of their progress. Our Company was aiding in the creation of rural prosperity and fostering growth of entrepreneurs, small farmers, etc. by providing credit to them to enhance their income.

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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



CORE PURPOSE AND CORE VALUES

As a part of the Mahindra Group, we strive to achieve our core purpose by adhering to the core values. In January 2011, the Mahindra Group unveiled a new brand positioning, Rise. It led to the creation of a new core purpose for the Group, along with the Brand Pillars that formed a bridge between the Core Values and Core Purpose.

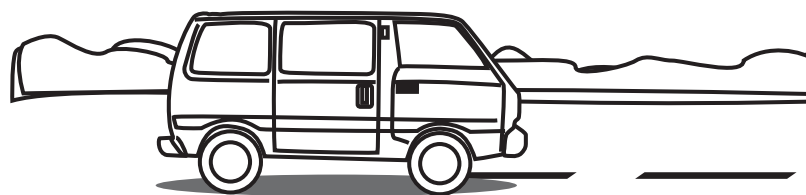
Rise is a succinct articulation of the aspirations of the stakeholders. The Company believes that the Rise philosophy fits in well with its business approach. As a part of the Mahindra Group, the Company would be adhering to the Rise tenets and the Core values. The Company believes that adherence to these core values will lay the foundation for sustained business success.

STRENGTHENING AN EDIFICE OF TRUST

Trust takes years to build. More so, when aspirations are evolving at a faster pace than ever before; and people's lives and earnings are routinely endangered by economic crests and troughs. For decades, Mahindra Finance has continued to enhance its trust quotient, understanding people's requirements and recalibrating its responses. Over two million customers have reposed their faith in the ability of Mahindra Finance to help elevate their quality of life.



We leverage our vast network of branches to deepen our social connect. Our intervention has helped accelerate poverty reduction, rural development and inclusive growth. We aim to be the preferred provider of retail financing services across India's rural and semi-urban locations. Our business model is enabling those at the lower end of the social pyramid secure their future and earning capacities.



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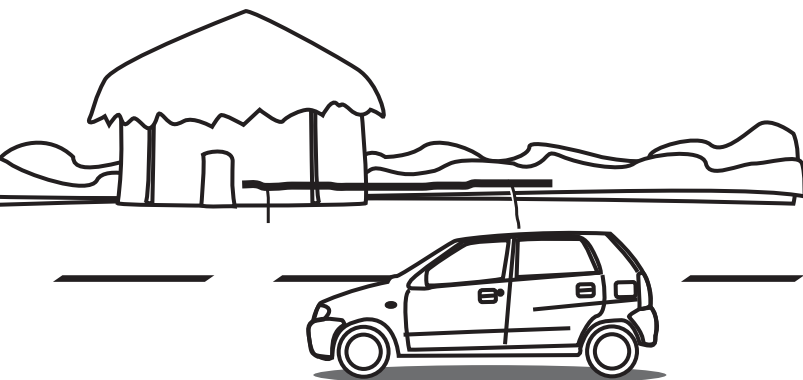


Slate and chalk

The combination of a slate and a chalk creates the foundation for knowledge dissemination.

RICH PRODUCT PORTFOLIO

Our seasoned market insight and financial acumen are translated into contemporary products to cater to varied customer requirements. The product portfolio comprises:



The journey

We commenced our journey from January 1, 1991, as Maxi Motors Financial Services Limited. We received the certificate of commencement of business on February 19, 1991. On November 3, 1992, our name was changed to Mahindra & Mahindra Financial Services Limited. We are registered with the Reserve Bank of India as an NBFC, with a valid Certificate of Registration No. 13.00996, issued by the Reserve Bank of India under Section 45-IA of the Reserve Bank of India Act, 1934, classifying us as an 'Asset Finance Company – Deposit Taking'.

Vehicle financing

Auto and utility vehicles, tractors, cars, commercial vehicles, two wheelers, three wheelers and construction equipment

Pre-owned vehicle financing

Pre-owned cars, commercial vehicles and tractors

Housing finance

Meant for buying, renovating, extending and improving homes in rural and semi-urban India through our subsidiary MRHFL

Insurance broking

Insurance solutions to retail customers as well as corporations through our subsidiary MIBL

Mutual fund distribution

Advisor and distributor of Mutual Funds products through AMFI certified professionals under the brand name Mahindra Finance Finsmart

Personal loans

Typically for wedding, children's education, medical treatment and working capital

Fixed deposits

An investment opportunity that combines attractive interest rates with highest safety

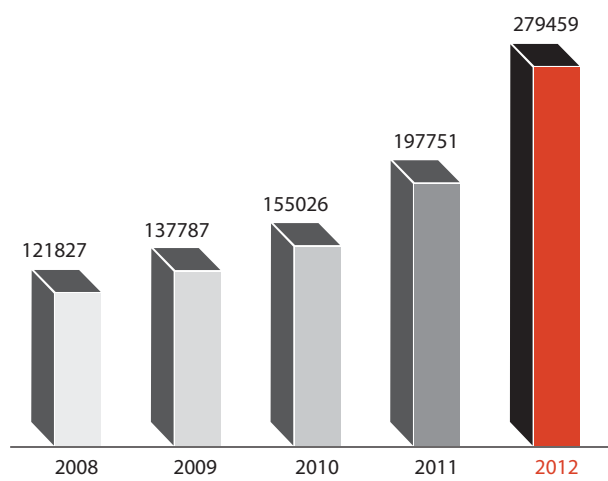
SME financing

Loans for varied purposes like project finance, equipment finance and working capital finance

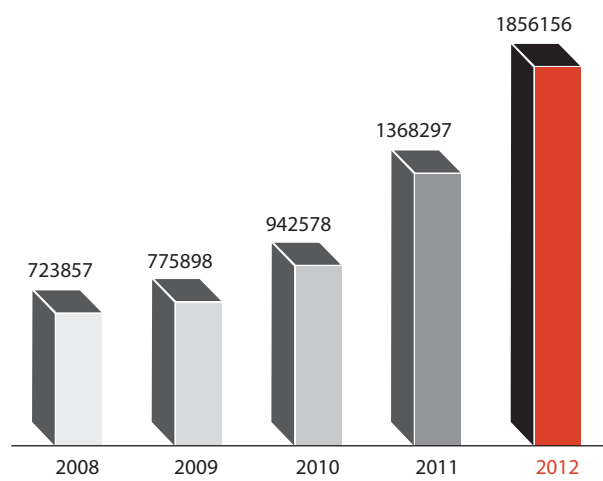
DELIVERING WITH PROVEN EXPERTISE

FINANCIAL HIGHLIGHTS

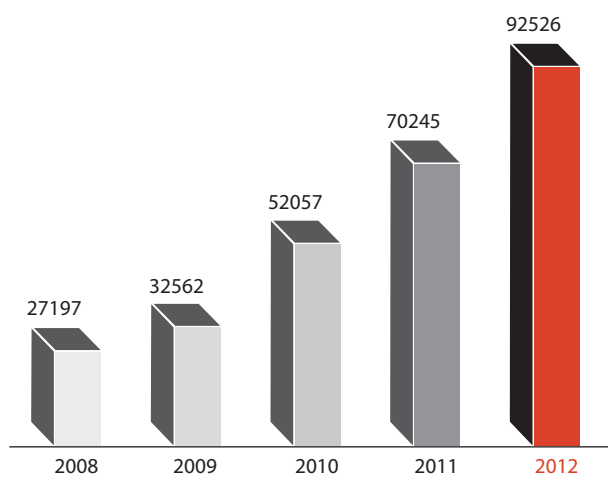
TOTAL INCOME (Rs. in Lacs)



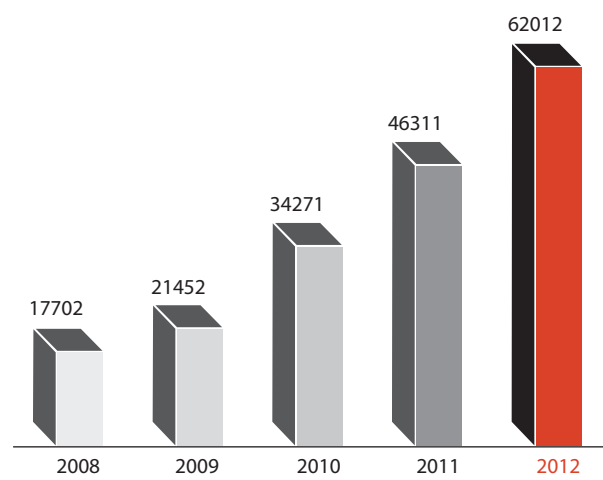
TOTAL ASSETS (Rs. in Lacs)



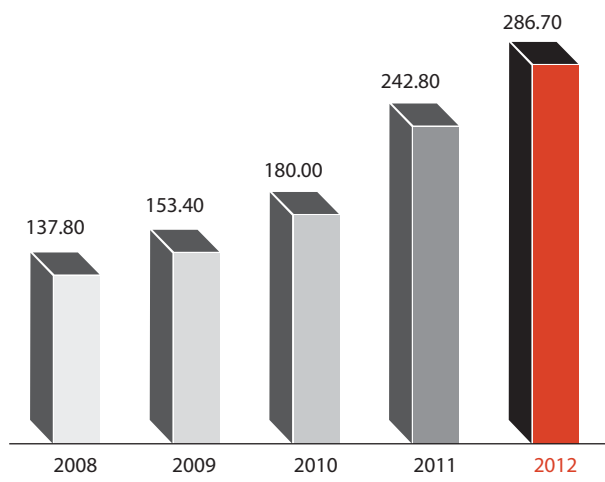
PROFIT BEFORE TAX (Rs. in Lacs)



PROFIT AFTER TAX (Rs. in Lacs)

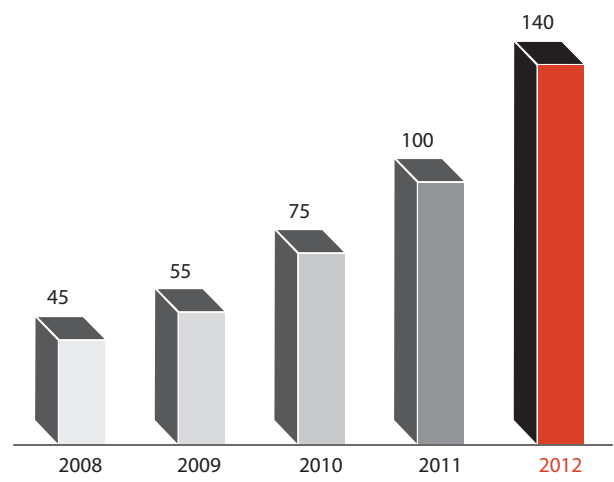


BOOK VALUE * (Rs.)

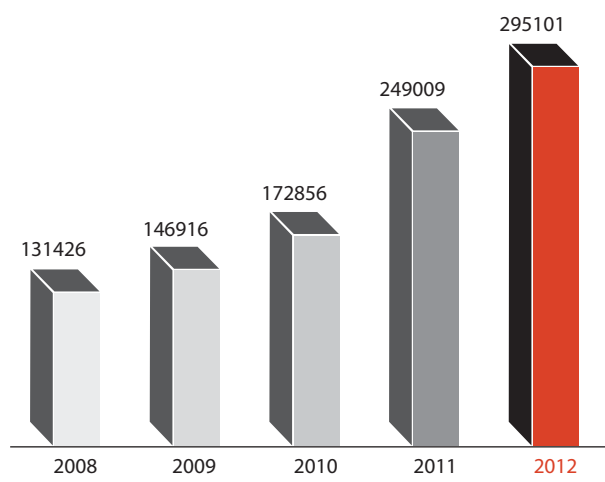


* Excluding ESOP

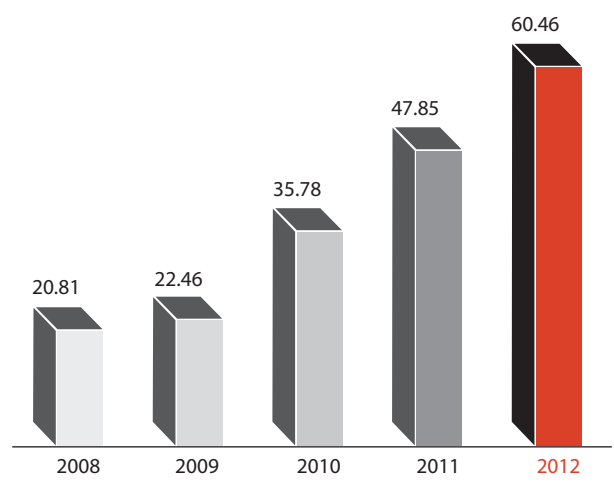
DIVIDEND (%)



NET WORTH (Rs. in Lacs)



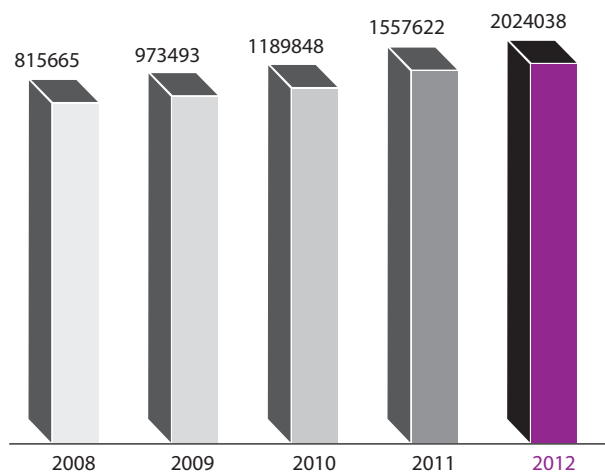
EARNINGS PER SHARE - BASIC (Rs.)



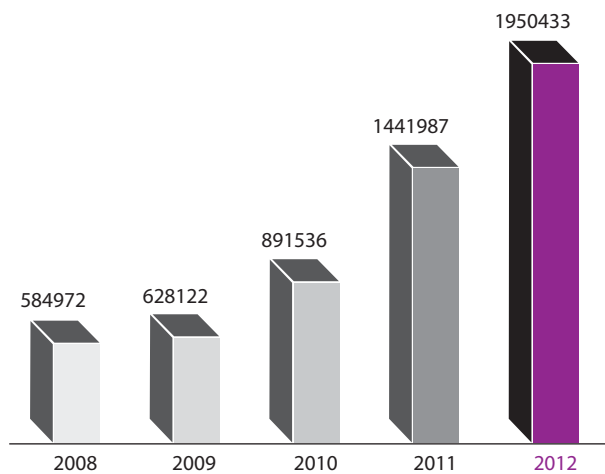
DELIVERING WITH PROVEN EXPERTISE

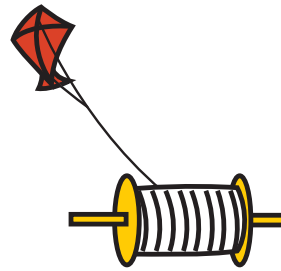
OPERATIONAL HIGHLIGHTS

NUMBER OF CONTRACTS



ESTIMATED VALUE OF ASSETS FINANCED (Rs. in Lacs)

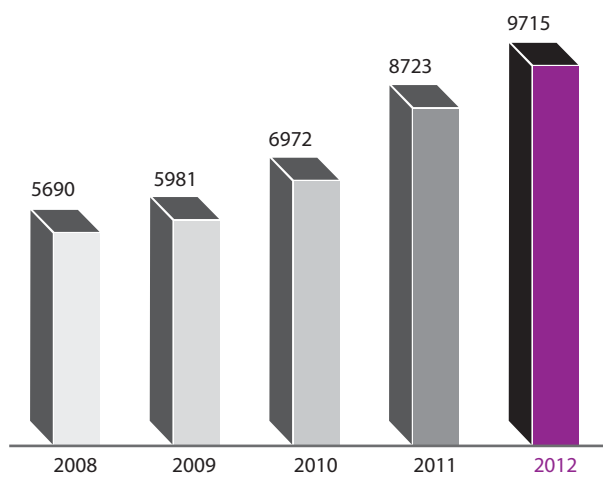




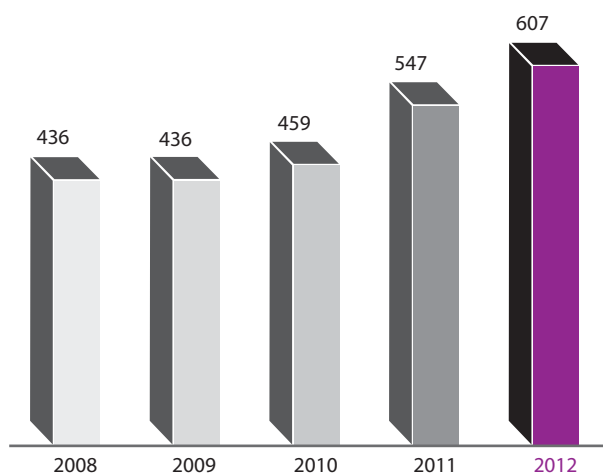
Kite and spool

The coming together of a kite and a spool helps the kite counter headwinds and attain great heights.

NUMBER OF EMPLOYEES ENGAGED



NUMBER OF OFFICES



- Crossed the benchmark of financing more than 2 million customers
- Consolidated the product portfolio by introducing Small and Medium Enterprises (SME) financing
- Maintained an 18% Capital Adequacy, complying with the minimum requirement of 15% set by the RBI
- CRISIL reaffirmed 'CRISIL AA+/ Stable' rating to the Company's long-term debt instruments and bank facilities and 'FAAA/Stable' rating to the Company's fixed deposit programme. Fitch Ratings India Private Limited has upgraded the Company's national long-term rating instrument and Lower Tier II Subordinated Debt programme to 'Fitch AA+(ind)/Stable from 'Fitch AA(ind)/Positive

PARTNERS OF PROGRESS

**We continue to remain partners
of progress.**

For many small commercial vehicle owners.
Who rely on their assets to carry more goods
and even passengers.

**And strengthen our vision.
Of transforming lives.**



SHELTERING LIVES AND RELATIONSHIPS

We ensure that our customers' dream home becomes a concrete reality.

For security, social respect and peace of mind.
And thousands of happy home owners

Widen our relationship network.





EMPOWERING IDEAS

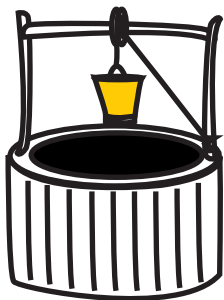
THINKING
FURTHER
WITH
MULTIPLE
PRODUCTS

From a single product to a multi-product company, from limited focus to a diversified exposure, from very few customers to a 2-million-strong customer fraternity. This has been the natural progression of Mahindra Finance since inception.

WE STARTED with Mahindra products and we extended our portfolio to other automobiles, in line with the market demand. In addition, we also anticipated an opportunity in insurance advisory and housing finance, and moved ahead to cater to that segment.

As a part of our growth strategy we further ventured into the financing of Small and Medium Enterprises (SMEs). We leveraged our distribution strength and large customer-base by focusing on SMEs in the smaller towns and rural areas. We provide loans for varied purposes like project finance, equipment finance and working capital finance. Over the past one year, the Company has disbursed loans in excess of Rs. 175 crore and expects to increase the same substantially over the next few years.

While, we have formulated our vision and long-term plans, we have also developed mechanisms and processes to aid in the formulation, implementation and review of these plans.



Well and pulley

The well and a pulley together fulfil the daily water requirements of multitudes of rural people.

Taking the bourse to rural India



There are no trading terminals, clearing houses or clearing banks in this quintessential small town of Mughalsarai in Uttar Pradesh. Yet, there is an exchange for *khoa*. For the uninitiated, *khoa* is dried milk and is a primary raw material for milk-based sweets. The town, which is also a railway freight hub, has 25-odd licensed intermediaries trading on the exchange. The business operates much like any stock exchange.



EMPOWERING IDEAS

STRENGTHENING RISK-MANAGEMENT FOR A ROBUST BUSINESS MODEL

Amid unprecedented global economic volatilities and a highly competitive market scenario, we have been able to generate consistent value through strong risk-management.

SINCE INCEPTION, we have maintained a proper asset-liability mix, capital adequacy and a calibrated approach towards investment. Few years back, almost 60% of the funding was sourced through Mutual Funds, and today we have a diversified funding base. On our asset side, till recently, Mahindra products consisted 80% of our asset portfolio. Today, we exhibit a healthy mix of financing products of all leading automobile manufacturers.



Top and cord

A top can attain spectacular spinning motion, when it is released by pulling a cord wrapped around its centre. The cord helps release the potential energy stored inside the top. The visible beauty of motion is born out of the relationship.

Supporting ingenuity



Often in a standing crop, soybean pods shatter due to non-availability of labourers for harvesting the crop in time. This leads to reduced yield and loss. To solve this problem, Bhagwan Singh Dangi, resident of Sojanwale village, Madhya Pradesh, decided to develop a reaper windrower machine. This device has three different units namely, cutting unit (consists of cutter bar), reel unit for pushing the standing crop towards the cutter bar and gathering unit to windrow the crop at the centre of the machine. Thus, making the crop easy to handle or transport to the threshing floor. The innovation reduces manpower requirement and the drudgery involved in the harvesting process. The machine's 7-ft width can hourly operate on 0.4 hectares. While operating this machine, the tractor's fuel consumption is 2.5-3 litres per hour.



EMPOWERING IDEAS

STAYING AHEAD WITH CONTEMPORARY STRATEGIES

In a world, where yesterday's feasible solutions are relegated to today's junkyards, continuous capability enhancement is a prerequisite for business survival and advancement.

OVER THE YEARS, we have strengthened our market knowledge, technology centricity and process excellence. We have strategically penetrated into the suburbs of every Indian town, covering over 80% of India's districts. With our international joint ventures, we are exploring opportunities to expand our footprints globally.

Apart from faster disbursement of loans and customized payment schedules, we ensure the product-customer alignment. Our close contact with customers generates direct sales, lowering cost. Besides, the recruitment of local field force facilitates relevant market insight.

Our cutting-edge technology focuses on the distribution of appropriate devices to every field employee to improve the service quality. Besides, several interactive portals have been revamped and new features have been added to provide better services and to enhance customer experience.



Potter's wheel and dried ware

A potter's wheel helps shape beautiful pieces of earthenware by providing balanced motion, a timeless relationship.

Celebrating a floating idea



C A Vincent of Thrissur, Kerala, observed an interesting incident: people bathing in rivers and ponds lose grip of their soaps, which often sink into the water. The incident ignited his innovative mind: he conducted experiments in his soap manufacturing unit for about 14 years to develop a soap that floats in water. The soap has 0.878 density, TFM (Total Fatty Matter) is around 73 per cent, foaming stability is 0.1 cm and foaming power at 0.2 cm. Now, one can bathe in complete peace of mind, the fugitive soap will never sink.

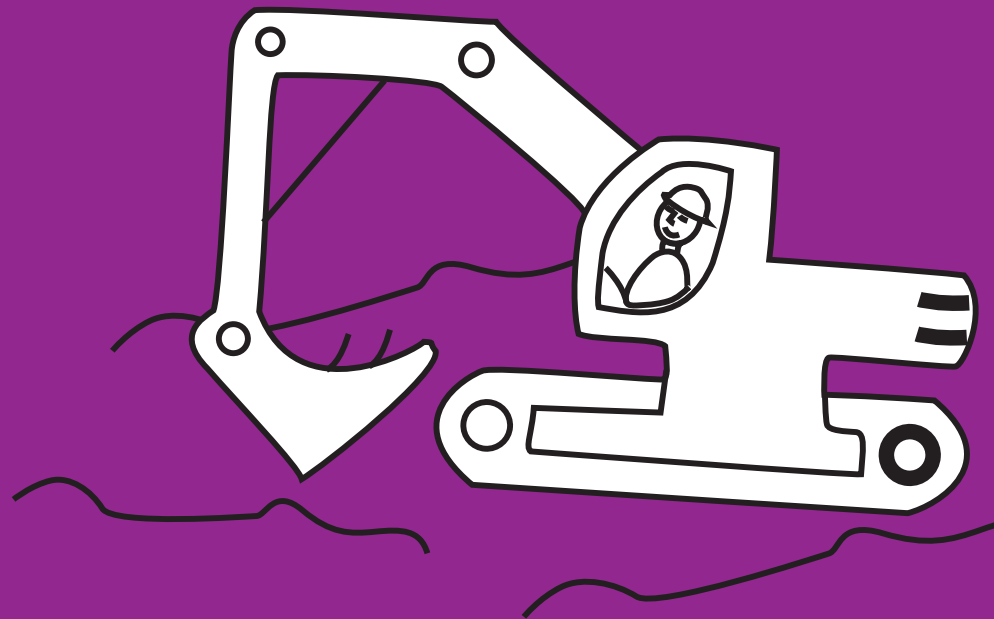
EQUIPPED FOR THE FUTURE

We help provide construction equipment to aspiring entrepreneurs.

And strengthen their vision of self-reliance.

They, in turn, pave the way for our achievements.

And India's socio-economic advancement.



GOODWILL AMBASSADORS

At Mahindra Finance, some of our customers become part of our philosophy.

They build careers with us.

And spread our message of self-reliance to countless semi-urban and rural households.

Across the length and breadth of India.





PARTNERING THE PROGRESS OF 2 MILLION CUSTOMERS

Our business is not just about financing people's requirements; it's more about forging lasting relationships. We have always given priority to this relationship angle, trying to understand people's aspirations, delivering on our promises and embracing new customers as we moved ahead.

INSTEAD OF FOCUSING only on one customer segment, we cater to a wide customer spectrum, comprising doctors, teachers, small entrepreneurs, commercial vehicle owners and farmers.

Rural India has a significant potential to be unlocked. Mahindra Finance is strengthening its pan-India network to leverage this potential. Our relationship with customers goes beyond single, one-off transactions and carried forward across generations.

Not just financing, we have also instilled banking habits among our unbanked customers, educating them about financial prudence. We kindle aspirations, build confidence and help provide a better quality of life by breaking the nexus of ignorance and poverty.

GROWING CUSTOMER BASE

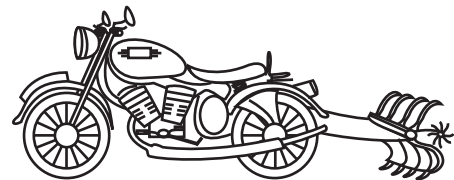
Year	Customer base
2007	0.5 million
2010	1 million
2012	2 million



Boat and oars

The partnership of a boat and oars still serves as a reliable mode of transport for rural people.

Driving a cheaper tractor clone



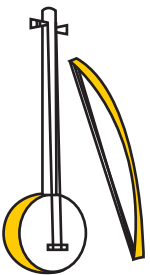
Using his old motorcycle, a farmer called Mansukhbhai Jagani of Amreli Gujarat, has developed a mechanical device, Santi, for small farm holdings, complete with attachments for tilling, weeding and sowing. Several farmers in the district have caught on to the idea, and there are now close to 40 Santis in the district.

It costs around Rs. 14,000-18,000, making it much cheaper than other mechanical ploughs and it performs several functions, such as weeding, ploughing and sowing for an acre. A school dropout, Mr. Jagani of Mota Devaliya village, tinkered in his tiny workshop, with a bullet motorcycle, much cheaper than a real tractor.



ADVANCING WITH BUSINESS PARTNERS

Not only customers, our business partners also provide evidence of the strength of our business model.



Fiddle and bow

The fiddle (a musical instrument) produces its magical sound when it is played with a bow, an everlasting partnership.

WE HAVE BUILT a strong association with major banks across India. We are the only Indian NBFC to have a Joint Venture with a subsidiary of internationally acclaimed RaboBank in US. Such alliances help us generate sustainable value for our stakeholders, even in a volatile business environment.

On the other hand, our 2-million-strong customer base provides us the advantage to emerge as a preferred partner with OEMs like Maruti and Hyundai in addition to Mahindra Group.



Listen to our business partners

HSBC Bank

Mahindra Finance has been a customer of HSBC for a considerable period of time. Mahindra Finance is regarded as one of India's premier NBFCs, and is a significant part of the Mahindra Group. We have had a satisfactory track record of professional dealing with the company."

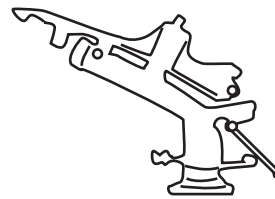
JM Financial Institutional Securities Pvt. Ltd

With an established leadership position in the rural finance space, high quality professional management team and deep-rooted customer relationships, we believe Mahindra & Mahindra Financial Services is well poised to participate and lead the growth opportunity in rural finance in the time to come.

Standard Chartered Bank

Mahindra Finance is amongst the most well managed NBFCs in India. The management has done a commendable job of balancing growth with asset quality. Mahindra Finance has not only emerged as one of the fastest growing NBFCs over the last five years, it has also managed to improve asset quality amidst strong growth. Gross NPLs of 3% in FY12 are at a historical low. The company's vast distribution network especially in rural areas and small towns, diversified product range and robust collection systems are its key strengths. The company's accounting policies are sound and conservative. Overall, M&M Finance ranks highly on loan growth, profitability, asset quality, retail infrastructure and accounting policies.

Sprinkling freedom from worries



Annasaheb Udagavi is a farmer in Sadala village of Chikkodi taluka in Belgaun district of North Karnataka.

His invention called Chandraprabha Water Gun (Rain gun), is an innovative sprinkler, which washes away white flies and Aphids from the tobacco plant. The sprinkler system is also useful in irrigating sugarcane. The problem of salinity and the difficulty of irrigating the dense crop made him search for an alternative to conventional wells.

Two 'Chandraprabha Rain gun' sprinkler-heads (costs Rs. 3,500 each) are enough to irrigate acres of sugarcane. The per-acre installation cost is Rs. 15,000, inclusive of the installation of 3 inch PVC main pipeline and riser pipe. It can irrigate 1 acre in one-and-a-half hours. Since it has a 3-inch pipe and a wide nozzle, even composts (biogas slurry) can be applied to the crop through it. Since the water is applied with force, pests like aphids, white flies and others can be washed out. It does not even need additional pipelines because of its large coverage.



ENDURING RELATIONSHIPS

CREATING A FUTURE-READY ENTERPRISE

A future-ready organisation requires professionals who can not only surmount today's challenges, but be prepared to face the new challenges that may arise in future. At Mahindra Finance, we define progress by how our people can adapt to change in business models and create lasting value.

WE CONDUCT rigorous training programmes, educate employees and acclimatize them about the internal work culture and help instil a sense of belonging, aligned with long-term organizational objectives. This creates strong partnerships, reflected in our declining attrition rates.

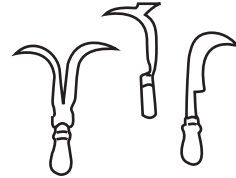
Besides, our Mahindra Finance Academy, located across four different locations, promote talent management and capability building.



Mortar and pestle

The mortar and pestle are used for grinding various ingredients (spices, roots) in large parts of semi-urban and rural India, an inseparable bond.

Strengthening sickles to eliminate farmer woes



Kishorebhai Bharadwa of Junagadh, Gujarat has developed three different types of sickles, which can be used for weeding, inter-culturing and harvesting. This wonderful innovation addresses the problem of wearing out of sickle blades following repeated sharpening.

The first type of the improved sickles incorporates two C-shaped, metallic guard plates, with a thin blade, sandwiched in between. The blade is fastened in position through screws near the wooden handle. Therefore, whenever there is a need to sharpen the blade, the thin blade can be removed, sharpened and fixed back to the iron base. The user need not rush to the workshop with a blunt sickle.

The second type of sickle is two-sickles-in-one. The two sickles face opposite directions and are joined together at the base near the wooden handle. Kishorebhai avers that this sickle is good for cutting tough grass, silage or hay. Using the right grade of steel, the shaping of the teeth and the edges have been so fashioned that the blades retain their keenness. If the blade on one side gets blunt, the other side can be flipped and used.

The third type of sickle has a concave shaped edge for harvesting crops. On the top of it, a small pointed metal piece is attached between the sickle and the handle, which is used for removing weeds and also to break soil clods.

CORPORATE SOCIAL RESPONSIBILITY

Inspired by Rise (core philosophy of Mahindra Group), Mahindra Finance is focusing on some key areas to help accelerate social uplift: education, environment management, pollution reduction, healthcare, and tree plantation. We also partner with the government, NGOs and other business organisations to strengthen our CSR initiatives.

Following are the details of some of our initiatives:

Mahindra Hariyali

Mahindra Hariyali is Mahindra Group's mass tree plantation initiative. In collaboration with schools, colleges, trusts, government forest departments and old-age homes, we spread our green agenda. We have already planted 28,912 saplings across India.

Nanhi Kali

Initiated in 1996 by K C Mahindra Education Trust (KCMET), Project Nanhi Kali provides primary education to India's underprivileged girl children. In 2005, in partnership with Naandi Foundation, a reputed NGO, KCMET is extending a helping hand with 10 years of quality education and material support to the underprivileged girl children.



Blood Donation Camp

MMFSL is actively involved in blood donation and collected over 1,000 bottles of blood.

Ambulance Donation Camp

MMFSL has also donated fund for the purchase of ambulance to Ekta Institute of Child Health, Bharat Vikas Parishad, Delhi Bharat Vikas Parishad Foundation, Dean Foundation, Mamta Foundation, Liver Foundation and Shroff's Foundation Trust.

Life Line Express

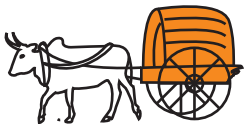
The Life Line Express consists of five railway coaches, equipped with the updated medical and surgical facilities. It provides on-the-spot diagnostic, medical and surgical treatments to rural people without cost, focusing on areas where access to medical services is scarce. Patients suffering from disabilities like Cleft Lip, Deafness, Polio (for children under 14 years) and Cataract are treated on board the Life Line Express. The Life Line Express project was held at Rajgir (Bihar) from the 9th to 29th February 2012.

The number of people who have benefited from these activities is shown below:

Location	Cleft Lips	Deafness	Dental	Epilepsy	Polio	Cataract	Total
Rajgir	43	1238	1134	214	208	2608	5445

Village Electrification Project

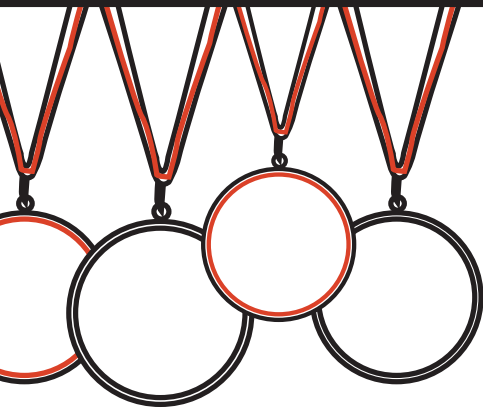
Mahindra Finance has taken a firm step to help brighten India's remote areas. Across 42 locations in Maharashtra, we have installed 168 Solar Street Lights (each location has four streetlights).



Ox and cart

A traditional mode of transport, the ox and the cart forge a firm bond to carry thousands of people to their destinations.

AWARDS AND ACHIEVEMENTS



- Won the Nasscom Enterprise Mobility Award 2012 for integration of unique EMLAP with business hand held device and mobile phones
- Won three awards from the Public Relations Council of India:
 - Annual Convention in Corporate Event Category
 - Two awards for our in house magazine 'EMI' –one under the category of best online newsletter, and another as Best In-house Magazine under Corporate Collateral categories
- Won three awards at the National Awards for IT Excellence:
 - CIO of the year
 - Leveraging IT for Business Performance
 - Young Achiever Awards
- Recognised as the 'Dream Companies to Work For' by the World HRD Congress in association with Bloomberg UTV. We were honoured with the following four awards:
 - 14th rank in the 'Dream Employer of the Year' category
 - HR Achiever Award
 - Women in Leadership Award
 - Young HR Professional Award
- Felicitated with the following awards at Asia's Best Employer Brand Awards 2011:
 - Award for Best CSR Practices
- Won ICAI Award 2011 for 'Best CFO - Financial Sector'
- Selected among top 80 Indian Power Brands in the 'Reigning Tigers' category
- Received Indian Development Foundation CSR Award for excellent contribution in supporting blanket mobilisation drive for leprosy patients



Rolling board (chakla) and rolling pin (belan)

A chapati, staple diet of large parts of India, comes to shape with the convergence of chakla and belan. Together they feed most of India.

Ranked 9th in the prestigious Dun & Bradstreet's India's Top 500 Companies 2011 (released on 1st June, 2012), based on the total income in the FIs/ NBFCs/ Financial Services Sector.

SUMMARY OF RESULTS FOR LAST 10 YEARS

(Rs. in lacs unless indicated otherwise)

Sr. No.	Particulars	F- 2012	F- 2011	F- 2010	F- 2009	F- 2008	F- 2007	F- 2006	F- 2005	F- 2004	F- 2003
1	Estimated Value of Assets Financed	19,50,433	14,41,987	8,91,536	6,28,122	5,84,972	5,44,094	4,47,791	3,34,336	2,30,270	1,60,985
2	No. of Contracts	20,24,038	15,57,622	11,89,848	9,73,493	8,15,665	6,41,087	4,67,977	3,36,819	2,34,677	1,61,079
3	Total Assets	18,56,156	13,68,297	9,42,578	7,75,898	7,23,857	6,40,343	5,10,796	3,19,009	2,08,220	1,50,554
4	Total Income	2,79,459	1,97,751	1,55,026	1,37,787	1,21,827	83,290	58,875	39,858	29,553	24,045
5	Profit before depreciation & tax	94,482	71,824	53,047	33,435	28,070	21,014	16,731	13,665	10,686	8,054
6	Depreciation	1,956	1,579	990	873	873	743	517	385	500	879
7	Profit before tax	92,526	70,245	52,057	32,562	27,197	20,272	16,214	13,280	10,186	7,174
8	Profit after tax	62,012	46,311	34,271	21,452	17,702	13,288	10,827	8,228	6,762	4,435
9	Dividend %	140	100	75	55	45	40	35	35	28	20
10	Equity Share Capital	10,269	10,245	9,598	9,571	9,529	8,402	8,331	7,016	6,062	6,062
11	Reserves & Surplus	2,84,832	2,38,764	1,63,258	1,37,345	1,21,898	69,422	59,947	28,542	19,111	14,263
12	Net Worth	2,95,101	2,49,009	1,72,856	1,46,916	1,31,426	77,823	68,278	35,557	25,173	20,290
13	No. of Employees Engaged	9,715	8,723	6,972	5,981	5,690	4,730	4,012	1,773	1,115	805
14	No. of Offices	607	547	459	436	436	403	305	256	224	196
15	Earnings Per Share - Basic (Rs.)	60.46	47.85	35.78	22.46	20.81	15.81	14.59	13.23	11.15	7.32
16	Earnings Per Share - Diluted (Rs.)	59.63	44.53	35.37	22.14	18.27	15.37	14.41	13.23	11.15	7.32

Directors' Report

To,
The members of
Mahindra & Mahindra Financial Services Limited

Your Directors are pleased to present their Twenty-second Report together with the audited accounts of your Company for the Financial Year ended 31st March, 2012. The summarised financial results of the Company are given below:

FINANCIAL RESULTS

	(Rs. in Crores)	
	March 2012	March 2011
Total Income	2,794.6	1,977.5
Less : Finance Costs	1,120.3	660.2
Expenditure	729.5	599.1
Depreciation/Amortisation	19.6	15.8
Total Expenses	1,869.4	1,275.1
Profit Before Tax	925.2	702.4
Less : Provision For Tax		
Current Tax	289.6	249.1
Deferred Tax	15.5	(9.8)
Profit After Tax for the Year	620.1	463.1
Add : Amount brought forward from Previous Years	713.6	510.7
Amount available for Appropriation	1,333.7	973.8
Appropriations :		
General Reserve	62.0	46.3
Statutory Reserve	124.0	92.6
Proposed dividend on Equity Shares	145.6	104.0
Income-tax on proposed dividend	22.6	17.3
Excess provision for Corporate Dividend Tax on Equity Shares of earlier year	(0.4)	-
Surplus carried to Balance Sheet	979.9	713.6
	1,333.7	973.8

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.14 per Equity Share of the face value of Rs. 10 each, payable to those Members whose names appear in the Register of Members as on the Book Closure date. The dividend including dividend tax will absorb a sum of Rs. 168.2 Crores (as against Rs. 121.3 Crores on account of dividend of Rs. 10 per Equity Share, paid for the previous year).

OPERATIONS

The overall disbursement registered a growth of 35.3 per cent at Rs. 19,504.3 Crores as compared to Rs. 14,419.9 Crores in the previous year. Your Company during the year under review, continued to provide a wide range of financial products and services to its customers through diversification of its product portfolio within its vehicle financing business as well as through the introduction and growth of other financial

products and maintained its market leadership position in rural and semi-urban markets. Your Company has increased its presence in financing of commercial vehicle, construction equipment, as well as, pre-owned vehicle while maintaining aggressive growth in car financing, retaining its leadership position in financing Mahindra range of vehicles and tractors in addition to extending its lending to vehicles of other Original Equipment Manufacturers (OEMs).

Your Company has one of the largest network of branches amongst Non-Banking Financial Companies operating in rural and semi-urban areas. Your Company's nationwide network of branches and locally recruited employees have facilitated in developing and strengthening relationship with its customers.

During the year under review, your Company continued to explore the opportunities in the Micro Small and Medium Enterprises (MSME) segment as well as in the emerging Gold Loan industry in India.

Income grew by 41.3 per cent to Rs. 2,794.6 Crores for the year ended 31st March, 2012 as compared to Rs. 1,977.5 Crores for the previous year. Profit Before Tax was 31.7 per cent higher at Rs. 925.2 Crores as compared to Rs. 702.4 Crores for the previous year. Profit After Tax grew at a healthy rate of 33.9 per cent to Rs. 620.1 Crores as compared to Rs. 463.1 Crores in the previous year.

Your Company has achieved a very important milestone of cumulatively financing over two million customers since its inception. The number of contracts entered into by the Company during the year was 4,66,416 as against 3,67,774 in the previous year.

During the year under review, the Assets Under Management have crossed Rs. 20,000 Crores and stood at Rs. 20,643.0 Crores as at 31st March, 2012.

DISTRIBUTION OF MUTUAL FUND PRODUCTS

During the year under review, the activity of distribution of Mutual Fund Products (MFP) was carried out across 31 branches covering 14 States.

The amount of MFP outstanding through the Company's Advisory Services, aggregate of institutional and retail segment crossed an amount of Rs.875 Crores and the number of clients stood at 41,074.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed discussion on the Company's operations is presented in the chapter on Management Discussion and Analysis, which forms part of this Annual Report.

ECONOMY

The global economy witnessed significant volatility during the year. While growth and employment in the US economy appeared to be improving, the crisis in the Euro Zone threatened to plunge the entire financial world into turmoil. European Central Bank's intervention has seemingly defused the situation but it is expected that other steps need to be taken for the threat of a crisis to recede. The deleveraging of the European Banks is expected to affect capital flows to emerging markets and the resultant liquidity crunch might drive up the interest rates.

Faced with global uncertainty, cyclical and structural factors, India's growth slowed down to less than 7 per cent for the Financial Year 2011-12. While the services continued to grow at a rapid pace (8.7 per cent growth), there was a sharp slowdown in industrial growth to 2.8 per cent. During the year, inflation continued to be a key concern for the Reserve Bank of India (RBI) and the various steps taken by it in the first half helped in reducing the inflation rate to 6.9 per cent by March 2012. However, this led to a steep rise in the interest costs and the weighted average lending rates of the five major public sector banks increased from 11 per cent in March 2011 to 12.8 per cent by March 2012. The slowdown in growth coupled with high interest rates has led to a decline in investment rates.

Liquidity conditions were tight throughout the year and the situation aggravated post November 2011 when the liquidity deficit exceeded 1 per cent of net demand and time liabilities (NDTL) of banks. To ease

Directors' Report

the situation, RBI conducted significant Open Market Operations (OMOs) and cut the Cash Reserve Ratio (CRR) by 125 basis points leading to an improvement in the liquidity situation. It is expected that the scenario of tight liquidity and high interest rates will continue in the Financial Year 2012-13.

Amidst the overall slowdown in the economy, the semi-urban and rural markets, the focus areas of the Company, continued to witness rapid growth. The combination of increased disposable incomes along with favourable demographics led to a robust demand for various products and services in these markets. Consequently, vehicle demand in rural areas grew at a faster pace, an area which is core to the Company's operations. With broad-basing of economic activities in the rural areas and the governmental thrust on rural infrastructure, it is expected that rural India will continue to grow rapidly in the next year.

FINANCE

During the year under review, RBI continued its stance against inflation and adopted a calibrated approach by hiking the Repo Rate five times totalling to 175 basis points to contain the inflationary pressure, which resulted in medium/long term interest rates moving up approximately by 150 basis points. Liquidity conditions remained in a deficit mode throughout the year resulting in the increase of short term money market rate by 200 basis points. In order to mitigate the liquidity tightness, RBI conducted OMOs and reduced CRR by 125 basis points during the last quarter of the year. However, your Company was able to reduce the impact of increase in the interest rates by ensuring that prudent Asset Liability Management Guidelines are adhered to.

In its Monetary Policy for the Financial Year 2011-12, RBI discontinued the priority sector status for bank loans to Non-Banking Financial Companies (NBFCs), thereby placing additional pressure on NBFCs in raising funds.

During the year under review, your Company continued with its diverse 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 banks at attractive rates. Your Company also issued Subordinated Debt amounting to Rs. 100.5 Crores and successfully assigned receivables to the tune of Rs. 1,487.4 Crores.

During the year, your Company actively participated in a number of investor meets both in India and abroad organised by reputed Global and Domestic Broking Houses. Your Company also periodically conducted analysts' meets and conference calls to communicate details of performance, important developments and exchange of information.

SHARE CAPITAL

The shareholders have by a Special Resolution passed by means of a Postal Ballot Voting process on 1st March, 2012, approved the issue of Redeemable Non-Convertible Preference Shares of an aggregate nominal amount not exceeding Rs. 50 Crores, in the course of domestic offering.

CAPITAL ADEQUACY

As on 31st March, 2012, the Capital to Risk Assets Ratio (CRAR) of your Company was 18.0 per cent as against the minimum requirement of 15.0 per cent prescribed by RBI.

STOCK OPTIONS

During the year under review, 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 42,426 Stock Options to Eligible Employees under the 'Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme-2010'. 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.43.5 Crores as at 31st March, 2012, towards the same.

CREDIT RATING

During the year under review, CRISIL Limited [CRISIL], has reaffirmed the rating to the Company's Long-term Debt Instruments and Bank Facilities as 'CRISIL AA+/Stable' and the Company's Fixed Deposit Programme as '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 'CRISIL A1+' (earlier P1+) which is the highest level of rating. CRISIL has, pursuant to Circular No. CIR/MIRSD/4/2011 dated 15th June, 2011 issued by the Securities and Exchange Board of India (SEBI) on 'Standardisation of Rating Symbols and Definitions' revised its rating symbols and definitions with effect from 11th July, 2011.

During the year under review, Fitch Ratings India Private Limited has, after due consideration, upgraded the Company's National Long-term Rating instrument and Lower Tier II Subordinated Debt programme to 'Fitch AA+(ind)/Stable' from 'Fitch AA(ind)/Positive'. 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. Within a band of rating symbols from 'AA(ind)' to 'B(ind)', the signs "+" or "-" may be appended to a rating to denote relative status within the rating category.

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. 'BWR AA+' stands for an instrument that is considered to offer high credit quality/safety in terms of timely servicing of principal and interest obligations.

FIXED DEPOSITS AND LOANS/ADVANCES

As on 31st March, 2012, your Company has mobilised funds from Fixed Deposits to the tune of Rs.1,670 Crores, with an investor base of over 85,000 investors.

Your Company has initiated various measures towards improvement of service levels to the Fixed Deposit holders. As a customer-centric process, the Company has initiated the process of online repayment directly to the customer's account on maturity of the Fixed Deposit. In cases where electronic transfer facility is not available, the repayment is made through a post-dated cheque before the maturity date to the depositors.

As at 31st March, 2012, 708 deposits amounting to Rs.3.3 Crores had matured for payment and remained unclaimed. The unclaimed deposits have since reduced to 351 deposits amounting to Rs. 1.7 Crores.

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 are furnished separately.

SUSTAINABILITY INITIATIVES

Your Company has taken a lead role in Financial Services Sector in India to protect and sustain the rural livelihoods through a sustainable business model. The model aims at transforming rural lives and driving positive change in the community. From the Financial Year 2008-09 onwards, your Company has taken steady but impactful steps towards sustainability by charting out a roadmap of five years on Triple bottom line for balanced approach towards economic activity, environmental responses and social progress. In the Financial Year 2009-10, your Company released the Finance Sector supplement stipulated by Global Reporting Initiative (GRI) giving an overview of Product Portfolio and initiatives of Financial Literacy for customers. Your Company's Sustainability Report continues to attain A+ rating from GRI.

Directors' Report

During the year, your Company enhanced the scope of Sustainability Reporting to its two subsidiaries, viz. Mahindra Insurance Brokers Limited and Mahindra Rural Housing Finance Limited. The Company has started with initiatives like Online Drona (Induction) Program as well as Online Appraisal aimed at reducing the consumption of paper. Your Company is glad to inform that it was able to reduce 95 per cent of paper consumed in these two processes. Your Company also gave an option to the shareholders to avail of a copy of the Annual Report in electronic form instead of a physical copy. Your Company continued installation of Solar Hybrid Photovoltaic Power System at various branches, which operates on Solar Power during day time. Around twenty-five branches have been installed with Solar panels. Enquiry Management and Loan Application Process (EMLAP) and Handheld Devices have led to complete automation of the field related activities, which not only helped to achieve reduction in the Green House Gas emissions but also resulted into reduced paper consumption and improved the quality of service. Around 700 desktops have been replaced with Thin Client for power efficiency in branches resulting in saving of around 125 watts of electricity per hour.

Your Company continued with its focus on enhancing the concept of sustainability in the minds of its employees, vendors, suppliers and customers and has taken various initiatives for conservation of water and energy as well as reduction of noise pollution.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As a socially responsible citizen, the Mahindra Group continues to contribute to the economic well being of the communities it interacts with and enhance their social well being. The Mahindra Group has incessantly been engaged in activities, which add value to the community around it.

Your Company has always been committed to the fact that, since corporations are vital organs of the society, corporate interests must address societal concerns for the sustainable development of the society and towards this end your Company 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 376 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 1,000 bottles of blood. During the year under review, your Company also donated funds for purchase of ambulance to numerous Charitable Institutions.

During the year under review, your Company contributed Rs.460.73 Lacs towards CSR to various Non-Governmental Organisations for charitable purposes.

ACHIEVEMENTS

During the year under review, your Company was awarded the NASSCOM IT User Awards 2012, the National Awards for IT Excellence, the Edge VD (Virtual Desktop) Award 2011, the Edge BI (Business Intelligence) Award 2011, SKOCH Digital Inclusion Award 2011, InfoSecurity Top 100 CISO Award 2011 and IT Next 100 (Future CIO) Award.

Your Company has won the Asia's Best Employer Brand Awards 2011 as well as the Award for Best Corporate Social Responsibility (CSR) Practices. The Company was also bestowed with the Indian Development Foundation CSR Award for its excellent contribution and support towards blanket mobilisation drive for leprosy patients in October, 2011. Your Company was ranked 4th in the Financial Services Sector by the Great Places to Work Institute.

DIRECTORS

Mr. Uday Y. Phadke resigned as the Vice-Chairman of the Company with effect from 24th October, 2011. Mr. Phadke continues to be a Non-Executive Director of the Company.

Mr. Uday Y. Phadke, Non-Executive Director and Mr. M. G. Bhide, Independent Director, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

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 are 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, 2012 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.

SUBSIDIARY COMPANIES

Mahindra Insurance Brokers Limited

The year under review represents the eighth year of insurance broking operations of your Company's

wholly-owned subsidiary Mahindra Insurance Brokers Ltd. (MIBL). During the year under review MIBL's Direct Broking license was renewed by the Insurance Regulatory and Development Authority (IRDA) with effect from 18th May, 2010 for a period of three years. The category of broker licence was subsequently upgraded from Direct to a Composite Broking licence, enabling MIBL to undertake Reinsurance broking business in addition to its existing Direct insurance broking for Life and Non-Life products.

During the year, MIBL crossed the 7,00,000 mark in terms of policies serviced, with a total of 7,03,730 policies for both Life and Non-Life Retail business lines. The customised Life Insurance covers "Mahindra Loan Suraksha" and "Sampoorna Suraksha" continued to receive an encouraging response and grew by 33 per cent from 2,73,138 lives covered with a Sum Assured of Rs.6,193.7 Crores in the Financial Year 2010-11 to 3,63,691 lives covered with a Sum Assured of Rs. 8,255.0 Crores in the Financial Year 2011-12, with a substantial portion being covered in the rural markets.

During the year, MIBL achieved a growth of 43.1 per cent in Net Premium generated for the Corporate and Retail business lines increasing from Rs.289.2 Crores (Gross Premium Rs. 318.6 Crores) in the Financial Year 2010-11 to Rs. 413.8 Crores (Gross Premium Rs.456.2 Crores) in the Financial Year 2011-12, crossing a milestone of Rs.400 Crores Gross Premium.

The Income decreased by 10.0 per cent from Rs.51.8 Crores in the Financial Year 2010-11 to Rs.46.6 Crores in the Financial Year 2011-12. The Profit Before Tax decreased by 38.9 per cent from Rs.32.9 Crores to Rs.20.1 Crores, and the Profit After Tax decreased by 38.0 per cent from Rs.21.8 Crores to Rs.13.5 Crores during the same period.

The decrease in Income and consequent decline in profits was due to the impact of the clarificatory Circular issued by the IRDA on Group Insurance Guidelines. The Guidelines became effective from 1st April 2011. MIBL has re-engineered its processes in line with the clarified Guidelines and has recommenced business income on the affected Group Insurance business, in December 2011.

Directors' Report

Mahindra Rural Housing Finance Limited

Mahindra Rural Housing Finance Limited (MRHFL) has during the year ended 31st March, 2012, disbursed loans aggregating Rs. 266.75 Crores (previous year Rs. 203.63 Crores). The Profit After Tax for the year ended 31st March, 2012 was Rs. 11.91 Crores (previous year Rs. 8.86 Crores). The outstanding loan portfolio as on 31st March, 2012 stood at Rs. 535.23 Crores.

MRHFL continued its focus on serving customers in rural India. More than 90 percent of the loans disbursed were to customers in villages having an average annual household income of less than Rupees Two Lacs. During the year under review, over 32,000 households were given home loans. As against this, since inception, MRHFL had given loans to approximately 30,000 households till 31st March, 2011.

The housing loans sanctioned during the year ended 31st March, 2012 were Rs. 292.16 Crores as against Rs. 263.05 Crores sanctioned during the previous year. The cumulative loans sanctioned by MRHFL as at the end of the Financial Year 2011-12 was Rs. 718.44 Crores as compared to Rs. 426.28 Crores in the previous year. The cumulative loan disbursement at the end of the year stood at Rs. 607.36 Crores as compared to Rs. 340.61 Crores in the previous year.

MRHFL has been expanding its geographical presence, by leveraging the infrastructure of your Company, and currently operates in the states of Maharashtra, Gujarat, Rajasthan, Tamilnadu, Andhra Pradesh, Kerala, Karnataka and Madhya Pradesh.

Mahindra Business & Consulting Services Private Limited

Mahindra Business & Consulting Services Private Limited (MBCSPL) provides staffing services mainly for your Company and its subsidiaries viz. MIBL and MRHFL and the ultimate parent company, viz. Mahindra & Mahindra Limited. As at 31st March, 2012 MBCSPL had on its rolls 6,096 employees who were deputed to these companies to provide services under ongoing contracts.

MBCSPL earns its income in the form of fees towards staffing services. MBCSPL registered a Profit After Tax

of Rs. 7.06 Lacs for the year ended 31st March, 2012 as compared to Rs. 54.43 Lacs in the previous year.

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

In accordance with the General Circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached to the Balance Sheet of the Company.

The Company Secretary will make available the Annual Accounts of the subsidiary companies and the related detailed information, 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.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its three subsidiaries viz. MIBL, MRHFL and MBCSPL, prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India, form part of this Annual Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies and its joint venture viz. Mahindra Finance USA LLC.

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 would 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 three employees who were in receipt of remuneration of not less than Rs. 60,00,000 during the year ended 31st March, 2012 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, 23rd April, 2012

Directors' Report
ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012

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				2,93,991	
(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	Grant-2 Granted on 25th January, 2012
		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	At Face Value of Rs. 10/- per Equity Share
<p>Employees Stock Option Scheme – 2005 (^) 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. (#) 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 Price: Rs. 10 The Specified Date: 22nd October, 2010</p>							
(c)	Options stand vested on 31st March, 2012	i) Employees Stock Option Scheme – 2005 : 24,51,331 ii) Employees Stock Option Scheme – 2010 : 50,181					
(d)	Options exercised	i) Employees Stock Option Scheme – 2005 : 23,07,920 ii) Employees Stock Option Scheme – 2010 : 32,471					
(e)	The total number of shares arising as a result of exercise of options	i) Employees Stock Option Scheme – 2005 : 23,07,920 Equity Shares of Rs. 10 each. These were transferred from the Trust to the eligible employees. ii) Employees Stock Option Scheme – 2010 : 32,471 Equity Shares of Rs. 10 each. These were transferred from the Trust to the eligible employees.					
(f)	Options lapsed	i) Employees Stock Option Scheme – 2005 : 7,49,671 ii) Employees Stock Option Scheme – 2010 : 1,785					
(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 : N.A.					

(h)	Money realised by exercise of options	i) Employees Stock Option Scheme – 2005 : Rs. 18,09,83,388 ii) Employees Stock Option Scheme – 2010 : Rs. 3,24,710 These monies have been received by the Trust.				
(i)	Total number of options in force	i) Employees Stock Option Scheme – 2005 : 2,37,375 ii) Employees Stock Option Scheme – 2010 : 2,59,735				
(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. 59.63*				
(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 lower by Rs. 51.03 lacs, profit after tax higher by Rs. 51.03 lacs and the basic and diluted earnings per share would have been higher by Rs. 0.05 and Rs. 0.04 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	Employees Stock Option Scheme – 2010 : Grant dated 25th January, 2012 <table border="1" style="margin-left: auto; margin-right: auto;"><thead><tr><th>Exercise Price(Rs.)</th><th>Fair Value (Rs.)</th></tr></thead><tbody><tr><td>10.00</td><td>586.55</td></tr></tbody></table>	Exercise Price(Rs.)	Fair Value (Rs.)	10.00	586.55
Exercise Price(Rs.)	Fair Value (Rs.)					
10.00	586.55					
(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 25th January, 2012- The Fair Value of stock options granted on 25th January, 2012 have been calculated using Black-Scholes Options pricing formula and the significant assumptions made in this regard are as follows :				
	Sr. No. Particulars					
	(i) risk-free interest rate,	8.1 per cent				
	(ii) expected life,	5.5 years				
	(iii) expected volatility,	46.1 per cent				
	(iv) expected dividends, and	2.1 per cent				
	(v) The price of the underlying share in market at the time of option grant	Rs. 665.7				

* Refer Note No. "28" under Notes to the Accounts in the Annual Accounts of the Annual Report.

Directors' Report
STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012

Names of Directors and Senior Managerial Persons to whom Stock Options have been granted	Employees Stock Option Scheme 2005				Employees Stock Option Scheme 2010
	No. of Options granted in December, 2005 *	No. of Options granted in July, 2007	No. of Options granted in March, 2008	No. of Options granted in September, 2008	No. 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
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. 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

* All the above options have been exercised.

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012

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, 2012.

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.0.5 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, 23rd April, 2012

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.

Loans and advances in the nature of loans to subsidiaries:

(Rs. in Crores)

Name of the Company	Balance as on 31st March, 2012	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	33.99	178.71
Mahindra Business & Consulting Services Private Limited	13.75	13.75

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 highest standard of Corporate Governance is essential in order to sustain excellent performance in terms of creation of value and wealth for all its stakeholders, on a 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, beliefs and ethics. Your Company has an active, experienced and a well-informed Board, necessary to ensure highest standards of corporate conduct.

Your Company is committed to transparency in all its dealings, conducts business with integrity and fairness 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% 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 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. Mr. Uday Y. Phadke, Non-Executive Non-Independent Director is the Principal Advisor (Finance) at M&M and receives remuneration from M&M.

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 five times during the year under review, on 25th April, 2011, 29th July, 2011, 24th October, 2011, 21st January, 2012 and 13th March, 2012. 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, 2012, 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	5	5	Yes	8	4	3
Mr. Uday Y. Phadke	Non- Executive Non- Independent	5	5	Yes	7	7	0
Mr. Ramesh Iyer (Managing Director)	Executive	5	5	Yes	7	5	2
Dr. Pawan Kumar Goenka	Non- Executive Non- Independent	5	4*	Yes	12	5	0
Mr. Dhananjay Mungale	Independent	5	5	Yes	7	7	2
Mr. Manohar G. Bhide	Independent	5	5	Yes	4	4	3
Mr. Piyush Mankad	Independent	5	5	Yes	11	10	2
Ms. Rama Bijapurkar	Independent	5	4	Yes	6	2	0

Notes:

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.

* In addition to the four Board Meetings Dr. Goenka also attended one Board Meeting via Conference Call.

Report on Corporate Governance

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 2011-12 is set forth in Table 2.

The eligible Non-Executive Directors are paid commission up to a maximum of 1% of the net profits of the Company as specifically computed for this purpose. A commission of Rs. 44 Lacs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31st March, 2012.

In addition, the Independent Directors were paid a sitting fee of Rs. 20,000 each for every Meeting of the Board or Audit Committee attended and a sitting fee of Rs.5,000 each for attending a 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 which is subsequently approved by the Board of Directors and shareholders at a General Meeting.

Table 2 Details of Remuneration Paid to Directors for the Financial Year 2011 – 12

(Rs. in Lacs)

Name of the Director	Sitting Fees	Salary and Perquisites	Superannuation and Provident Fund #	Commission	Total	Employees Stock Option Scheme 2005 (ESOS – 2005)				(ESOS-2010)**
						Number of Stock Options granted in Dec. 2005 Grant-1\$	Number of Stock Options granted in July 2007 Grant-2\$	Number of Stock Options granted in March 2008 Grant-3\$	Number of Stock Options granted in Sept. 2008 Grant-4 \$	
Mr. Ramesh Iyer *	N.A.	139.72	9.34	38.10	187.16	1,00,000	19,580	19,106	24,366	40,028
Mr. Bharat N. Doshi	N.A.	N.A.	N.A.	Nil	Nil	2,00,000	12,135	Nil	14,051	Nil
Mr. Uday Y. Phadke	N.A.	N.A.	N.A.	Nil	Nil	10,000	4,042	Nil	14,051	33,478
Dr. Pawan Goenka	N.A.	N.A.	N.A.	Nil	Nil	10,000	2,021	Nil	3,513	Nil
Mr. Dhananjay Mungale	2.35	N.A.	N.A.	10.00	12.35	10,000	Nil	Nil	Nil	Nil
Mr. M. G. Bhide	2.30	N.A.	N.A.	10.00	12.30	10,000	Nil	Nil	Nil	Nil
Mr. Piyush Mankad	1.15	N.A.	N.A.	10.00	11.15	10,000	Nil	Nil	Nil	Nil
Ms. Rama Bijapurkar	1.80	N.A.	N.A.	10.00	11.80	N.A.	N.A.	N.A.	10,000	Nil
Mr. M.B.N.Rao@	N.A.	N.A.	N.A.	5.62	5.62	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:

** Employees Stock Option Scheme - 2010

@ resigned with effect from 22nd October, 2010

Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.

Report on Corporate Governance

§ ESOS – 2005 - Details of Grants:

Grant-1: The Stock Options have been granted on 7th December, 2005. All the options have been vested and exercised.

Grant-2: The Stock Options have been granted on 24th July, 2007. Of this, 35% of the options have vested on 24th July, 2008, 25% vested on 24th July, 2009, 20% vested on 24th July, 2010, 10% vested on 24th July, 2011 and the balance 10% of the options would vest 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% of the options have vested on 25th March, 2009, 25% vested on 25th March, 2010, 20% vested on 25th March, 2011, 10% vested on 25th March, 2012 and the balance 10% of the options would vest 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% of the options have vested on 18th September, 2009, 25% of the options have vested on 18th September, 2010, 20% of the options have vested on 18th September, 2011 and the balance options would vest as follows –10% on expiry of 48 months from the date of grant and 10% on expiry of 60 months from the date of grant.

§§ ESOS – 2010 - Details of Grant:

Grant- 1: The Stock Options have been granted on 7th February, 2011. Of this, 20% of the options have vested on 7th February, 2012 and the balance options would vest in four equal tranches of 20% each on expiry of 24 months, 36 months, 48 months and 60 months respectively 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 with effect from 30th April, 2011.

During 2011-12, 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, 2012.

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

Name of the Director	Number of Shares held
Mr. Bharat N. Doshi	1,30,703
Mr. Uday Y. Phadke	13,779
Dr. Pawan Kumar Goenka	9,629
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, 2012.

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, 2012, the Audit Committee comprised four Non-Executive Directors of which three are Independent Directors. The Committee comprises Mr. Dhananjay Mungale (Chairman), Mr. M.G. Bhide, Ms. Rama Bijapurkar, all being Independent Directors and Mr. Uday Y. Phadke, Non-Executive Non-Independent Director. The Committee was reconstituted during the year under review. Mr. Uday Y. Phadke was appointed as a Member of the Committee with effect from 24th October, 2011. 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 49IID of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49IIC.

Mr. Dhananjay Mungale, Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 29th July, 2011.

The Audit Committee met six times during the year on 25th April, 2011, 13th June, 2011, 29th July, 2011, 24th October, 2011, 5th December, 2011 and 21st January, 2012. 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)	6
Mr. M.G. Bhide	5
Ms. Rama Bijapurkar	5
Mr. Uday Y. Phadke (appointed as a Member with effect from 24th October, 2011)	2

The Managing Director, the Chief Financial Officer, Chief Internal Auditor of Mahindra & Mahindra Limited and Statutory Auditors are regularly

Report on Corporate Governance

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, 2012, 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 three times during the year under review on 25th April, 2011, 29th July, 2011 and 21st January, 2012. 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	3
Mr. Dhananjay Mungale	3
Mr. Uday Y. Phadke	3
Mr. M.G. Bhide	3

c) Share Transfer and Shareholders/ Investors Grievance Committee

The Company's Share Transfer and Shareholders/ Investors Grievance Committee comprises three members, viz. Mr. M. G. Bhide (Chairman), Independent Director, Mr. Uday Y. Phadke, Non-Executive Non-Independent Director and Mr. Ramesh Iyer, Managing Director. During the year under review, Mr. M. G. Bhide was appointed as the Chairman of the Committee in place of Mr. Uday Y. Phadke, with effect from 24th October, 2011.

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 25th April, 2011, 24th October, 2011 and 13th March, 2012. 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. M.G. Bhide (appointed as Chairman with effect from 24th October, 2011)	3
Mr. Uday Y. Phadke (resigned as Chairman with effect from 24th October, 2011)	3
Mr. Ramesh Iyer	3

Details of queries and grievances received and attended to by the Company during the year 2011-12 are given in Table 7.

Table 7 Complaints/Letters received and attended to during the Financial Year 2011-12

Nature of Complaints/ Letters		Pending as on 1st April, 2011	Received during the year	Answered during the year	Pending as on 31st March, 2012
1.	Status of Share Application	0	0	0	0
2.	Non Receipt of Refund	0	3	3	0
3.	Non Receipt of Electronic Credit	0	1	1	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/Correction of Dividend Warrant	0	101	101	0
8.	SEBI/ Stock Exchange Complaints	0	0	0	0
	Total	0	118	118	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, Mr. Uday Y. Phadke, Non-Executive Non-Independent Director and Mr. Ramesh Iyer, Managing Director are the members of the Committee. The Committee was reconstituted during the year under review. Mr. Ramesh Iyer was appointed as a Member of the Committee with effect from 25th April, 2011. 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, 2012, the Risk Management

Committee comprised Mr. Dhananjay Mungale (Chairman), Mr. M. G. Bhide and Ms. Rama Bijapurkar, Independent Directors of the Company.

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.

Report on Corporate Governance

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% 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 2011-12, 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. “43” under Notes to the 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. M. G. Bhide, Independent Director and Mr. Uday Y. Phadke, Non-Executive Non-Independent Director 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

Name of Director	Mr. M.G. Bhide
Date of Birth	14th February, 1939
Date of Appointment on the Board	24th October, 2000
Expertise in specific functional area	Banking and Finance
Qualifications	Masters Degree in Economics, CAIIB.
Directorship in Companies	Mahindra Shubhlabh Services Limited J.P. Morgan Securities India Private Limited Mahindra & Mahindra Financial Services Limited India First Life Insurance Company Limited Talwalkars Better Value Fitness Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Shubhlabh Services Limited- Chairman Mahindra & Mahindra Financial Services Limited
Remuneration/ Compensation Committee	Mahindra Shubhlabh Services Limited Mahindra & Mahindra Financial Services Limited Talwalkars Better Value Fitness Limited
Share Transfer and Shareholders/Investors Grievance Committee	Mahindra & Mahindra Financial Services Limited- Chairman
Shareholding of Director in the Company	10,000 Equity Shares

Mr. M. G. Bhide is a Certified Associate of the Indian Institute of Bankers and has a Masters Degree in Economics from the Mumbai University. He was the Chairman and Managing Director of Bank of India and also the Managing Director and Group Executive (National Banking) of State Bank of India. He has served on various committees constituted by the Reserve Bank of India. Presently, he is a Member of the Executive Committee - Currency Derivatives Segment, The National Stock Exchange of India Limited.

Name of Director	Mr. Uday Y. Phadke
Date of Birth	19th November, 1950
Date of Appointment on the Board	27th May, 1999
Expertise in specific functional area	Finance and Accounts
Qualifications	B.Com., A.C.A., A.C.S., LL.B (Gen)
Directorship in Companies	Mahindra & Mahindra Financial Services Limited Mahindra Lifespace Developers Limited Mahindra Holidays & Resorts India Limited Mahindra World City Developers Limited Mahindra World City (Jaipur) Limited Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra & Mahindra Financial Services Limited Mahindra Holidays & Resorts India Limited Mahindra Lifespace Developers Limited Mahindra World City (Jaipur) Limited Mahindra Rural Housing Finance Limited

Report on Corporate Governance

Remuneration/ Compensation Committee	Mahindra & Mahindra Financial Services Limited Mahindra World City (Jaipur) Limited Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited
Share Transfer and Shareholders/Investors Grievance Committee	Mahindra & Mahindra Financial Services Limited Mahindra Holidays & Resorts India Limited
Shareholding of Director in the Company	13,779 Equity Shares

Mr. Uday Y. Phadke is currently the Principal Advisor (Finance) at Mahindra & Mahindra Ltd. (M&M). Mr. Phadke has been with M&M since 1973. He holds Bachelor’s Degree in Commerce and Law from Mumbai University. He is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He was President – Finance, Legal & Financial Services Sector and Member of the Group Executive Board of M&M.

He is a member of the SEBI Committee on Disclosures and Accounting Standards, CII National Committee on Accounting Standards and The National Group of Accounting Standards Board of Institute of Chartered Accountants of India (ICAI). He is also a Governing Council Member of the Association for Finance Professionals in India.

Mr. Phadke was a Member of Advisory Committee on Accounting Standards constituted under the Companies Act. He has been Chairman of the Direct Taxes Committee of the Bombay Chamber of Commerce and Industry and was on the Accounting Standards Board of the ICAI.

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 respectively. These are not sent individually to the Shareholders. 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
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.
2010-2011	29th July, 2011	3.30 p.m.	<ol style="list-style-type: none"> 1. Re-appointment of Mr. Ramesh Iyer as Managing Director of the Company with effect from 30th April, 2011 for a period of 5 years. 2. Partial modification of the Special Resolution passed at the Twentieth Annual General Meeting held on 23rd July, 2010, for payment of commission to Non Whole-time Directors. 	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.

No Extraordinary General Meeting was held during the past 3 years.

Postal Ballot

Details of Resolutions passed through Postal Ballot during the Financial Year 2011-12:

Date of Board Meeting	Description	% of Votes in favour of the Resolution	Scrutinizer for conducting the Postal Ballot
25th April, 2011	Ordinary Resolution for increase in borrowing limits from Rs.15,000 Crores to Rs.20,000 Crores under Section 293(1) (d) of the Companies Act, 1956 ("the Act") and creation of charge on the Company's property(ies) under Section 293(1)(a) of the Act.	98.61%*	Mr. S. N. Ananthasubramanian, Practising Company Secretary.
21st January, 2012	Special Resolution for issue of Redeemable Non-Convertible Preference Shares of the Face Value of Rs.100 each, of an aggregate nominal amount not exceeding Rs.50 Crores in accordance with the provisions of Sections 80, 81 and all other applicable provisions of the Companies Act, 1956.	99.76%**	Mr. S. N. Ananthasubramanian, Practising Company Secretary.

* Results declared on 14th June, 2011

** Results declared on 5th March, 2012

Report on Corporate Governance

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.

Compliance with the Corporate Governance Voluntary Guidelines 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009 ("the Guidelines"). In the Guidelines 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.

Your 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.

Your Company is in substantial compliance with the Guidelines and it will always be the Company's endeavour to attain the best practices in Corporate Governance.

ADDITIONAL SHAREHOLDER INFORMATION

22nd Annual General Meeting

Date : 27th July, 2012

Time : 3.30 p.m.

Venue : Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, 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, 2013 results will be tentatively announced on:

- Quarter ending 30th June, 2012 - End July, 2012
- Half-year ending 30th September, 2012 - End October, 2012
- Quarter ending 31st December, 2012 - End January, 2013
- Year ending 31st March, 2013 - End April, 2013

Book Closure

From 7th July, 2012 to 27th July, 2012, inclusive of both days.

Dividend Payment

A dividend of Rs. 14 per Equity Share of Rs. 10/- each, will be credited / dispatched between 28th July, 2012 to 6th August, 2012 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 BSE 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

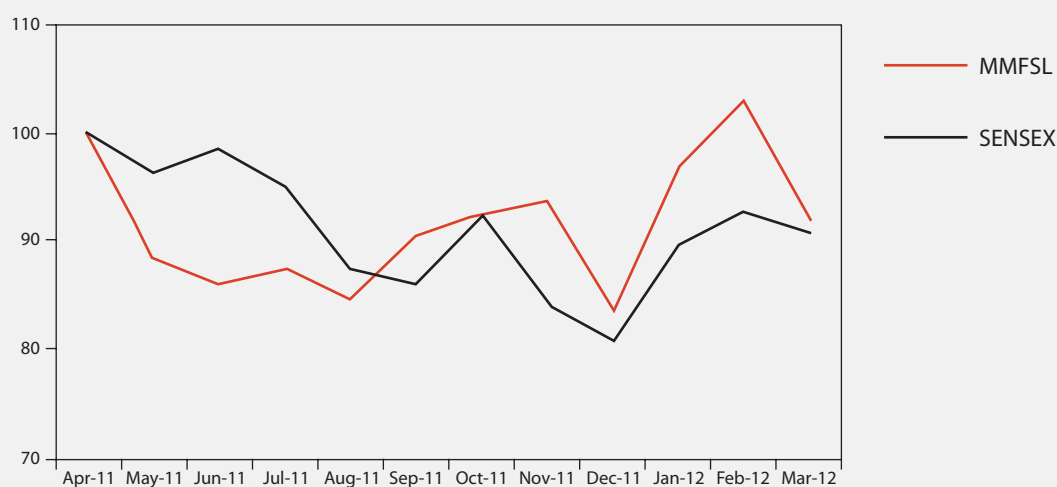
BSE	532720
NSE	M&MFIN
Demat ISIN in NSDL and CDSL for Equity Shares	INE774D01016

Stock Market Data

Table 2 and Charts A and B give required details.

Table 2 Monthly High and Low of Company's shares for the Financial Year 2011-12 at BSE and NSE

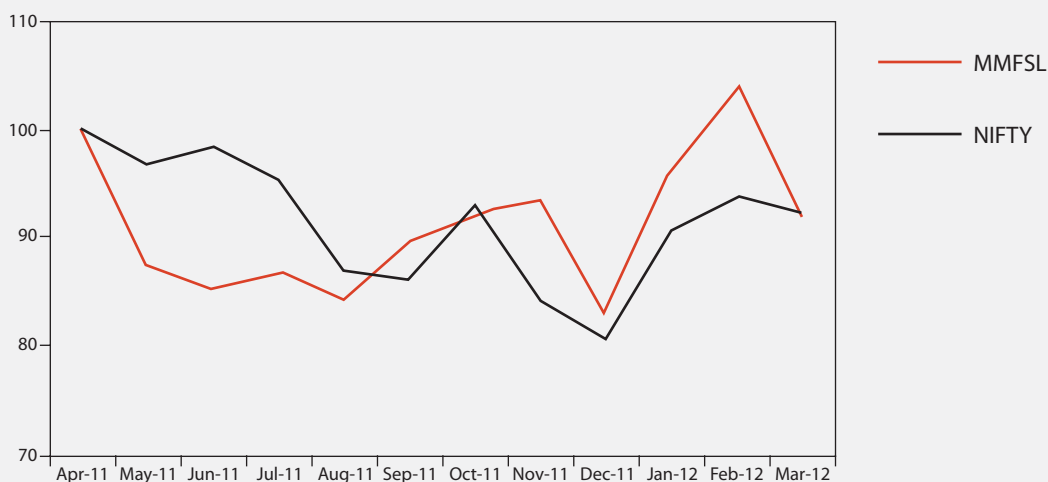
Month	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2011	820.10	721.00	818.80	725.50
May, 2011	739.95	631.35	740.00	630.00
June, 2011	675.00	595.25	730.00	593.75
July, 2011	718.00	620.85	717.45	620.00
August, 2011	713.00	590.00	715.00	590.00
September, 2011	693.90	610.00	695.10	609.00
October, 2011	689.70	616.55	689.90	607.30
November, 2011	707.90	611.50	707.00	608.10
December, 2011	712.60	590.10	720.00	592.00
January, 2012	726.00	594.00	723.00	600.00
February, 2012	773.95	672.05	775.00	671.00
March, 2012	760.00	651.50	758.65	645.00

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 2011-12 i.e. 1st April, 2011.

Report on Corporate Governance

Chart B MMFSL's share performance versus Nifty



Note:

Share prices and Nifty indexed to 100 as on the first working day of the Financial Year 2011-12 i.e. 1st April, 2011.

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, 2012.

Table 3 Shareholding pattern by size as on 31st March, 2012

Number of Shares held	Number of Shareholders	No. of Shares held	% of Shareholding
1 – 5000	27,442	13,57,306	1.31
5001 – 10000	406	3,02,162	0.29
10001 - 20000	183	2,66,531	0.26
20001 - 30000	72	1,87,311	0.18
30001 - 40000	38	1,36,413	0.13
40001 - 50000	36	1,65,847	0.16
50001 - 100000	67	4,89,160	0.47
100001 & Above	170	10,10,98,005	97.20
Total	28,414	10,40,02,735	100.00

Table 4 Shareholding pattern by ownership as on 31st March, 2012

Category of Shareholders	No. of shares held	% of shareholding
Promoter and Promoter Group	5,95,56,696	57.26
Mutual Funds	51,71,532	4.97
FII's	3,52,67,791	33.91
Bodies Corporate	5,37,980	0.52
Indian Public / HUF	32,53,831	3.13
NRIs	1,86,049	0.18
Trusts	1,410	0.00
Indian Financial Institution	22,095	0.02
Clearing Members	5,351	0.01
Total	10,40,02,735	100.00

Dematerialisation of Shares

As on 31st March, 2012, 99.62 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 - 25 shareholders representing 936 Equity Shares.

- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year – NIL.

- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - NIL.

- (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, 2012, 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.

Report on Corporate Governance

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; support@karvy.com;
einward.ris@karvy.com

The Registrar and Transfer Agents also have an office at:

Karvy Computershare Private Limited

24-B, Raja Bahadur Mansion,
Ground Floor, Ambalal Doshi Marg, Behind BSE,
Fort, Mumbai - 400 023.

Tel. : + 91 22 66235454

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, Non-Executive Non-Independent Director 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; support@karvy.com;
einward.ris@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. : +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, 2012.

For Mahindra & Mahindra Financial Services Limited

Ramesh Iyer
Managing Director

Place : Mumbai
Date : 23rd April, 2012

CERTIFICATE

TO THE MEMBERS OF MAHINDRA AND MAHINDRA FINANCIAL SERVICES LTD.

We have examined the compliance of conditions of corporate governance by Mahindra and Mahindra Financial Services Limited for the year ended 31st March, 2012 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, 2012, 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
Date : 23rd April, 2012

Management Discussion and Analysis

GLOBAL ECONOMIC REVIEW

The financial year 2011-12 will be remembered for volatilities across the economic and political spectrum: sluggish global economic growth, political instability across the Middle East and North Africa, deepening European crisis and fragile US recovery. Although extensive liquidity infusions by the European Central Bank (ECB) have reduced stress in the global financial markets, an acceptable solution to the euro crisis is still not in sight.

Saddled with ballooning foreign debt, Greece is in its fifth consecutive year of recession. The uncertainty has brought the economy to a standstill. This might result in the withdrawal of Greece from Euro.

The emerging economies are also witnessing slowdown, owing to global repercussions and domestic challenges. The World Bank has predicted a modest global GDP growth of 2.5% in 2012, increasing to 3% in 2013 and 3.3% in 2014.

INDIAN ECONOMIC REVIEW

The domestic economy belied all expectations and witnessed 6.5% growth in FY2011-12, the lowest in nine years. The reasons are not far to seek: tight monetary control measures, persistently high inflation, spiralling fuel cost, growing fiscal deficit, slow infrastructure investments, policy inertia, contracting exports and imports and weakening rupee. These factors have all contributed to arrest the economy's northbound ride. Besides, global turbulence has considerably impacted India's economic performance.

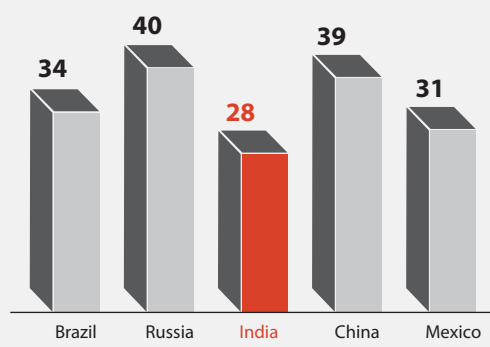
While the rupee depreciation made imports expensive for India, however it did not help exports owing to the global slowdown. While the declining trend in imports of capital goods has lowered India's trade deficit, it confirms industrial slowdown.

Notwithstanding adversities, India's long-term economic prospects continue to be bright, compared to most countries of the world. The World Bank expects India's economy to expand by 6.9% during 2012-13, going against the tide of widespread pessimism. With the continuing uncertainty in Euro the present scenario for exports is not encouraging.

GROWTH DRIVERS OF THE INDIAN ECONOMY

Demographic advantage: India is among the world's youngest nations with a median age of 25 years, compared to 43 years in Japan and 36 years in the US. This, in turn would result in more than 55% working-age population by 2025. With more than 25% of the world's working population, India can continue to be competitive globally.

Chart 1 Median age in 2025 (Years)



(Source: World Population Prospects, 2010, UN)

Increasing per capita income: India's per capita income is escalating: it crossed the Rs. 50,000 mark in FY'2011 and touched Rs. 53,331 in FY'2012, growing 16.9% from the previous year (Source: Advance Estimates on National Income released by Central Statistical Office (CSO) during Jan 2012).

Growing consumer spend: Home to over 222 Million households, India's private consumption is expected to touch US\$ 2020 Billion by 2016-17. Buoyed up by growing disposable income and rural consumption, the consumer credit market is flourishing rapidly.

Government impetus: Reform-focussed governance and significant initiatives under the Twelfth Five Year Plan will accelerate economic growth.

(Source: Indian Brand Equity Foundation)

INDIA'S NBFC INDUSTRY OVERVIEW

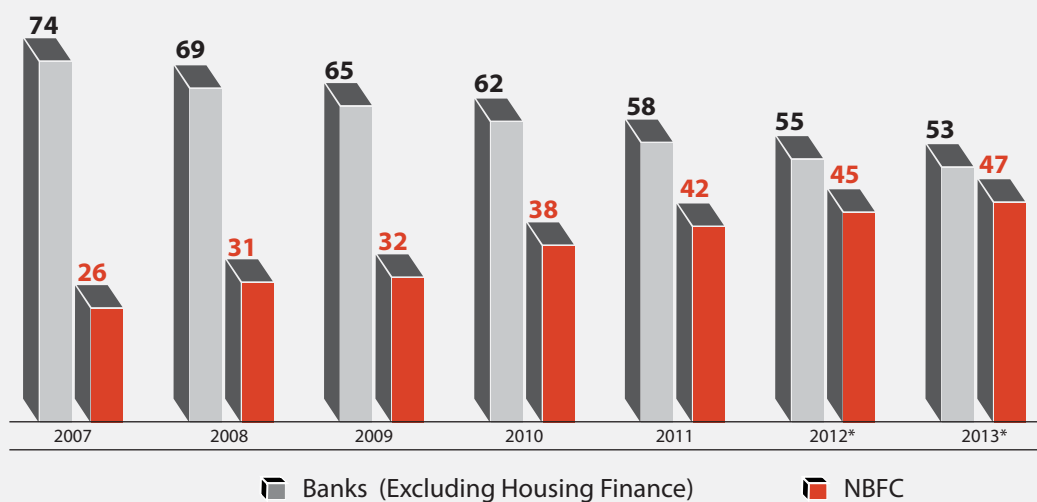
India's non-banking financial institutions have experienced sterling progress, strengthening the country's journey towards inclusive growth.

The Government's initiatives have further fuelled sectoral growth, as NBFCs primarily cater to the financing needs of rural and semi-urban India.

India's securitisation market grew 15% in value terms during 2011-12, while number of transactions grew 32%, according to a report published by ICRA Ratings on Indian Securitisation Market during May 2012.

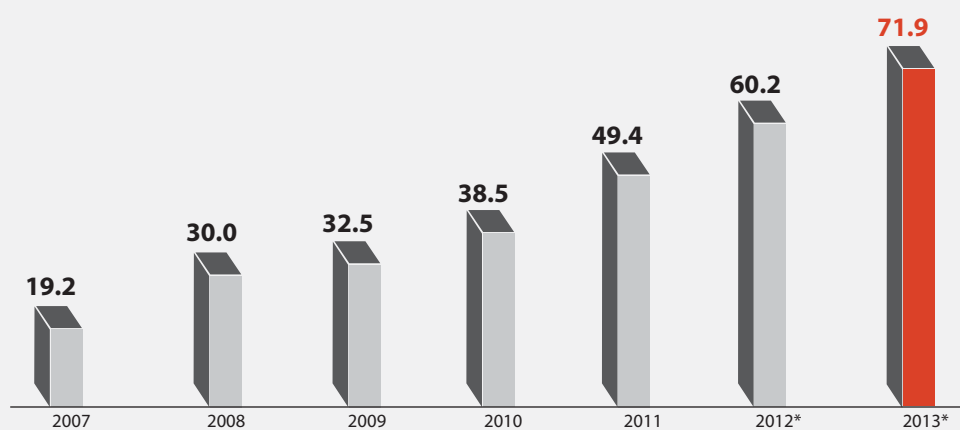
A recent study done by CRISIL emphasises that NBFCs are well positioned to establish a strong presence in the retail finance space. According to the study, NBFCs' retail loan portfolio will rise to over Rs. 4 Lac Crore by the end of fiscal year 2012-13, by which time the segment will match the non-mortgage retail lending portfolio of banks.

Chart 2 Market share of banks and NBFCs in retail finance (%)



Accordingly, the Assets Under Management (AUM) of retail NBFCs is projected to grow from USD 49.4 Billion in 2011 to USD 60.2 Billion in 2012.

Chart 3 Growth in AUM of retail NBFCs (USD Billion)



Management Discussion and Analysis

PERFORMANCE OF KEY INDUSTRY SEGMENTS

Automobile industry

A combination of firm interest rates, escalating fuel prices and sticky inflation has severely dented India's automobile industry growth. Against the backdrop of around 30% growth over the preceding few years, the industry registered only 12% growth in FY'2012, lowering the scope of vehicle financing (Source: The Indian Brand Equity Foundation). In addition, sluggish financial activity impacted the medium and heavy commercial vehicle financing. However, light commercial vehicle financing remained stable, leveraging enhanced segmental sales.

Farm equipment

The above average monsoon in most parts of the subcontinent in 2011, along with significant rural development initiatives, enhanced agricultural equipment use, and in turn, agricultural equipment financing (Source: Fitch Report).

Housing finance

In housing finance, tight liquidity conditions, rising borrowing cost and high margin pressures affected sectoral disbursements. In 2011, housing finance companies disbursed 22% of the total Indian home loan disbursements (Source: ICRA).

GROWTH DRIVERS OF INDIA'S NBFC INDUSTRY

Better macro-economic fundamentals: With more financial reforms, less volatility in the rate of inflation and lowering of wholesale borrowing rates, India's NBFC landscape is likely to improve.

Greater awareness: India's rural populace is far more well-informed today, than they were even a decade ago, thanks to education, media penetration and government's focus on inclusive growth. The result is strong credit growth in the rural sector.

Innovative and diversified product portfolio: Product innovation, along with customised and flexible

repayment options and cross-channel sales, create more growth opportunities.

Government initiatives: The National Rural Financial Inclusion Plan (NRFIP) attempts to cover at least 50% of financially excluded households by the end of the current fiscal. Besides, initiatives to set up a Financial Inclusion Fund and an Inclusion Technology Fund will catalyse growth.

Operating efficiency: A rapid improvement in technologies, systems and processes has helped accelerate operational efficiency by around 30-40%.

REGULATORY LANDSCAPE

The regulatory landscape of Indian NBFCs is always under stringent scrutiny, and is continuously evolving. Recent developments in NBFC regulations are likely to impact the medium-term operating environment of the sector, even though the effect was partial in 2011-12.

GUIDELINES ON PRIORITY-SECTOR LENDING

Under the revised regulatory guidelines on priority-sector lending, issued by the Reserve Bank of India in May 2011, bank loans to NBFCs (except eligible NBFC-micro finance institution loans) are not eligible for the banks' priority-sector loan targets from 1st April, 2011. The move will adversely impact NBFC performance as bank loans comprise a major source of direct loans.

Nair Committee Recommendation: The 'Report of the Nair Committee on Priority Sector Lending' (made public on 21st February, 2012) recommends that loans to non-banking financial intermediaries for lending to specified segments be classified as a priority sector, up to a maximum of 5% of adjusted net bank credit or credit equivalent of off balance sheet exposures (whichever is higher), subject to certain restrictions/conditions. If implemented, it would partially reduce the impact of April 2011 guidelines.

However, NBFCs can still borrow from banks (especially from private and foreign players) on usual commercial terms. The increased priority sector lending norm for foreign banks from 32% to 40% is further expected to increase the securitisation transaction. Nevertheless,

the increase in funding costs from securitisation, including the impact on capitalisation from the deduction of credit enhancements provided, could discourage NBFCs from using this channel extensively.

USHA THORAT COMMITTEE RECOMMENDATIONS

In addition, the 'Report of the Working Group on the Issues and Concerns in the NBFC Sector' (also called the Usha Thorat Committee), includes:

- The Tier-I, or core capital of NBFCs, has been pegged at 12% from 7.5% now, to be achieved in a three-year timeframe.
- Asset classification and provisioning norms, similar to those of banks, will be introduced in a phased manner. This includes the 90-days overdue norm for classifying Non-Performing Assets (NPAs), from the current 180 days.
- Liquidity ratios may be introduced for all registered NBFCs, so that cash-and-bank balances and government securities fully cover the gaps, if any, between cumulative outflows and inflows for the first 30 days. Currently, only NBFCs who receive deposits are required to hold 15% of their public deposits in RBI-defined liquid assets.
- The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) may be extended to NBFCs. NBFCs now cannot enforce their claims on defaulters under SARFAESI.
- Higher disclosures have been suggested by the RBI, which includes provision coverage ratios, liquidity ratios, asset liability profiles, the extent of financing of a parent company's products and the movement of NPAs.
- The risk weights for NBFCs not sponsored by banks are likely to be raised to 150% for capital market exposures and 125% for commercial real estate (CRE) exposures.

COMPANY OVERVIEW

Business overview

Mahindra & Mahindra Financial Services Limited ('MMFSL', 'Mahindra Finance' or 'the Company') has emerged as India's frontrunner Non-Banking Finance Company, catering to the financial needs of rural and semi-urban populace. It commenced operations in 1993, as a subsidiary of Rs. 787 Billion Indian tractor and utility vehicle manufacturer, Mahindra & Mahindra Limited. Beginning its journey by financing Mahindra & Mahindra vehicles, Mahindra Finance has considerably diversified its product portfolio, providing the following services:

- Vehicle Loans (Utility Vehicles, Commercial Vehicles, Tractors, Cars, Two-wheelers and used vehicles)
- Refinancing
- Housing Finance (through Mahindra Rural Housing Finance Limited)
- SME Financing
- Personal Loans
- Fixed Deposits
- Mutual Fund distribution
- Insurance Broking (through Mahindra Insurance Brokers Limited)
- Loan against Gold
- Construction Equipment Loan

A combination of reputed brand, strong relationship with bankers, investors and dealers, in-depth market insight, better asset quality and prudent risk management have helped accelerate the organization's steady growth.

Mahindra Finance enjoys high credit ratings, including CRISIL (AA+/ Stable), FITCH (AA+ (ind)/ Stable) and Brickworks Credit Ratings (AA+/ Positive) for its long-term and subordinate debt and CRISIL A1+ for its short-term debt programme. The Company's fixed deposit programme has been rated 'FAAA/Stable' the highest rating by CRISIL.

Management Discussion and Analysis

OPERATIONAL OVERVIEW

- MMFSL enhanced its customer base considerably; it crossed the two-million benchmark in the current fiscal
- Increased the number of offices from 547 in 2010-11 to 607 in 2011-12, across 24 States and four Union Territories
- Registered 35% growth in the value of assets financed; grew from Rs.1,44,199 Million in 2010-11 to Rs. 1,95,043 Million in 2011-12
- 37% growth in Assets under Management, from Rs. 1,50,899 Million in 2010-11 to Rs. 2,06,429 Million in 2011-12

- Recorded 36% and 41% growth in Total Assets and Income from Operations, respectively
- Total employee base stood at 9,715 in 2011-12
- Maintained 3% Gross NPA to Total Assets and 0.7% Net NPA to Total Assets in the current year

FINANCIAL PERFORMANCE

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 Mahindra Finance for 2011-12 including revenue, expenditure and profits are presented in the following table:

Table 1 Abridged Statement of Profit and Loss (Rs. in Lacs unless indicated otherwise)

	2011-12	2010-11	Growth
Revenue			
Revenue from operations	2,76,770.07	1,96,435.45	40.9%
Other income	2,689.31	1,315.38	104.5%
Total Revenue	2,79,459.38	1,97,750.83	41.3%
Expenditure			
Financial Expenses	1,12,032.35	66,020.97	69.7%
Employee Cost	19,977.07	15,150.49	31.9%
Other Expenses	37,266.04	31,104.01	19.8%
Provisions & Write Offs	15,702.00	13,651.74	15%
Depreciation & Amortisation	1,956.32	1,578.80	23.9%
Total Expenses	1,86,933.78	1,27,506.01	46.6%
PBT	92,525.60	70,244.82	31.7%
Direct tax	30,513.93	23,933.90	27.5%
PAT	62,011.67	46,310.92	33.9%
Basic EPS (Rs.)	60.46	47.85	26.4%

In fiscal 2012, the growth in new contracts stood at 26.82%, which in turn enhanced the Company's total assets and total revenues by 35.6% and 41.3% respectively, compared to the previous fiscal. The Company's Profit Before Tax (PBT) witnessed 31.7% growth, increasing from Rs. 70,244.82 Lacs in 2010-11 to Rs. 92,525.60 Lacs in 2011-12. The Profit After Tax (PAT) also increased by 33.9%, from Rs. 46,310.92 Lacs in 2010-11 to Rs. 62,011.67 Lacs in the current fiscal.

Subsequently, basic Earnings Per Share grew 26.3%, from Rs. 47.9 in 2010-11 to Rs. 60.46 in 2011-12.

Table 2 Key ratios

Particulars	2011-12	2010-11
PBT/Total income	33.1%	35.5%
PBT/Total Assets	5.1%	5.3%
RONW (Avg. Net Worth)	22.8%	22%
Debt/Equity	4.7	3.8
Capital Adequacy	18.0%	20.3%
Tier I capital	15.1%	17.0%
Tier II capital	2.9%	3.3%
Book Value (Rs.) (excluding ESOPs)	286.7	242.8

The Company's debt to equity ratio stood at 4.7 on 31st March, 2012. In real terms, and compared to other finance companies, there is a significant scope to enhance borrowings to grow future business.

The Company enjoys an 18% capital adequacy ratio, as compared to 15% mandated by the Reserve Bank of India. The book value stood at Rs. 286.7 in fiscal 2012.

The Company prudently makes accelerated provisioning for Non-Performing Assets (NPAs) than that prescribed by the RBI for NBFCs. The gross NPA to total asset ratio declined from 4% in 2010-11 to 3% in 2011-12 and the net NPA to total asset ratio stood at 0.7% in 2011-12.

OPPORTUNITIES

Financial inclusion

Although India has one of the world's most extensive banking networks, only 40% of the 1.21 Billion people have access to it.

According to Census 2011, 833 Million people reside in rural India, of which only 38% (32,000 branches) of the branches are located in rural India. More importantly,

rural India accounts for 9% of total deposits, 7% of total credit, 10% of life insurance and 0.6% of non-life insurance business. Besides, only 39% of the rural population has access to banks.

Non-banking channels have emerged as one of the most important sources of rural credit in the absence of formal banking facilities. The Indian Government is sharpening its focus on financial inclusion to widen the ambit of formal credit and other government-sponsored benefits. MMFSL's rural financing has helped accelerate rural development and drive inclusive growth in many parts of India.

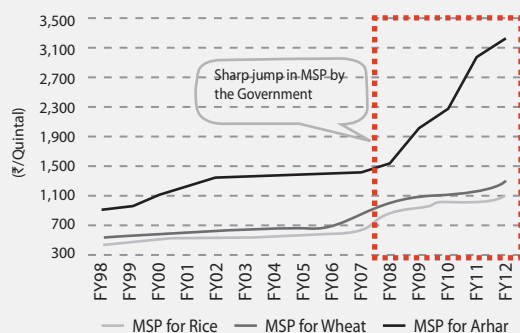
Assertive rural India

The government has consistently raised the minimum support price (MSP) of food grains to enable farmers to enhance their income and financial wellbeing.

The Commission on Agricultural Costs and Prices (CCAP), under the Ministry of Agriculture, has recommended a 16% rise in the floor price of paddy, 30% in soybean and sunflower seed, 25% in urad and moong and more than 40% in bajra and jowar.

Management Discussion and Analysis

Chart 4 Steep increase in minimum support prices



(Source: The Government of India)

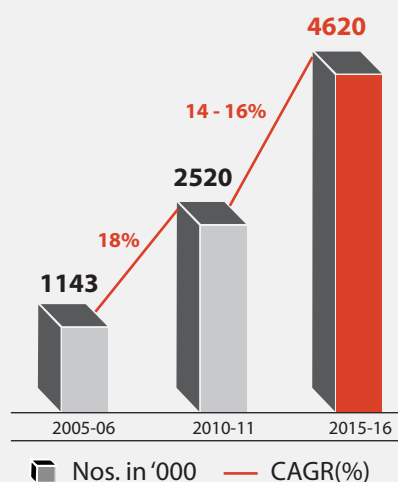
Besides, the Central Government’s flagship Mahatma Gandhi National Rural Employment Guarantee Scheme has enhanced rural income and generated livelihood for Millions of rural people. These factors augur well for the expansion of the NBFC sector.

Vehicle financing

Among the developing economies, only nine out of 1,000 people own a car in India, compared to 15 in China and 140 in Brazil. A combination of increasing affordability, access to dealership and financing, growth in existing markets, new product launches, enhanced infrastructure and government initiatives drive the overall growth of the automobile market.

The domestic car and utility vehicles industry is expected to grow at a 14-16% CAGR (during 2011-2016), penetrating 122 Million households in 2015-16, compared to 64 Million households in 2010-11. The small-car segment expects a faster 15-17% growth. Besides, the light commercial vehicle sales are expected to grow by 20-22% in 2013, while the medium and heavy commercial vehicles are likely to grow by 10-12% for the same period.

Chart5 Car and Utility Vehicle volume growth



(Source: CRISIL, Car and UV Annual Review, 2012)

Table 3

(Volume in '000)	2005-06		2010-11		2015-16 (P)	
	Volumes	CAGR	Volumes	CAGR	Volumes	CAGR
Small cars	662	9.7%	1546	18.5%	3167	15-17%
Sedan cars	220	17.7%	437	14.7%	840	13-15%
Total cars	882	17.6%	1983	17.6%	4007	14-16%

(Source: CRISIL, Car and UV Annual Review, 2012)

Growing sales are expected to create new growth paradigms for vehicle financing. In the commercial vehicle segment, almost 98% vehicles are financed, creating opportunities of growth in new vehicle financing. Moreover, only 75-80% of total tractor sales were financed in 2011, reflecting ample growth opportunities.

Table 4 Growth in new vehicle finance disbursements

(Rs. in Billion)	2009E	2010E	2011E	2012P	2016P	CAGR 2011-2016P
Cars	260	349	502	523	1154	18%
Utility Vehicles	80	108	158	183	335	16%
Commercial Vehicles	194	272	402	496	996	20%
Two-wheelers	72	84	99	117	180	13%
Total	606	813	1161	1319	2665	18%

(Source: CRISIL Research, Update Retail Finance – Auto, November 2011)

Direct marketing initiatives to leverage the growing vehicle financing market, along with distribution tie-ups with automobile giants like Maruti and Hyundai Motors will further extend Mahindra Finance's presence in the vehicle market.

SME financing

The Small and Medium Enterprises (SME) emerged as a critical component of economic development, particularly in emerging markets. Interestingly, 95% of all registered firms across the world are SMEs, and the number is as high as 99% for the European countries. In India, SMEs account for a significant proportion of manufacturing and exports, creating around 1.3 Million jobs annually, and employing about 60 Million people.

The SME sector's contribution equals 40% of India's total exports and 8% of India's GDP. However, only 5.18% of the Micro, Small and Medium Enterprises (MSMEs) in India avail finance from institutional sources, 2.05% from non-institutional sources and the majority of units (92.77%) has no access to finance, implying dependence on self-finance (Source: YES Bank Report). Therefore, India's SME financing demonstrates a significant growth potential, creating opportunities for frontrunner sectoral players.

Housing finance

India's housing finance sector is poised for robust growth, thanks to the following:

- Housing shortage under the 12th Five Year Plan (2013-17) is estimated to be around 40 Million, with over 200 Million people living in chronically poor housing conditions (Source: Planning Commission's Report on Rural Housing, September 2011). The shortage is also prevalent in rural India. The National

Housing Bank and the Government of India have introduced several schemes to bridge the gap, influencing MMFSL's growth.

- Large population with a favourable demographic profile (65% of the population is below 35 years).
- Nuclearisation of families, leading to higher demand for houses.
- Enhanced affordability.
- At 9%, mortgage as a percentage of India's GDP, remains one of the world's lowest. In developed countries like the US and UK, the corresponding figure stands at 81% and 88%, respectively, while for China it is 20%.

As a result, the home loan portfolio of finance companies is estimated to reach Rs. 3,116 Billion by 2015, from Rs. 1,649 Billion in 2011. The housing finance subsidiary of MMFSL, Mahindra Rural Housing Finance Limited, enjoys ample growth opportunity. The association with the National Housing Bank will further drive growth and increase the Company's consolidated bottomline.

Insurance services and mutual fund distribution

India's insurance sector has considerable growth prospects, as the level of protection in India is only 55% of GDP (measured by sum assured to GDP) and the current penetration of India's general insurance industry is abysmally low, at 0.7% of GDP, compared to 1.3-2.3% in emerging markets and 3-5% in developed markets.

Against the backdrop of socio-economic turmoil and natural catastrophes, public awareness is gradually

Management Discussion and Analysis

increasing. India's non-life insurance is growing at a pace of more than 20% annually (Source: Assocham). The life insurance sector is also poised to witness 7.5% premium growth in 2012 (Source: Swiss Re). These factors generate significant opportunities for Mahindra Insurance Brokers Limited, MMFSL's wholly-owned subsidiary.

On the other hand, India's gross national savings is increasing rapidly. It is expected to reach USD 1,455 Billion by 2016. With only 10% of India's savings channelized to financial services, the country's mutual fund distribution has considerable growth prospects. This scenario is expected to drive Mahindra Finance's growth.

CHALLENGES

- A sluggish economy can curtail prospects for business growth.
- Standardisation of products is gradually gaining prominence owing to variable interest rates, payment terms and low processing fees in the wake of enhanced competition.
- The economic slowdown can raise the delinquency rate and enhance credit costs.
- Unlike banks, NBFCs depend on non-retail borrowing. The regulatory requirements may restrict the banks to fund the NBFC sector. A tight liquidity condition will further increase the cost of funds. With multiple players invading the market, the ability to

compete effectively will depend, to some extent, on the Company's ability to raise low-cost funds in future.

RISK MANAGEMENT

Risk management is critical for long-term sustainability of any business. To align risk management with the Company's organisational structure, Mahindra Finance has in place a comprehensive Risk Management Committee of the Board to effectively manage and review the risk management systems, policies and strategies.

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.

Risks and mitigation

Risk: Mahindra Finance is highly dependent on Mahindra & Mahindra Limited (M&M), the parent company. Sluggish growth by M&M can impact the Company's future growth priorities.

Mitigation: The Company is gradually expanding its vehicle financing business. In the current fiscal, it has considerably lowered its dependence on M&M vehicles, and increased its presence in commercial vehicle, construction equipment and pre-owned vehicle financing.

Table 5 Segment-wise break up of AUM

	As on March 2010 (%)	As on March, 2011 (%)	As on March, 2012 (%)
Auto/ Utility Vehicles (M&M)	33	31	30
Tractors (M&M)	23	23	20
Cars and Non-M&M UVs and SCVs	30	31	31
Commercial Vehicles and Construction Equipment	8	9	12
Pre-owned Vehicles and Others	6	6	7

Risk: Continuously evolving government regulations may impact operations.

Mitigation: The Company continuously monitors the regulatory compliances. The Tier I and Tier II capital adequacy ratio are in consonance with regulatory norms. The expertise of the senior management facilitates these compliances.

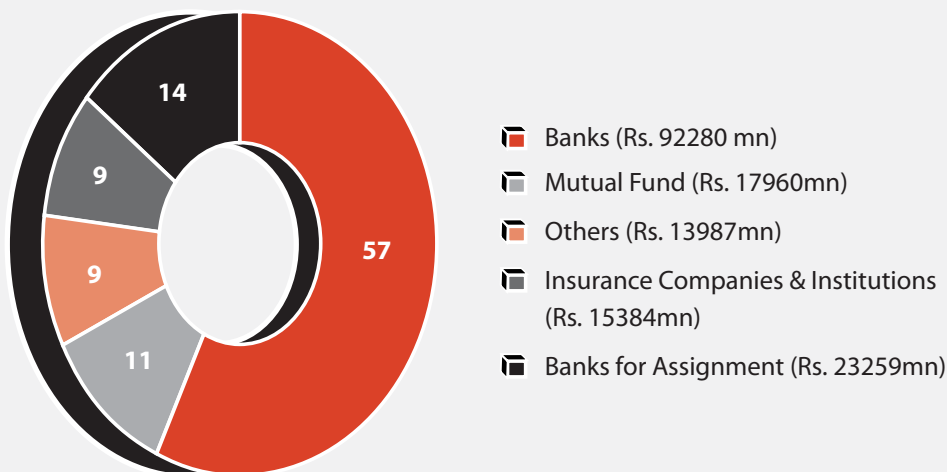
Risk: The inherent nature of lending exposes the Company to considerable credit risk, which may lead to higher NPAs.

Mitigation: Deep insight about the nature of borrowers and a strong business model reduces the risk of default significantly.

Risk: Government policies may impact interest rates and liquidity.

Mitigation: The Company has prudently evolved a strategic fund mix to reduce dependence on banks. Moreover, superior credit rating helps Mahindra Finance to raise wholesale funds at a competitive rate.

Chart 6 Fund mix on the basis of investor profile (%)



Risk: Simplified sanction procedures and low-entry barriers have encouraged influx of new players in the NBFC market, enhancing competition.

Mitigation: Mahindra Finance's extensive rural presence – Most of its branches are located in rural India – across India is a decisive edge over competition.

OUTLOOK

The Company is optimistic about the growing business potential across India's vast rural and semi-urban markets. Mahindra Finance is focusing on expanding its network of branches to cater to the widening customer fraternity.

The Company is also enhancing focus on operational excellence by introducing innovative products with local relevance, prioritising customer focus and

convenience, and simultaneously maintaining strong processes and prudent risk management. It is confident to overcome transitory challenges by virtue of its internal strengths and the overriding vision to help accelerate inclusive growth for a billion-plus people.

INFORMATION TECHNOLOGY (IT)

MMFSL's systematic and sound IT support system facilitates the loan transaction processes. For example, the pre-disbursement stage entails the archival of relevant customer details into the system for future reference. After disbursement, the system generates the EMI due on each loan at any given point and systematically tracks each phase of the payment schedule, until maturity. The system, controlled from the Company's head office in Mumbai, enables the senior management to access operational data as and when required.

Management Discussion and Analysis

Mahindra Finance tracks its liquidity position, which allows planning for shortfalls in advance. As of March 31, 2012, 90% of the offices were connected to the centralized data centre in Mumbai. Besides, the Company's field executives use approximately 8,000 hand-held GPRS devices to collect loan payments at the customer's home or business locations.

The Company's production servers maintain a daily automated back-up. It leverages advanced technologies and facilities for in-system data back-up and disaster recovery.

HUMAN RESOURCE MANAGEMENT

The Company attributes its success to the richness of knowledge, ideas and experience of its varied workforce. It focuses on attracting and retaining employees from diverse backgrounds: credit evaluation, risk management, treasury, technology and marketing. This will maintain balance between the number of employees and upcoming business expansions.

To develop the key competencies, Mahindra Finance has set up the Mahindra Finance Academy to nurture employee skills. The structured and transparent performance appraisal system provides continuous feedback to employees on their performance and rewards deserving employees.

The work culture is geared to encourage people to innovate and achieve larger organisational objectives. On the other hand, rewarding key performers with Employees' Stock Options creates a sense of ownership among the employees.

INTERNAL CONTROL SYSTEM

MMFSL's comprehensive and effective internal control system ensures smooth business operations, meticulously recording all transaction details and ensuring regulatory compliance and protecting the Company's assets from loss or misuse.

A team of internal auditors systematically conducts internal audit. Reputed audit firms have been appointed by the Company to review and audit operations. The reports are reviewed by the Audit Committee of the Board. The Company's policies are updated by the Audit Committee in line with the dynamic business environment.

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.

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 31st March, 2012, Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 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, 2012, and
 - (b) in the case of the Statement of Profit and Loss 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.

For **B. K. KHARE AND CO**

Chartered Accountants

Firm Registration No. 105102W

Padmini Khare Kaicker

Partner

Membership No. 44784

Place : Mumbai

Dated : April 23, 2012

Annexure to the Auditors' Report

Annexure to the Auditors' 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
Income Tax	99.99	2002 - 2003	IT Appellate Tribunal
	185.00	2002 - 2003	IT Appellate Tribunal
	8.93	2003 - 2004	IT Appellate Tribunal
	50.40	2003 - 2004	IT Appellate Tribunal
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 AND CO**

Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker

Partner

Membership No. 44784

Place : Mumbai

Dated : April 23, 2012

Balance Sheet as at 31st March, 2012

Rs. in Lacs

	Note No.	March 2012	March 2011
I. EQUITY & LIABILITIES			
1) Shareholders' funds			
a) Share Capital	1	10,268.75	10,245.29
b) Reserves and Surplus	2	2,84,832.31	2,38,764.13
		2,95,101.06	2,49,009.42
2) Non-current liabilities			
a) Long-term borrowings	3	9,29,073.95	6,49,401.44
b) Other Long-term liabilities	4	4,874.18	3,720.26
c) Long-term provisions	5	40,222.25	44,437.22
		9,74,170.38	6,97,558.92
3) Current liabilities			
a) Short-term Borrowings	6	1,44,913.51	67,655.80
b) Trade payables	7	37,653.68	28,553.37
c) Other current liabilities	8	3,62,989.85	2,89,077.88
d) Short-term provisions	9	41,327.34	36,441.87
		5,86,884.38	4,21,728.92
Total		18,56,155.82	13,68,297.26
II. ASSETS			
1) Non-current assets			
a) Fixed Assets	10		
i) Tangible assets		9,614.47	7,027.47
ii) Intangible assets		95.11	147.39
iii) Capital Work-in-progress		182.72	722.00
b) Non-current investments	11	21,313.04	14,297.67
c) Deferred tax assets (Net)	12	20,121.03	21,672.96
d) Long-term loans and advances	13	9,21,056.92	6,31,214.32
		9,72,383.29	6,75,081.81
2) Current assets			
a) Current investments	14	28,937.55	53,157.78
b) Trade receivables	15	768.40	694.62
c) Cash and cash equivalents	16	24,521.03	29,761.99
d) Short-term loans and advances	17	8,28,791.06	6,09,023.63
e) Other current assets	18	754.49	577.43
		8,83,772.53	6,93,215.45
Total		18,56,155.82	13,68,297.26
Significant Accounting Policies and Notes to the Accounts	I & II		

The notes 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
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnava Pardiwala
Company Secretary

Mumbai, April 23, 2012

Statement of Profit and Loss for the year ended 31st March, 2012

Particulars	Note No.	Rs. in Lacs	
		March 2012	March 2011
I. Revenue from operations	19	2,76,770.07	1,96,435.45
II. Other income	20	2,689.31	1,315.38
III. Total Revenue (I + II)		2,79,459.38	1,97,750.83
IV. Expenses:			
Employee benefit expenses	21	19,977.07	15,150.49
Finance costs	22	1,12,032.35	66,020.97
Depreciation and amortisation expense	23	1,956.32	1,578.80
Provisions and write offs'	24	15,702.00	13,651.74
Other expenses	25	37,266.04	31,104.01
Total expenses		1,86,933.78	1,27,506.01
V. Profit before tax (III- IV)		92,525.60	70,244.82
VI. Tax expense:			
(1) Current tax		28,962.00	24,914.00
(2) Deferred tax		1,551.93	(980.10)
VII. Profit (Loss) for the year (V - VI)		62,011.67	46,310.92
VIII. Earnings per equity share (Rupees) :	28		
(1) Basic		60.46	47.85
(2) Diluted		59.63	44.53
Significant Accounting Policies and Notes to the Accounts	I & II		

The notes referred to above form an integral part of the Statement of Profit and Loss.

This is the Statement of Profit and Loss referred in our report of even date.

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

Bharat Doshi
Chairman

Uday Y. Phadke
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

I. SIGNIFICANT ACCOUNTING POLICIES (SAP):

1) Basis for Preparation of Accounts :

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 1956 and the Accounting Standards notified under the said Act.

All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets & liabilities.

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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

- 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 which ever is less.
- 8) Loans against Assets :**
Loan against assets are stated at agreement value net of instalments received less unmatured 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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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.

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 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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

II. NOTES TO THE ACCOUNTS:

01	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHARE CAPITAL		
	Authorised Capital :		
	14,00,00,000 Equity shares of Rs.10/- each (Previous year : 14,00,00,000 shares)	14,000.00	14,000.00
	50,00,000 Redeemable Preference shares of Rs.100/- each (Previous year : 50,00,000 shares)	5,000.00	5,000.00
	Issued Capital :		
	10,40,02,735 Equity shares of Rs.10/- each (Previous year : 10,40,02,735 shares)	10,400.27	10,400.27
	Subscribed and Paid-up Capital :		
	10,40,02,735 Equity shares of Rs.10/- each fully paid up (Previous year : 10,40,02,735 shares)	10,400.27	10,400.27
	Less : Shares issued to ESOP Trust but not allotted by it to employees (13,15,164 equity shares (Previous year : 15,49,771 shares) issued to ESOS Trust)	131.52	154.98
	Total	10,268.75	10,245.29
	Other quantitative information :		
	a) Reconciliation of number of equity shares -		
	Number of equity shares outstanding at the beginning of the year	104002735	96900525
	Add : Fresh allotment of shares during the year :		
	1) Private placement to Qualified Institutional Buyers (QIBs) under Qualified Institutional Placement (QIP)	0	6133205
	2) Shares issued under Employees' Stock Option Scheme	0	969005
		0	7102210
	Number of equity shares outstanding at the end of the year	104002735	104002735
	b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / as- sociates -		
	Holding company : Mahindra & Mahindra Limited (Equity shares of Rs.10/- each)	58241532	58241532
	Percentage of holding (%)	56.00%	56.00%
	c) Shareholders holding more than 5 percent shares -		
	Mahindra & Mahindra Limited	58241532	58241532
	Percentage of holding (%)	56.00%	56.00%

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 Company has reduced the Share Capital by Rs.131.52 Lacs (Previous year : Rs.154.98 Lacs), Securities Premium by Rs.155.23 Lacs (Previous year : Rs.238.11 Lacs) in respect of 13,15,164 shares (Previous year : 15,49,771 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

02	Particulars	Rs. in Lacs	
		March 2012	March 2011
	RESERVES AND SURPLUS		
	Capital Redemption Reserve :		
	Opening balance as per last Balance Sheet	5,000.00	5,000.00
	Add : Transfer during the year	-	-
		5,000.00	5,000.00
	Less : Deductions during the year	-	-
	Closing Balance	5,000.00	5,000.00
	Securities Premium Reserve:		
	Opening balance as per last Balance Sheet	1,16,434.98	75,339.18
	Add : Additions during the year	254.22	42,067.50
		1,16,689.20	1,17,406.68
	Less : Shares issue expenses	0.00	971.70
		1,16,689.20	1,16,434.98
	Less : Shares issued to ESOP Trust but not allotted by it to employees	155.23	238.11
	Closing Balance	1,16,533.97	1,16,196.87
	Statutory Reserve :		
	Opening balance as per last Balance Sheet	33,730.62	24,467.62
	Add : Transfer during the year	12,403.00	9,263.00
		46,133.62	33,730.62
	Less : Deductions during the year	-	-
	Closing Balance	46,133.62	33,730.62
	General Reserve :		
	Opening balance as per last Balance Sheet	12,274.78	7,642.78
	Add : Transfer during the year	6,202.00	4,632.00
		18,476.78	12,274.78
	Less : Deductions during the year	-	-
	Closing Balance	18,476.78	12,274.78
	Employee Stock Option Outstanding :		
	A) Employee Stock Option Outstanding -		
	Opening Balance	1,803.51	144.04
	Add : Fresh grant of options (refer note no. 27)	278.19	1,718.19
		2,081.70	1,862.23
	Less: Amount transferred to Securities premium / Options Lapsed	277.00	58.72
	Closing Balance (A)	1,804.70	1,803.51
	Less :		
	B) Deferred Employee Compensation Expenses :		
	Opening Balance	1,595.43	24.09
	Add : Fresh grant of options (refer note no. 27)	278.19	1,718.19
		1,873.62	1,742.28
	Less: Transfer to Employee Compensation / Options Lapsed	772.43	146.85
	Closing Balance (B)	1,101.19	1,595.43
	Closing Balance (A- B)	703.51	208.08

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

02	Particulars	Rs. in Lacs	
		March 2012	March 2011
	RESERVES AND SURPLUS (Contd.)		
	Surplus :		
	Balance Profit (for earlier years) as per last Balance Sheet	71,353.77	51,065.59
	Add : Profit for the current year transferred from Statement of Profit & Loss	62,011.67	46,310.92
		1,33,365.44	97,376.51
	Less : Allocations & Appropriations :		
	General Reserve	6,202.00	4,632.00
	Statutory Reserve	12,403.00	9,263.00
	Proposed Dividend on Equity Shares	14,560.38	10,400.36
	Corporate Dividend Tax on Equity Shares	2,255.80	1,727.38
	Excess provision for Corporate Dividend Tax on Equity Shares for earlier year	(40.17)	0.00
		35,381.01	26,022.74
	Balance Profit carried to Balance Sheet	97,984.43	71,353.77
	Total	2,84,832.31	2,38,764.13

03	Particulars	Rs. in Lacs	
		March 2012	March 2011
	LONG-TERM BORROWINGS		
	a) Secured - #		
	Non-Convertible Debentures {refer note no.46 (i) (a)}	2,47,470.00	79,385.00
	Term loans from banks {refer note no.46 (ii) (a)}	5,14,030.30	4,49,762.50
	Foreign currency loans from banks {refer note no.46 (iii) (a)}	9,800.00	10,000.00
	Total (A)	7,71,300.30	5,39,147.50
	b) Unsecured -		
	Unsecured Bonds (Subordinate Debt) {refer note no.47 (i) (a)}	51,010.00	44,100.00
	Loans and advances from related parties (ICDs) {refer note no.47 (ii) (a)}	350.00	300.00
	Fixed deposits {refer note no.47 (iii) (b)}	1,06,413.65	65,853.94
	Total (B)	1,57,773.65	1,10,253.94
	Total (A+B)	9,29,073.95	6,49,421.44

Secured by hypothecation over company's assets covered by loan agreements and relative book debts.

04	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER LONG-TERM LIABILITIES		
	Deposits/Advances received against Loan agreements	987.04	1,143.05
	Interest accrued but not due on borrowings	3,887.14	2,577.21
	Total	4,874.18	3,720.26

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

05	Particulars	Rs. in Lacs	
		March 2012	March 2011
	LONG TERM PROVISIONS		
	Provision for employee benefits (refer note no.37)	159.71	66.61
	Provision for Non Performing Assets (refer note no.30)	17,974.42	19,442.62
	Contingent Provisions against Standard Assets (refer note no.31)	2,334.00	1,619.00
	Provision for Estimated Loss/Expenses on Assignments	19,754.12	23,308.99
	Total	40,222.25	44,437.22

06	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHORT TERM BORROWINGS		
	a) Secured - #		
	{refer note no.48 (i)}		
	Term Loans from banks	58,900.00	36,500.00
	Cash Credit facilities with banks	57,101.31	21,478.89
	Total (A)	1,16,001.31	57,978.89
	b) Unsecured -		
	Term Loans from banks {refer note no.48 (ii)}	22,500.00	0.00
	Loans and advances from related parties (ICDs)	2,027.00	2,162.00
	{refer note no.47 (ii) (b)}		
	Fixed Deposits {refer note no.47 (iii) (a)}	1,385.20	5,014.91
	Commercial Papers {refer note no.48 (iii)}	3,000.00	2,500.00
	Total (B)	28,912.20	9,676.91
	Total (A+B)	1,44,913.51	67,655.80

Secured by hypothecation over company's assets covered by loan agreements and relative book debts.

07	Particulars	Rs. in Lacs	
		March 2012	March 2011
	TRADE PAYABLES		
	Trade payables for finance	28,187.83	11,232.72
	Trade payables for expenses	9,465.85	17,320.65
	Total	37,653.68	28,553.37

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

08	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debt		
	a) Secured - #		
	Non-Convertible Debentures {refer note no.46 (i) (b)}	51,815.00	93,515.00
	Foreign currency loans from banks {refer note no.46 (iii) (b)}	10,000.00	0.00
	Term Loans from Banks {refer note no.46 (ii) (b)}	2,27,482.20	1,39,423.88
		2,89,297.20	2,32,938.88
	b) Unsecured -		
	Unsecured Bonds (Subordinate Debt) {refer note no.47 (i) (b)}	3,140.00	5,000.00
	Fixed Deposits {refer note no.47 (iii) (c)}	29,688.54	12,505.32
		32,828.54	17,505.32
	Interest accrued but not due on borrowings	15,497.78	11,962.13
	Unclaimed dividends	53.78	42.16
	Deposits/Advances received against Loan agreements	1,642.99	1,096.91
	Amount Received in advance from ESOS Trust	286.75	393.09
	Credit balances in Current Accounts with Banks	9,597.77	8,546.48
	Other Current Liabilities	13,785.04	16,592.91
	Total	3,62,989.85	2,89,077.88

Secured by hypothecation over company's assets covered by loan agreements and relative book debts.

09	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHORT-TERM PROVISIONS		
	Provision for employee benefits (refer note no.37)	4,219.61	3,331.76
	Provision for Estimated Loss/Expenses on Assignments	3,193.08	2,117.38
	Provision for Non Performing Assets (refer note no.30)	15,082.47	17,341.10
	Contingent Provisions against Standard Assets (refer note no.31)	2,016.00	1,524.00
	Proposed Dividend on equity shares	14,560.38	10,400.27
	Corporate Dividend Tax	2,255.80	1,727.36
	Total	41,327.34	36,441.87

The Board of Directors have recommended a dividend of Rs.14/- per share (Previous year : Rs.10 per share) on Equity Share of Rs.10/- each for the current financial year. The dividend will absorb a sum of Rs.16,816.18 Lacs, (Previous year : Rs.12,127.63 Lacs) including dividend distribution tax.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Asset Description	GROSS BLOCK AT COST				DEPRECIATION & AMORTISATION				NET BLOCK	
	Balance as at 1/4/2011	Additions for purchase /transfer	Deductions for Sale / transfer	Balance as at 31/3/2012	Balance as at 1/4/2011	Additions for purchase / transfer	Deductions for Sale / transfer	Balance as at 31/3/2012	As at 1/4/2011	As at 31/3/2012
FIXED ASSETS										
i) Tangible Assets :										
Land	6.96	0.00	6.96	0.00	0.00	0.00	0.00	0.00	6.96	0.00
Premises	108.92	0.00	0.00	108.92	12.27	1.78	0.00	14.05	96.65	94.87
Computers	2,975.81	1,103.61	3.83	4,075.59	1,738.93	451.92	0.97	2,189.88	1,236.88	1,885.71
Furniture and Fixtures	3,126.00	1,521.28	1.82	4,645.46	963.95	389.78	0.22	1,353.51	2,162.05	3,291.96
Vehicles	3,200.34	704.89	245.35	3,659.88	901.29	591.11	223.77	1,268.63	2,299.05	2,391.26
Office Equipment	2,182.86	1,183.11	0.53	3,365.44	956.98	457.92	0.14	1,414.76	1,225.88	1,950.68
Total (i)	11,600.89	4,512.89	258.49	15,855.29	4,573.42	1,892.51	225.10	6,240.82	7,027.47	9,614.47
ii) Intangible Assets :										
Computer software	988.64	11.53	0.00	1,000.17	841.25	63.81	0.00	905.06	147.39	95.11
Total (ii)	988.64	11.53	0.00	1,000.17	841.25	63.81	0.00	905.06	147.39	95.11
Total (i+ii)	12,589.53	4,524.42	258.49	16,855.46	5,414.67	1,956.31	225.10	7,145.88	7,174.86	9,709.58
As on 31st March, 2011	8,220.34	4,731.62	362.43	12,589.53	4,141.39	1,578.80	305.52	5,414.67	4,078.95	7,174.86

11 Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

11	Particulars	Rs. in Lacs	
		March 2012	March 2011
	NON-CURRENT INVESTMENTS		
	i) Quoted (at cost) -		
	Government Securities #	14,725.65	9,359.64
	ii) Unquoted (at cost) -		
	Equity investment in subsidiary companies :		
	a) Non - trade and fully paid up -		
	(i) Mahindra Insurance Brokers Limited	54.76	54.76
	(25,00,000 Equity shares @ Rs.10/- each ; Previous year : 5,00,000 Equity Shares of Rs.10/- each)		
	(ii) Mahindra Rural Housing Finance Limited *	4,000.00	500.00
	(4,00,00,000 Equity shares of Rs.10/- each ; Previous year : 50,00,000 Equity Shares of Rs.10/- each)		
	(iii) Mahindra Business & Consulting Services Private Ltd.	1.00	1.00
	(10,000 Equity Shares of Rs.10/- each ; Previous year : 10,000 Equity Shares of Rs.10/- each)		
	b) Non - trade and partly paid up -		
	Mahindra Rural Housing Finance Limited	0.00	2,100.00
	(Previous year : 3,50,00,000 Equity Shares of Rs.10/- each, Rs. 6/- per share paid-up)		
	Equity investment in Joint Venture :		
	49% Ownership in Mahindra Finance USA, LLC @	2,531.63	2,282.27
	(Joint Venture entity with De Lage Landen Financial Services, INC in United States of America)		
	Total	21,313.04	14,297.67
	Additional Information :		
	Particulars		
	a) Aggregate amount of quoted investments and market value -		
	i) Aggregate amount	14,725.65	9,359.64
	ii) Market Value	14,501.98	9,296.64
	b) Aggregate amount of unquoted investments	6,587.39	4,938.03

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Details of quoted long-term investments in Government stock as on 31st March, 2012

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 10.25%-30/05/2021	100	1000000	1,153.00
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 8.13%-21/09/2022	100	1500000	1,511.55
Govt Stock 8.20%-15/02/2022	100	1000000	1,010.35
Govt Stock 8.20%-15/02/2022	100	1000000	1,003.00
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Govt Stock 8.13%-21/09/2022	100	500000	490.95
Govt Stock 8.13%-21/09/2022	100	500000	490.71
Govt Stock 8.13%-21/09/2022	100	1000000	955.80
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.97%-05/12/2030	100	1000000	1,033.90
Govt Stock 8.97%-05/12/2030	100	1000000	1,035.35
Total		15000000	14,725.65

Details of quoted long-term investments in Government stock as on 31st March, 2011

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 10.25%-30/05/2021	100	1000000	1,153.00
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 8.13%-21/09/2022	100	1500000	1,511.55
Govt Stock 8.20%-15/02/2022	100	1000000	1,010.35
Govt Stock 8.20%-15/02/2022	100	1000000	1,003.00
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Total		9500000	9,359.64

Quoted investments of Rs.14,725.65 Lacs (Previous year : Rs.9,359.64 Lacs) are in 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.

@ During the year, the Company has made an additional investment of Rs. 249.36 Lacs (US \$ 0.49 million) in Mahindra Finance USA LLC, a 49% joint venture company formed jointly with De Lage Landen Financial Services Inc. in United States.

* 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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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DEFERRED TAX ASSET (NET)

In accordance with Accounting Standard 22 on Accounting for Taxes on Income the Company has accounted for Deferred Asset/Liability. The break up of the deferred tax asset as on 31st March, 2012 of Rs. 20,121.03 Lacs (Previous year: Rs. 21,672.96 Lacs) is as under :

Particulars	Rs. in Lacs	
	March 2012	March 2011
Provision for Non Performing Assets	18,125.67	20,107.51
Provision on Standard Assets	1,411.36	1,019.75
Depreciation	(42.28)	(14.12)
Other Disallowances	626.28	559.82
Total	20,121.03	21,672.96

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LONG-TERM LOANS AND ADVANCES

Particulars	Rs. in Lacs	
	March 2012	March 2011
a) Capital Advances	102.66	280.37
b) Deposits for office premises / others	1,035.77	949.60
c) Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts Ltd. & Loan to Mahindra Retail Private Ltd.)	3,168.41	6,077.52
d) Loans against Assets (Secured, including overdue loans) # (Considered good, unless stated otherwise)	9,11,486.00	6,21,790.78
e) Loans and Advances (unsecured, including overdue loans) @ (Considered good, unless stated otherwise)	5,264.08	2,116.05
# Includes non-performing assets of Rs.17,984.37 Lacs (Previous year : Rs.19,967.88 Lacs)		
@ Includes non-performing assets of Rs.150.15 Lacs (Previous year : Rs. 101.39 Lacs)		
Total	9,21,056.92	6,31,214.32

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CURRENT INVESTMENTS

Particulars	Rs. in Lacs	
	March 2012	March 2011
i) Quoted -	0.00	0.00
ii) Unquoted (at cost) -		
Certificate of deposits #	28,937.55	53,157.78
Total	28,937.55	53,157.78
Additional Information :		
Aggregate amount of unquoted investments	28,937.55	53,157.78

Details of unquoted current investments in certificate of deposits as on 31st March, 2012

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
CORPORATION BANK	1,00,000	5000	4,532.72
CENTRAL BANK OF INDIA	1,00,000	10000	9,774.42
ORIENTAL BANK OF COMMERCE	2,00,000	10000	9,759.36
UCO BANK	1,00,000	5000	4,871.05
Total		30000	28,937.55

Details of unquoted current investments in certificate of deposits as on 31st March, 2011

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
CENTRAL BANK OF INDIA	1,00,000	20000	19,585.18
CANARA BANK	1,00,000	5000	4,544.19
CENTRAL BANK OF INDIA	1,00,000	10000	9,803.34
PUNJAB NATIONAL BANK	1,00,000	5000	4,877.19
BANK OF INDIA	1,00,000	5000	4,540.00
SYNDICATE BANK	1,00,000	10000	9,807.88
Total		55000	53,157.78

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Particulars	Rs. in Lacs	
	March 2012	March 2011
TRADE RECEIVABLES		
Trade Receivable on hire purchase transactions (secured) #	381.69	384.06
(Outstanding for a period exceeding six months, considered doubtful)		
Debts outstanding for a period exceeding six months	44.25	0.00
(Unsecured, considered good)		
Debts outstanding for a period not exceeding six months	342.46	310.56
(Unsecured, considered good)		
# Includes non-performing assets of Rs. 381.69 Lacs (Previous year : Rs. 384.06 Lacs)		
Total	768.40	694.62

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Particulars	Rs. in Lacs	
	March 2012	March 2011
CASH AND CASH EQUIVALENTS		
Balance with Banks	16,041.42	15,034.54
Cheques, drafts on hand	65.95	92.71
Cash on hand	836.87	669.56
Balance in Unclaimed Dividend Accounts with Banks	55.79	44.18
Term Deposits with Scheduled Banks		
- Free of lien	0.00	10,100.00
(Of the above, Rs.Nil (Previous year : Rs. Nil) represents deposits with maturity more than 12 months)		

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

16	Particulars	Rs. in Lacs	
		March 2012	March 2011
	CASH AND CASH EQUIVALENTS (Contd.)		
	- Under lien #	7,521.00	3,821.00
	(Of the above, Rs.1,517.00 Lacs (Previous year : Rs. 2,021.00 Lacs) represents deposits with maturity more than 12 months)		
	Total	24,521.03	29,761.99

Term deposits with scheduled banks under lien include:

- Rs.7,500.00 Lacs (Previous year : Rs. 3,800.00 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.
- Rs. 21.00 Lacs (Previous year : Rs. 21.00 Lacs) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suits filed by the Company.

17	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHORT-TERM LOANS AND ADVANCES		
	Loans against Assets (Secured, including overdue loans) (Considered good, unless stated otherwise) #	7,25,725.30	5,28,282.23
	Loans and Advances (Unsecured, including overdue loans) (Considered good, unless stated otherwise) @	13,541.77	6,859.99
	Bills of Exchange	14,863.39	8,059.77
	Trade Advances @ (Advances recoverable in cash or in kind or for value to be received)	57,321.37	42,027.80
	Inter Corporate Deposits Given @	8,563.99	14,628.85
	Other Loans & Advances :		
	Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts Ltd. & Loan to Mahindra Retail Private Ltd.)	2,909.11	4,595.96
	Deposits for office premises / others	306.96	143.47
	Advance payment of tax (net of provisions)	5,447.85	4,042.08
	Other short term advances	111.32	383.48
	# Includes non-performing assets of Rs.36,175.97 Lacs (Previous year : Rs.33,538.13 Lacs)		
	@ Includes non-performing assets of Rs.741.47 Lacs (Previous year : Rs. 886.50 Lacs)		
	Total	8,28,791.06	6,09,023.63

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

		Rs. in Lacs	
18	Particulars	March 2012	March 2011
	OTHER CURRENT ASSETS		
	Interest accrued on -		
	a) Investments	241.60	233.94
	b) Other Deposits	512.89	343.49
	Total	754.49	577.43

		Rs. in Lacs	
19	Particulars	March 2012	March 2011
	REVENUE FROM OPERATIONS		
	a) Interest		
	Income from Loans	2,40,048.66	1,64,446.19
	Income from Hire Purchase	166.09	84.56
	Interest on Term Deposits / ICDs	2,522.13	1,922.50
	Interest on Government Securities :		
	- Short Term	0.00	11.35
	- Long Term	879.61	615.76
		2,43,616.49	1,67,080.36
	b) Other financial services		
	Service Charges & Other Fees on loan transactions	21,379.84	19,534.04
	Income from Hire Purchase	2.68	0.80
	Income from Bills	2,521.10	759.47
	Income from Lease	0.47	1.38
	Income from Assignment transactions (refer note no.39)	9,249.49	9,059.40
		33,153.58	29,355.09
	Total	2,76,770.07	1,96,435.45

		Rs. in Lacs	
20	Particulars	March 2012	March 2011
	OTHER INCOME		
	Dividend Received from Investments in Mutual Fund Units	47.21	218.08
	Dividend Received from Subsidiary Companies	230.00	62.00
	Profit/Premium on Sale/Redemption of Investment	734.43	52.41
	Profit on Sale / retirement of Owned Assets	30.21	11.46
	Other non-operating income	1,647.46	971.43
	Total	2,689.31	1,315.38

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

21	Particulars	Rs. in Lacs	
		March 2012	March 2011
	EMPLOYEE BENEFIT EXPENSES		
	Salary, Bonus & Incentives	16,906.75	13,137.14
	Company's Contribution to Provident Funds & other funds	1,258.11	1,008.85
	Employee Compensation Expense on account of ESOPs	749.65	143.18
	Staff Welfare Expenses	1,062.56	861.32
	Total	19,977.07	15,150.49

The Holding Company, Mahindra & Mahindra Limited, has incurred a cost of Rs.12.14 Lacs (Previous year : Rs. 3.43 Lacs) under Employee Stock Options (ESOS) to employees of the Company.

22	Particulars	Rs. in Lacs	
		March 2012	March 2011
	FINANCE COSTS		
	Interest expense	1,10,500.16	64,871.89
	Other borrowing costs	1,532.19	1,149.08
	Total	1,12,032.35	66,020.97

23	Particulars	Rs. in Lacs	
		March 2012	March 2011
	DEPRECIATION AND AMORTISATION EXPENSE		
	Depreciation on tangible assets	1,892.51	1,415.21
	Amortisation of intangible assets	63.81	163.59
	Total	1,956.32	1,578.80

24	Particulars	Rs. in Lacs	
		March 2012	March 2011
	PROVISIONS AND WRITE OFFS		
	Bad Debts & Write offs (refer note no.32)	18,124.13	15,709.33
	Provision for Non Performing Assets (Net) (refer note no.30)	(3,629.13)	(5,200.59)
	General Provision on Standard Assets (refer note no.31)	1,207.00	3,143.00
	Total	15,702.00	13,651.74

25	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER EXPENSES		
	Electricity Charges	762.68	496.02
	Rent	3,381.65	2,076.57
	Repairs & Maintenance -		
	- Buildings	1,191.23	1,889.51
	- Others	31.33	59.58
	Insurance	979.80	845.60
	Rates & Taxes, excluding taxes on income	76.30	153.24
	Directors Remuneration	98.34	89.02

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

25	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER EXPENSES (Contd.)		
	Commission & Brokerage (refer note no.33)	7,810.42	5,629.19
	Legal & Professional Charges	3,257.89	4,973.07
	Manpower Outsourcing Cost	9,574.63	5,626.22
	Payments to the Auditor -		
	(a) as Auditor	22.49	21.00
	(b) for other services	18.89	20.35
	(c) for reimbursement of expenses	0.64	0.39
	General & Administrative Expenses @	10,059.75	9,224.25
	Total	37,266.04	31,104.01

@ General & Administrative Expenses includes following expenditure incurred in foreign currency :

- Foreign Travel Rs. 21.48 Lacs (Previous year : Rs. 9.80 Lacs)
- Legal and Professional Fees Rs. 70.54 Lacs (Previous year : Rs. 136.95 Lacs)
- Others Rs.257.65 Lacs (Previous year : Rs. 41.56 Lacs)

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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 :

Name of Joint Ventures	Country of Incorporation	Percentage of ownership interest	Amount based on the Un-audited Accounts for the year ended 31st March, 2012				Capital Commitment and Contingent Liability
			Assets	Liabilities	Income	Expenditure	
Mahindra Finance USA, LLC	United States of America	49.00%	38,666.02	35,718.33	1,008.70	809.41	NIL

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During the year, the Company has granted 42,426 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 25th January, 2012
Type of Arrangement	Employee Share-Based Payment Plan administered through Employee Stock Option Trust.
Number of Options Granted	42,426
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

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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 25th January, 2012
Intrinsic Value of shares based on latest available closing market price	Rs. 665.70
Total Amount to be amortised over the vesting period	Rs. 278.19 Lacs
Charge to Profit & Loss Account for the year	Rs. 31.25 Lacs
Compensation in respect of lapsed cases	Rs. 4.45 Lacs
Unamortised Amount Carried Forward	Rs. 242.49 Lacs

The fair value of options, based on the valuation of the independent valuer as of date of grant are :

Vesting period in years	Grant dated 25th January, 2012 Expected Vesting	Fair Value (Rs.)
1	8482	586.55
2	8482	
3	8482	
4	8482	
5	8498	
	42426	

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 25th January, 2012
Risk free interest rate	8.11%
Expected life	5.5 Years
Expected volatility	46.08%
Expected dividend yield	2.11%
Exercise price	Rs.10.00
Stock price	Rs. 665.70

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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 2012	March 2011	March 2012	March 2011
A Net Profit After Tax (Rs. in Lacs)	62,011.67	46,310.92	62,062.70	46,264.74
B Weighted Average number of Equity Shares of Rs.10/- each (Basic)	102558165	96773669	102558165	96773669
C Weighted Average number of Equity Shares of Rs.10/- each (Diluted)	104002735	104002735	104002735	104002735
D Basic Earning per Share (Rs.)	60.46	47.85	60.51	47.73
E Diluted Earning per Share # (Rs.)	59.63	44.53	59.67	44.48

Dilution in Earning per share is on account of 13,15,164 Equity shares (Previous year : 15,49,771 equity shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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The Company had allotted 26,86,550 Equity shares on 6th December, 2005 and 9,69,005 Equity shares on 3rd February, 2011, to Mahindra and 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 1st April, 2011	762788	120.08
Options granted during the period	42426	10.00
Options forfeited/lapsed during the year	73497	51.92
Options exercised during the year	234607	115.49
Options outstanding on 31st March, 2012	497110	122.93
Options vested but not exercised on 31st March, 2012	161121	219.64

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.)
9th May, 2011	720.71
30th August, 2011	628.76
6th September, 2011	649.75
24th October, 2011	644.56
1st November, 2011	665.98
4th November, 2011	669.54
11th January, 2012	625.08
17th February, 2012	722.11
2nd March, 2012	708.52
21st March, 2012	680.72

Information in respect of options outstanding as on 31st March, 2012 :

Exercise price	No. of Options	Weighted average remaining life
Rs. 211.00 (Grant dated 24th July, 2007)	60792	15 months
Rs. 304.00 (Grant dated 25th March, 2008)	63947	23 months
Rs. 233.00 (Grant dated 18th Sept. 2008)	112636	29 months
Rs. 10.00 (Grant dated 7th Feb. 2011)	217988	34 months
Rs. 10.00 (Grant dated 25th Jan. 2012)	41747	40 months

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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 31st March, 2012 is Rs. 13,178.47 Lacs (Previous year : Rs. 14,477.68 Lacs)

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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 made a provision of Rs.4,350.00 Lacs on the standard assets as on 31st March, 2012 (Previous year : Rs.3,143.00 Lacs). The amount of provision on standard assets is shown separately as "Contingent Provision against Standard Assets" under "Provisions" in the Balance Sheet.

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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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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Commission & Brokerage mainly represents amount incurred in respect of acquisition of customers & mobilisation of public deposits.

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The Company has single reportable segment "Financial Services" for the purpose of Accounting Standard 17 on Segment Reporting.

35

In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.

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Deposits/Advances received are on account of loan against assets, which are repayable / adjusted over the period of the contract.

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No.	Particulars	Rs.in Lacs			
		Gratuity (Funded)		Sick leave (Non funded)	
		March 2012	March 2011	March 2012	March 2011
EMPLOYEE BENEFITS					
Defined Benefit Plans -As per Actuarial valuation					
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March					
1	Current service cost	348.99	275.34	69.51	61.79
2	Interest cost	41.98	31.31	6.32	4.95
3	Expected return on plan assets	(37.97)	(30.63)	0.00	0.00
4	Actuarial (Gains)/Losses	(123.12)	(124.65)	(43.54)	(48.51)
5	Total expense	229.89	151.37	32.29	18.23
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March					
1	Present Value of Defined Benefit obligation as at 31st March	644.20	442.42	105.60	73.31
2	Fair value of plan assets as at 31st March	484.50	375.79	0.00	0.00
3	Funded status (surplus/(deficit))	(159.71)	(66.61)	(105.60)	(73.31)
4	Net asset/(liability) as at 31st March	(159.71)	(66.61)	(105.60)	(73.31)
III. Change in the obligations during the year ended 31st March					
1	Present Value of Defined Benefit obligation at the beginning of the year	442.42	343.83	73.31	55.08
2	Current service cost	348.99	275.34	69.51	61.79
3	Interest cost	41.98	31.31	6.32	4.95
4	Actuarial (Gains)/Losses	(161.08)	(155.28)	(43.54)	(48.51)
5	Benefits paid	(28.10)	(52.78)	0.00	0.00
6	Present Value of Defined Benefit obligation at the year ended 31st March	644.20	442.42	105.60	73.31
IV. Change in the fair value of plan assets during the year ended 31st March					
1	Fair value of plan assets at the beginning of the year	375.80	305.50		
2	Expected return on plan assets	37.97	30.63		

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

		Rs.in Lacs				
37	No. Particulars	Gratuity (Funded)		Sick leave (Non funded)		
		March 2012	March 2011	March 2012	March 2011	
EMPLOYEE BENEFITS (Contd.)						
Defined Benefit Plans -As per Actuarial valuation						
3	Contributions by employer	148.09	123.08			
4	Excess Contribution withdrawn from fund	(11.29)	0.00			
5	Actuarial (Gains)/Losses	(37.97)	(30.63)			
6	Actual Benefits paid	(28.10)	(52.78)			
7	Fair value of plan assets at 31st March	484.50	375.79			
V. Major category of plan assets as a percentage of total plan						
	Funded with LIC	100%	100%	100%		
VI. Actuarial Assumptions						
1	Discount Rate	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.	
2	Expected Rate of return on plan assets	8.00% p.a.	8.00% p.a.			
3	Rate of Salary increase	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.	
4	In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	
VII. Experience Adjustments						
		Year Ended				
		31/3/2008	31/3/2009	31/3/2010	31/3/2011	
					31/3/2012	
1	Defined Benefit obligation at end of the period	199.63	256.67	343.83	442.41	644.21
2	Plan assets at the end of period	149.48	208.08	305.50	375.80	484.50
3	Funded Status Surplus/ (Deficit)	(50.15)	(48.59)	(38.33)	(66.61)	(159.71)
4	Experience adjustments on plan liabilities (gain)/loss	(30.50)	(61.20)	(40.37)	(46.70)	(73.01)
5	Experience adjustments on plan assets gain/(loss)	(3.16)	0.00	(6.22)	(7.89)	(9.94)

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Disclosure on Derivatives :

There were no Derivative instruments (Previous year : 2) for hedging interest rate risk outstanding as on 31st March, 2012.

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- a) During the year, the Company has without recourse assigned loan receivables of 56559 contracts (Previous year : 36618 contracts) amounting to Rs.1,48,741.39 Lacs (Previous year : Rs. 1,22,764.34 Lacs, including future interest receivable) for a consideration of Rs.1,48,741.39 Lacs (Previous year : Rs. 1,08,930.92 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. Nil (Previous year : Rs. 15,152.22 Lacs) against which a provision for estimated loss/expenses of Rs.Nil (Previous year : Rs. 9,830.08 Lacs) is made.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

During the year, all the assignment transactions are on "at par" basis as against "premium structure" transactions during the previous year.

- b) During the year, the provision in respect of assignment transactions amounting to Rs. 2,479.18 Lacs (Previous year : Rs. 3,648.00 Lacs) considered no longer necessary has been written back.

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During the year, Company has acquired without recourse portfolio of Rs. Nil (Previous year : Rs. 2,076.46 Lacs) for a consideration of Rs. Nil (Previous year : Rs. 2,010.05 Lacs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company. The Company has received cash collateral amounting to Rs. Nil (Previous year : Rs. 221.11 Lacs) and over collateral of Rs. Nil (Previous year : Rs. 417.26 Lacs) against these assignments.

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There were 22 cases (Previous year : 15 cases) of frauds amounting to Rs. 33.46 Lacs (Previous year : Rs 9.54 Lacs) reported during the year. The Company has recovered an amount of Rs.14.92 Lacs (Previous year : Rs 1.28 Lacs) and has initiated appropriate legal actions against the individuals involved. The claims for the un-recovered losses have been lodged with the insurance companies.

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The gold loans outstanding as a percentage of total assets is at 0.05% (Previous year : 0.01%)

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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 Ltd.	NBS International Ltd.
(formerly known as Mahindra International Ltd.)	Mahindra First Choice Wheels Ltd.
Mahindra USA, Inc	Mahindra Retail Private Ltd.
Mahindra Holidays & Resorts Ltd.	Mahindra Two Wheelers Private Ltd.
Mahindra Auto Developers Private Ltd. (formerly known as Mahindra Renault Private Ltd.)	Mahindra Life Space Developers Ltd.
Mahindra Yueda (Yancheng) Tractor Co.Ltd.	Mahindra First Choice Services Ltd.
Key Management Personnel	Mr. Ramesh Iyer (Managing Director)

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Related Party transactions are as under:

Rs. in Lacs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Joint Ventures	Key Management Personnel
1	Income					
	Loan income	823.00	-	327.71	-	-
		(761.44)	-	(377.70)	-	-
	Other income	-	1,942.07	243.08	-	-
		-	(803.44)	(267.29)	-	-
2	Expenses					
	Interest	718.39	181.85	10.71	-	-
		(386.40)	(150.66)	(213.66)	-	-
	Other Expenses	1,652.07	9,900.61	20.59	-	195.81
		(777.14)	(8,604.56)	(15.54)	-	(156.42)
3	Investment in share capital	-	1,400.00	-	249.36	-
		-	(1,400.00)	-	(2,282.27)	-
4	Purchase of Vehicles	166.55	-	23.79	-	-
		(352.26)	-	(3.41)	-	-
5	Sale of Fixed Assets	-	4.85	-	-	-
		-	-	-	-	-
6	Finance					
	NCD held (incl. int. accd.)	2,645.73	-	-	-	-
	(Purchased from secondary market)	(2,646.71)	-	-	-	-
	Dividend paid – for Previous year	5,824.15	-	-	-	4.85
		(4,368.11)	-	-	-	(3.98)
	Inter Corporate Deposits taken (including interest accrued but not due)	-	2,486.56	-	-	-
		-	(2,549.13)	(6,518.08)	-	-
	Inter Corporate Deposits given (including interest accrued but not due)	-	4,774.70	-	-	-
		-	(11,142.24)	(2,034.92)	-	-
	Loan given (including interest accrued but not due)	-	-	260.46	-	-
		-	-	(491.98)	-	-
7	Other Transactions					
	Reimbursement to parties	-	-	17.87	-	-
		-	-	(86.73)	-	-
8	Outstandings					
	Receivables	295.01	45.88	5,895.04	-	-
		(73.71)	(75.57)	(10,383.56)	-	-
	Payables	235.70	662.51	8.67	-	-
		(123.70)	(978.75)	(10.97)	-	-

Figures in bracket represent corresponding figures of Previous year.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

44	Particulars	Rs. in Lacs	
		March 2012	March 2011
CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)			
I) Contingent liabilities :			
	(a) Demand against the Company not acknowledged as debts on taxation matters (income tax)	4,629.06	5,569.24
	(b) Corporate Guarantees towards assignment transactions	86,274.38	73,253.29
	(c) Legal suits filed by customers in Consumer Forums and Civil courts claiming compensation from the Company	2,067.45	1,721.99
		92,970.89	80,544.52
II) Commitments :			
	(a) Estimated amount of contracts remaining to be executed on capital account ;	447.13	599.16
	(b) Uncalled liability on shares and other investments partly paid (On 3,50,00,000 partly paid equity shares of Mahindra Rural Housing Finance Ltd. @ Rs. 4/- per share)	-	1,400.00
		447.13	1,999.16
	Total	93,418.02	82,543.68

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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.

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SECURED LONG-TERM BORROWINGS

i) Secured Non-Convertible Debentures

As on 31st March, 2012

Particulars	Rate range	Rs. in Lacs		
		(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	8.30% - 10.47%	1,92,400.00	-	1,92,400.00
c) Maturing within 1 year	8.35% - 9.90%	-	36,100.00	36,100.00
Total		1,92,400.00	36,100.00	2,28,500.00
2) Repayable in installments :				
Yearly Installments -				
a) Maturing beyond 3 years	9.95%	24,500.00	-	24,500.00
b) Maturing between 1 year to 3 years	9.95% - 13.00%	30,570.00	-	30,570.00
c) Maturing within 1 year	10.50% - 13.00%	-	15,715.00	15,715.00
Total		55,070.00	15,715.00	70,785.00
Total (1+2)		2,47,470.00	51,815.00	2,99,285.00

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

As on 31st March, 2011

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 3 years	7.60%	5,000.00	-	5,000.00
b) Maturing between 1 year to 3 years	7.75% - 9.60%	38,600.00	-	38,600.00
c) Maturing within 1 year	7.30% - 14.00%	-	77,800.00	77,800.00
Total		43,600.00	77,800.00	1,21,400.00
2) Repayable in installments :				
Yearly Installments -				
a) Maturing beyond 3 years	13.00%	4,000.00	-	4,000.00
b) Maturing between 1 year to 3 years	10.50% -13.00%	31,785.00	-	31,785.00
c) Maturing within 1 year	10.50% - 13.00%	-	15,715.00	15,715.00
Total		35,785.00	15,715.00	51,500.00
Total (1+2)		79,385.00	93,515.00	1,72,900.00

ii) Secured Term Loans from Banks
As on 31st March, 2012

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 3 years	10.70%-10.75%	1,05,000.00	-	1,05,000.00
b) Maturing between 1 year to 3 years	5.50% -10.80%	1,41,000.00	-	1,41,000.00
c) Maturing within 1 year	7.25%-10.75%	-	1,19,000.00	1,19,000.00
Total for repayable on maturity		2,46,000.00	1,19,000.00	3,65,000.00
2) Repayable in installments :				
i) Quarterly -				
a) Maturing beyond 3 years	10.65%	2,500.00	-	2,500.00
b) Maturing between 1 year to 3 years	7.90% -10.75%	73,863.64	-	73,863.64
c) Maturing within 1 year	6.15% -10.75%	-	61,448.86	61,448.86
Total		76,363.64	61,448.86	1,37,812.50
ii) Half yearly -				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	6.25% -10.20%	1,01,666.66	-	1,01,666.66
c) Maturing within 1 year	10.20% - 10.75%	-	6,666.67	6,666.67
Total		1,01,666.66	6,666.67	1,08,333.33

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

ii) Secured Term Loans from Banks

As on 31st March, 2012

Rs. in Lacs				
Particulars	Rate range	(a) Non-current	(b) Current	Total
iii) Yearly -				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	9.25% - 10.75%	90,000.00	-	90,000.00
c) Maturing within 1 year	9.25% - 10.25%	-	40,366.67	40,366.67
Total		90,000.00	40,366.67	1,30,366.67
Total for repayable in installments		2,68,030.30	1,08,482.20	3,76,512.50
Total (1+2)		5,14,030.30	2,27,482.20	7,41,512.50

As on 31st March, 2011

Rs. in Lacs				
Particulars	Rate range	(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 3 years	7.75%	5,000.00	-	5,000.00
b) Maturing between 1 year to 3 years	5.50% - 9.50%	1,82,000.00	-	1,82,000.00
c) Maturing within 1 year	4.75% - 9.45%	-	85,000.00	85,000.00
Total for repayable on maturity		1,87,000.00	85,000.00	2,72,000.00
2) Repayable in installments :				
i) Quarterly -				
a) Maturing beyond 3 years	9.50%	7,500.00	-	7,500.00
b) Maturing between 1 year to 3 years	6.15% - 9.50%	70,312.50	-	70,312.50
c) Maturing within 1 year	6.15% - 10.00%	-	31,140.55	31,140.55
Total		77,812.50	31,140.55	1,08,953.05
ii) Half yearly -				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	6.25% - 8.90%	8,333.33	-	8,333.33
c) Maturing within 1 year	6.25% - 8.90%	-	6,666.66	6,666.66
Total		8,333.33	6,666.66	14,999.99
iii) Yearly -				
a) Maturing beyond 3 years	9.05% - 9.50%	67,840.91	-	67,840.91
b) Maturing between 1 year to 3 years	8.25% - 9.85%	1,08,775.76	-	1,08,775.76
c) Maturing within 1 year	8.25% - 9.85%	-	16,616.67	16,616.67
Total		1,76,616.67	16,616.67	1,93,233.34
Total for repayable in installments		2,62,762.50	54,423.88	3,17,186.38
Total (1+2)		4,49,762.50	1,39,423.88	5,89,186.38

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

iii) Foreign Currency Loans from Banks
As on 31st March, 2012

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
Repayable on maturity :				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	9.75%	9,800.00	-	9,800.00
c) Maturing within 1 year	7.85%	-	10,000.00	10,000.00
Total		9,800.00	10,000.00	19,800.00

As on 31st March, 2011

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
Repayable on maturity :				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	7.85%	10,000.00	-	10,000.00
c) Maturing within 1 year	-	-	-	-
Total		10,000.00	-	10,000.00

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UNSECURED BORROWINGS
i) Subordinated Debts (Long-term)
As on 31st March, 2012

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 5 years	9.80% - 12.00%	47,910.00	-	47,910.00
b) Maturing between 3 years to 5 years	-	-	-	-
c) Maturing between 1 year to 3 years	10.20% - 10.40%	3,100.00	-	3,100.00
d) Maturing within 1 year	9.40%	-	3,140.00	3,140.00
Total		51,010.00	3,140.00	54,150.00

As on 31st March, 2011

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 5 years	9.80% - 12.00%	37,860.00	-	37,860.00
b) Maturing between 3 years to 5 years	-	-	-	-
c) Maturing between 1 year to 3 years	9.40% - 10.40%	6,240.00	-	6,240.00
d) Maturing within 1 year	7.40%	-	5,000.00	5,000.00
Total		44,100.00	5,000.00	49,100.00

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

ii) Inter-Corporate Deposits (ICDs)

As on 31st March, 2012

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
1) Repayable on maturity :				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	8.50% - 9.80%	350.00	-	350.00
c) Maturing within 1 year	9.00% - 10.00%	-	2,027.00	2,027.00
Total		350.00	2,027.00	2,377.00

As on 31st March, 2011

				Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current	Total
Repayable on maturity :				
a) Maturing beyond 3 years	-	-	-	-
b) Maturing between 1 year to 3 years	8.50%	300.00	-	300.00
c) Maturing within 1 year	6.50% - 8.00%	-	2,162.00	2,162.00
Total		300.00	2,162.00	2,462.00

iii) Fixed Deposits

As on 31st March, 2012

					Rs. in Lacs
Particulars	Rate range	Long-term		(c) Current	Total
		(a) Short-Term	(b) Non-current		
a) Maturing beyond 3 years	8.65%-10.25%	-	6,962.84	-	6,962.84
b) Maturing between 1 year to 3 years	8.15%-10.75%	-	99,450.81	-	99,450.81
c) Maturing within 1 year	8.15% -10.25%	1,385.20	-	29,688.54	31,073.74
Total		1,385.20	1,06,413.65	29,688.54	1,37,487.39

As on 31st March, 2011

					Rs. in Lacs
Particulars	Rate range	Long-term		(c) Current	Total
		(a) Short-Term	(b) Non-current		
a) Maturing beyond 3 years	8.65%-10.25%	-	3,134.04	-	3,134.04
b) Maturing between 1 year to 3 years	8.15%-10.25%	-	62,719.90	-	62,719.90
c) Maturing within 1 year	7.65%-12.25%	5,014.91	-	12,505.32	17,520.23
Total		5,014.91	65,853.94	12,505.32	83,374.17

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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SHORT – TERM BORROWINGS**i) Secured term loans from banks and cash credit facilities****As on 31st March, 2012**

Particulars	Rate range	Rs. in Lacs
		Amount
Repayable on maturity :		
Maturing within 1 year	10.75% - 13.50%	1,16,001.33
Total		1,16,001.33

As on 31st March, 2011

Particulars	Rate range	Rs. in Lacs
		Amount
Repayable on maturity :		
Maturing within 1 year	9.50% - 10.25%	57,978.89
Total		57,978.89

ii) Unsecured term loans from banks**As on 31st March, 2012**

Particulars	Rate range	Rs. in Lacs
		Amount
Repayable on maturity :		
Maturing within 1 year	11.50%	22,500.00
Total		22,500.00

As on 31st March, 2011 : Rs. Nil**iii) Commercial Papers****As on 31st March, 2012**

Particulars	Rate range	Rs. in Lacs
		Amount
Repayable on maturity :		
Maturing within 1 year	9.93%	3,000.00
Total		3,000.00

As on 31st March, 2011

Particulars	Rate range	Rs. in Lacs
		Amount
Repayable on maturity :		
Maturing within 1 year	9.95%	2,500.00
Total		2,500.00

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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Managerial Remuneration paid to Directors included in the Profit and Loss Account is Rs. 247.40 Lacs (Previous year : Rs. 207.34 Lacs) includes Directors' Fees of Rs. 7.59 Lacs (Previous year : Rs.5.30 Lacs) and Perquisites Rs.2.21 Lacs (Previous year : Rs.3.67 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.

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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	Rs. in Lacs			
		March 2012		March 2011	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
LIABILITIES SIDE :					
(1)	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid :				
(a)	Debentures : Secured	2,99,285.00	0.00	1,72,900.00	0.00
	: Unsecured	0.00	0.00	0.00	0.00
	(other than falling within the meaning of public deposits)				
(b)	Deferred Credits	1,16,001.31	0.00	57,978.89	0.00
(c)	Term Loans	7,41,512.50	0.00	5,89,186.38	0.00
(d)	Inter-corporate loans and Other Borrowings	2,377.00	0.00	2,462.00	0.00
(e)	Commercial Paper	3,000.00	0.00	2,500.00	0.00
(f)	Public Deposits	1,35,365.24	0.00	80,159.89	0.00
(g)	Fixed Deposits accepted from Corporates	9,359.73	0.00	7,192.69	0.00
(h)	FCNR Loans	19,800.00	0.00	10,000.00	0.00
(i)	Subordinate debt	54,150.00	0.00	49,100.00	0.00
(j)	Other Short Term Loans and credit facilities from banks	22,500.00	0.00	0.00	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	1,35,365.24	0.00	80,159.89	0.00
ASSET SIDE :					
		Amount outstanding		Amount outstanding	
(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	1,04,531.27		83,391.43	
(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	

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Sr No.	Particulars	March 2012		March 2011	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
LIABILITIES SIDE : (Contd.)					
(iii)	Other loans counting towards AFC activities :				
(a)	Loans where assets have been repossessed	2,436.82		1,145.49	
(b)	Loans other than (a) above	16,03,200.13		11,13,502.37	
(5)	Break-up of Investments :				
	Current Investments :				
1.	Quoted :				
(i)	Shares : (a) Equity				
	(b) Preference				
(ii)	Debentures and Bonds				
(iii)	Units of mutual funds	0.00		0.00	
(iv)	Government Securities	0.00		0.00	
(v)	Investments in Certificate of Deposits with Banks	0.00		0.00	
2.	Unquoted :				
(i)	Shares : (a) Equity				
	(b) Preference				
(ii)	Debentures and Bonds				
(iii)	Units of mutual funds				
(iv)	Government Securities				
(v)	Investments in Certificate of Deposits with Banks	28,937.55		53,157.78	
	Long Term Investments :				
1.	Quoted :				
(i)	Shares : (a) Equity				
	(b) Preference				
(ii)	Debentures and Bonds				
(iii)	Units of mutual funds				
(iv)	Government Securities	14,725.65		9,359.64	
2.	Unquoted :				
(i)	Shares : (a) Equity	6,587.39		4,938.03	
	(b) Preference				
(ii)	Debentures and Bonds				
(iii)	Units of mutual funds				
(iv)	Government Securities				

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

(6) Borrower group-wise classification assets financed as in (3) and (4) above :

Category	March 2012			March 2011		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	0.00	4,774.70	4,774.70	0.00	12,242.79	12,242.79
(b) Companies in the same group	0.00	6,117.46	6,117.46	0.00	13,220.55	13,220.55
(c) Other related parties	0.00	0.00	0.00	0.00	0.00	0.00
2. Other than related parties	16,05,636.95	93,639.11	16,99,276.06	11,14,647.86	57,928.09	11,72,575.95
Total	16,05,636.95	1,04,531.27	17,10,168.22	11,14,647.86	83,391.43	11,98,039.29

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category	March 2012		March 2011	
	Market Value/ Break up or Fair Value	Book Value (net of provisions)	Market Value/ Break up or Fair Value	Book Value (net of provisions)
1. Related Parties				
(a) Subsidiaries	4,055.76	4,055.76	2,655.76	2,655.76
(b) Companies in the same group	2,531.63	2,531.63	2,282.27	2,282.27
(c) Other related parties	0.00	0.00	0.00	0.00
2. Other than related parties	43,439.53	43,663.20	62,616.22	62,517.42
Total	50,026.92	50,250.59	67,554.25	67,455.45

(8) Other information :

Particulars	March 2012	March 2011
	Amount	Amount
(i) Gross Non-Performing Assets :		
(a) Related parties	0.00	0.00
(b) Other than related parties	55,433.65	54,877.96
(ii) Net Non-Performing Assets :		
(a) Related parties	0.00	0.00
(b) Other than related parties	12,196.07	7,443.64
(iii) Assets acquired in satisfaction of debt	0.00	0.00

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Previous year figures have been regrouped wherever found necessary.

Signatures to Significant Accounting Policies and Notes to the Accounts – I & II

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

Bharat Doshi
Chairman

Uday Y. Phadke
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnavez Pardiwala
Company Secretary

Mumbai, April 23, 2012

Cash Flow Statement for the year ended 31st March, 2012

		Rs. in Lacs
		March 2012
		March 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies		92,525.60
Add/(Less):		
Non Cash Expenses :		
Depreciation & Amortisation		1,956.32
Provision for Non-Performing Assets		(3,629.13)
General Provision for Standard Assets		1,207.00
Employee Compensation Expense on account of ESOS		749.65
		283.84
Add/(Less):		
Income considered separately :		
Income on investing activities		(1,156.82)
(Profit)/Loss on sale of assets		(30.21)
(Profit)/Loss on sale of Investment		(734.43)
Income from Assignment transactions		(9,247.54)
		(11,169.00)
Operating profit before working capital changes	(I)	81,640.44
Less:		
(Increase)/Decrease in interest accrued others		(169.40)
(Increase)/Decrease in Trade receivables		2.37
(Increase)/Decrease in Loans & Advances		(6,57,297.24)
		(6,57,464.27)
Add: Increase in Current Liabilities		13,465.61
	(II)	(6,43,998.66)
Cash generated from operations	(I+II)	(5,62,358.22)
Advance taxes paid		(30,367.77)
NET CASH FROM OPERATING ACTIVITIES (A)		(5,92,725.99)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets / Software		(3,807.43)
Sale of Fixed Assets		63.60
Purchase of Investments		(35,952.92)
Investments in Term Deposits with Banks		(3,700.00)
Sale of Investments		53,892.21
Income received on investments		1,149.16
NET CASH FROM INVESTING ACTIVITIES (B)		11,644.62
		(4,08,377.10)
		(43,963.55)

Cash Flow Statement for the year ended 31st March, 2012

	Rs. in Lacs	
	March 2012	March 2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares (net of issue expenses)	106.34	41,826.59
Increase/(Decrease) in Bank borrowings (net)	2,42,648.54	2,90,872.18
Increase/(Decrease) in Long Term Borrowings (net)	1,31,435.00	9,600.00
Increase/(Decrease) in Short Term Borrowings (net)	415.00	(14,190.00)
Increase/(Decrease) in Fixed Deposits (net)	54,113.22	35,444.06
Proceeds from Assignment transactions	1,55,509.77	1,08,930.92
Dividend paid	(12,087.46)	(8,502.77)
NET CASH FROM FINANCING ACTIVITIES (C)	5,72,140.41	4,63,980.98
NET INCREASE / (DECREASE) IN		
CASH AND CASH EQUIVALENT (A+B+C)	(8,940.96)	11,640.33
CASH AND CASH EQUIVALENTS AS AT:		
Beginning of the year	25,940.99	14,300.66
End of the year	17,000.03	25,940.99

* Cash and Cash Equivalents does not include "Term Deposits under lien" in respect of 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
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

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 31st March, 2012	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2012	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2012	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2012
	Nos.	%	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
Mahindra Insurance Brokers Ltd.	500000	100%	-	1,350.56	100.00	4,644.53
Mahindra Rural Housing Finance Ltd.	40000000	87.5%	-	1,042.21	130.00	685.73
Mahindra Business & Consulting Services Pvt.Ltd.	10000	100%	-	7.07	-	67.55

Note :

The financial year of the subsidiary companies ended on 31st March, 2012.

Bharat Doshi
Chairman

Uday Y. Phadke
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

Mumbai, April 23, 2012

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

Auditors' Report

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

1. We have audited the attached consolidated balance sheet of Mahindra and Mahindra Financial Services Limited and its subsidiaries and its joint venture as at 31st March, 2012 and the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are responsibility of Mahindra and 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. 38,666.02 Lakhs as at 31st March, 2012 and the Group's share of total revenue of Rs. 1,008.70 Lakhs and net cash outflows of Rs. 1,670.79 Lakhs 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 and 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 and Mahindra Financial Services Limited, its subsidiaries & its interests in joint venture & as at 31st March, 2012;
 - b) in the case of the consolidated statement of profit and loss on the consolidated results of operations of Mahindra and 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 and Mahindra Financial Services Limited, its subsidiaries & its interests in joint venture for the year ended on that date.

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

Padmini Khare Kaicker
Partner

Place : Mumbai
Dated : April 23, 2012

Membership No. 44784

Consolidated Balance Sheet as at 31st March, 2012

		Rs. in Lacs	
	Note No.	March 2012	March 2011
I. EQUITY & LIABILITIES			
1) Shareholders' funds			
a) Share Capital	1	10,268.75	10,245.29
b) Reserves and Surplus	2	2,92,838.56	2,44,252.51
		3,03,107.31	2,54,497.80
Minority Interest			
		770.74	468.34
2) Non-current liabilities			
a) Long-term borrowings	3	9,91,100.74	6,60,251.92
b) Other Long-term liabilities	4	4,874.18	3,720.26
c) Long-term provisions	5	40,733.33	44,641.05
		10,36,708.25	7,08,613.23
3) Current liabilities			
a) Short-term borrowings	6	1,43,895.09	65,493.80
b) Trade payables	7	38,132.75	28,971.29
c) Other current liabilities	8	3,77,061.14	2,91,670.45
d) Short-term provisions	9	42,406.23	37,141.04
		6,01,495.21	4,23,276.58
Total		19,42,081.51	13,86,855.95
II. ASSETS			
1) Non-current assets			
a) Fixed Assets	10		
i) Tangible assets		9,997.01	7,239.56
ii) Intangible assets		99.87	152.15
iii) Capital Work-in-progress		182.72	722.00
b) Non-current investments	11	14,725.65	9,359.64
c) Deferred tax assets (Net) (refer note no. 39)	12	20,331.14	21,755.96
d) Long-term loans and advances	13	9,63,940.17	6,57,051.21
		10,09,276.56	6,96,280.52
2) Current assets			
a) Current investments	14	28,937.55	53,157.78
b) Trade receivables	15	1,112.13	1,047.37
c) Cash and cash equivalents	16	27,173.87	32,358.73
d) Short-term loans and advances	17	8,74,836.96	6,03,647.38
e) Other current assets	18	744.44	364.17
		9,32,804.95	6,90,575.43
Total		19,42,081.51	13,86,855.95
Significant Accounting Policies and Notes to the Accounts	I & II		

The notes 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
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

Consolidated Statement of Profit & Loss for the year ended 31st March, 2012

Particulars	Note No.	Rs. in Lacs	
		March 2012	March 2011
I. Revenue from operations	19	2,88,490.06	2,02,561.29
II. Other income	20	2,546.12	1,297.59
III. Total Revenue (I + II)		2,91,036.18	2,03,858.88
IV. Expenses			
Employee benefit expenses	21	31,275.41	22,398.30
Finance costs	22	1,13,989.80	66,618.39
Depreciation and amortisation expense	23	2,028.52	1,614.69
Provisions and write Offs	24	15,998.15	13,789.65
Other expenses	25	31,614.51	24,666.45
Total expenses		1,94,906.39	1,29,087.48
V. Profit before exceptional and extraordinary items and tax (III-IV)		96,129.79	74,771.40
VI. Exceptional items		-	-
VII. Profit before extraordinary items and tax (V - VI)		96,129.79	74,771.40
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII- VIII)		96,129.79	74,771.40
X. Tax expense:			
(1) Current tax		30,252.88	26,444.37
(2) Deferred tax		1,424.80	(1,039.16)
XI. Profit (Loss) for the period from continuing operations (IX-X)		64,452.11	49,366.19
XII. Minority Interest		102.40	89.06
XIII. Profit (Loss) for the period (XI - XII)		64,349.71	49,277.13
XIV. Earnings per equity share (Rupees) :			
(1) Basic		62.74	50.92
(2) Diluted		61.87	47.38
Significant Accounting Policies and Notes to the Accounts	I & II		

The notes referred to above form an integral part of the Statement of Profit and Loss.

This is the Statement of Profit and Loss referred in our report of even date.

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

Bharat Doshi
Chairman

Uday Y. Phadke
Director

Ramesh Iyer
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M. G. Bhide
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Mumbai, April 23,2012

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Director

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

I. SIGNIFICANT ACCOUNTING POLICIES (SAP):

1) Basis for Preparation of Accounts:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 1956 and the Accounting Standards notified under the said Act.

All assets & liabilities have been classified as current & non – current as per the Company’s normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets & liabilities.

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 Finance 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 derecognised 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:

- 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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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:
 - 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.5000/- are fully depreciated in the year of purchase and
 - c) Vehicles used by employees are depreciated over the year of 48 months considering this year 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 a 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 un-matured 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 of assets are capitalised under Fixed Assets and balance expenditure if any is debited to Profit & Loss Account.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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 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 year 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 ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting year of the option on a straight line basis.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

II. NOTES TO THE ACCOUNTS

01

Particulars	Rs. in Lacs	
	March 2012	March 2011
SHARE CAPITAL		
Authorised Capital :		
14,00,00,000 Equity shares of Rs.10/- each	14,000.00	14,000.00
(Previous year : 14,00,00,000 shares)		
50,00,000 Redeemable Preference shares of Rs.100/- each	5,000.00	5,000.00
(Previous year : 50,00,000 shares)		
Issued Capital :		
10,40,02,735 Equity shares of Rs.10/- each	10,400.27	10,400.27
(Previous year : 10,40,02,735 shares)		
Subscribed and Paid-up Capital :		
10,40,02,735 Equity shares of Rs.10/- each fully paid up	10,400.27	10,400.27
(Previous year : 10,40,02,735 shares)		
Less : Shares issued to ESOP Trust but not allotted by it to employees (13,15,164 Equity shares (Previous year : 15,49,771 shares) issued to ESOS Trust)	131.52	154.98
	10,268.75	10,245.29
Total	10,268.75	10,245.29

Particulars	March 2012	March 2011
Other quantitative information :		
a) Reconciliation of number of equity shares -		
Number of equity shares outstanding at the beginning of the year	104002735	96900525
Add : Fresh allotment of shares during the year :		
1) Private placement to QIBs under QIP	0	6133205
2) Shares issued under Employees' Stock Option Scheme	0	969005
	0	7102210
Number of equity shares outstanding at the end of the year	104002735	104002735
b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates -		
Holding company : Mahindra & Mahindra Limited (Equity shares of Rs.10/- each)	58241532	58241532
Percentage of holding (%)	56%	56%
c) Shareholders holding more than 5 percent shares -		
Mahindra & Mahindra Limited	58241532	58241532
Percentage of holding (%)	56%	56%

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 Company has reduced the Share Capital by Rs.131.52 Lacs (Previous year : Rs. 154.98 Lacs), Securities Premium by Rs.155.23 Lacs (Previous year : Rs. 238.11 Lacs) in respect of 13,15,164 shares (Previous year : 15,49,771 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

02

Particulars	Rs. in Lacs	
	March 2012	March 2011
RESERVES AND SURPLUS		
Capital Redemption Reserve :		
Opening balance as per last Balance Sheet	5,000.00	5,000.00
Add : Transfer during the year	0.00	0.00
	5,000.00	5,000.00
Less : Deductions during the year	0.00	0.00
Closing Balance	5,000.00	5,000.00
Securities Premium Reserve:		
Opening balance as per last Balance Sheet	1,16,434.98	75,339.18
Add : Additions during the year	254.22	42,067.50
	1,16,689.20	1,17,406.68
Less : Shares issue expenses	0.00	971.70
	1,16,689.20	1,16,434.98
Less : Shares issued to ESOP Trust but not allotted by it to employees	155.23	238.11
Closing Balance	1,16,533.97	1,16,196.87
Statutory Reserve :		
Opening balance as per last Balance Sheet	34,064.19	24,522.84
Add : Transfer during the year	12,764.36	9,541.35
	46,828.55	34,064.19
Less : Deductions during the year	0.00	0.00
Closing Balance	46,828.55	34,064.19
General Reserve :		
Opening balance as per last Balance Sheet	12,813.60	7,961.60
Add : Transfer during the year	6,338.00	4,852.00
	19,151.60	12,813.60
Less : Deductions during the year	0.00	0.00
Closing Balance	19,151.60	12,813.60
Foreign Exchange Fluctuation Reserve :		
Opening balance as per last Balance Sheet	(37.66)	0.00
Add : Transfer during the year	332.48	(37.66)
	294.82	(37.66)
Less : Deductions during the year	0.00	0.00
Closing Balance	294.82	(37.66)
Employee Stock Option Outstanding :		
A) Employee Stock Option Outstanding -		
Opening Balance	1,803.51	144.04
Add : Fresh grant of options (refer note no. 30)	278.19	1,718.19
	2,081.70	1,862.23
Less: Amount transferred to Securities premium / Options Lapsed	277.00	58.72
Closing Balance (A)	1,804.70	1,803.51
Less :		

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

		Rs. in Lacs	
02	Particulars	March 2012	March 2011
	RESERVES AND SURPLUS (Contd.)		
	B) Deferred Employee Compensation Expenses :		
	Opening Balance	1,595.43	24.09
	Add : Fresh grant of options (refer note no. 30)	278.19	1,718.19
		1,873.62	1,742.28
	Less: Transfer to Employee Compensation / Options Lapsed	772.43	146.85
	Closing Balance (B)	1,101.19	1,595.43
	Closing Balance (A- B)	703.51	208.08
	Surplus :		
	Balance Profit (for earlier years) as per last Balance Sheet	76,007.43	53,311.24
	Add : Profit for the current year transferred from Statement of Profit & Loss	64,349.71	49,277.13
		1,40,357.14	1,02,588.37
	Less : Allocations & Appropriations :		
	General Reserve	6,338.00	4,852.00
	Statutory Reserve	12,764.36	9,541.35
	Proposed Dividend On Equity Shares	14,600.38	10,418.93
	Corporate Dividend Tax on Equity Shares	2,368.46	1,768.67
	Excess provision for Corporate Dividend Tax on Equity Shares	(40.17)	0.00
		36,031.03	26,580.95
	Balance Profit carried to Balance Sheet	1,04,326.11	76,007.42
	Total	2,92,838.56	2,44,252.51

		Rs. in Lacs	
03	Particulars	March 2012	March 2011
	LONG-TERM BORROWINGS		
	a) Secured - #		
	Non-Convertible Debentures	2,47,470.00	79,385.00
	Term loans :		
	- from banks	5,31,890.83	4,52,470.84
	- from others	13,879.24	8,442.14
	Foreign currency loans	40,437.02	10,000.00
	Total (A)	8,33,677.09	5,50,462.98
	b) Unsecured -		
	Unsecured Bonds (Subordinate Debt)	51,010.00	44,100.00
	Fixed deposits	1,06,413.65	65,853.94
	Total (B)	1,57,423.65	1,09,953.94
	Total (A+B)	9,91,100.74	6,60,416.92

Secured by hypothecation over company's assets covered by loan agreements and relative book debts.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

04	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER LONG-TERM LIABILITIES		
	Deposits/Advances received against Loan agreements	987.04	1,143.05
	Interest accrued but not due on borrowings	3,887.14	2,577.21
	Total	4,874.18	3,720.26

05	Particulars	Rs. in Lacs	
		March 2012	March 2011
	LONG-TERM PROVISIONS		
	Provision for employee benefits (refer note no. 40)	307.27	141.61
	Provision for Non Performing Assets (refer note no. 33 & 35)	18,170.02	19,508.04
	Contingent Provisions against Standard Assets (refer note no. 34)	2,501.92	1,682.41
	Provision for Estimated Loss/Expenses on Assignments	19,754.12	23,308.99
	Total	40,733.33	44,641.05

06	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHORT TERM BORROWINGS		
	a) Secured - #		
	Loans repayable on demand – from Banks	58,900.00	36,500.00
	Cash Credit	57,101.31	21,478.89
	Total (A)	1,16,001.31	57,978.89
	b) Unsecured -		
	Loans repayable on demand		
	- from Banks and financial institutions	23,500.00	0.00
	- from others	8.58	0.00
	Fixed Deposits	1,385.20	5,014.91
	Commercial Papers	3,000.00	2,500.00
	Total (B)	27,893.78	7,514.91
	Total (A+B)	1,43,895.09	65,493.80

Secured by hypothecation over company's assets covered by loan agreements and relative book debts.

07	Particulars	Rs. in Lacs	
		March 2012	March 2011
	TRADE PAYABLES		
	Trade payables for finance	28,203.05	11,268.10
	Trade payables for expenses	9,929.70	17,703.19
	Total	38,132.75	28,971.29

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

08	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debt		
	a) Secured - #		
	Non-Convertible Debentures	51,815.00	93,515.00
	Foreign currency loans from banks	10,000.00	0.00
	Loans repayable on demand :		
	- from Banks and financial institutions	2,31,996.67	1,40,132.21
	- from others	3,000.16	1,564.32
		2,96,817.83	2,35,211.53
	b) Unsecured -		
	Unsecured Bonds (Subordinate Debt)	3,140.00	5,000.00
	Fixed Deposits	29,688.54	12,505.32
		32,828.54	17,505.32
	Interest accrued but not due on borrowings	15,902.46	12,035.14
	Unpaid dividends	53.78	42.16
	Deposits/Advances received against Loan agreements	1,642.99	1,096.91
	Amount Received in advance from ESOS Trust	286.75	393.09
	Credit balances in Current Accounts with Banks	10,363.84	8,553.94
	Other Current Liabilities	19,164.95	16,832.36
	Total	3,77,061.14	2,91,670.45

Secured by hypothecation over company's assets covered by loan agreements and relative book debts.

09	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHORT-TERM PROVISIONS		
	Provision for employee benefits (refer note no. 40)	5,044.27	4,048.14
	Provision for Estimated Loss/Expenses on Assignments	3,193.08	2,117.38
	Provision for Non Performing Assets (refer note no. 33 & 35)	15,141.09	17,366.36
	Contingent Provisions against Standard Assets (refer note no. 34)	2,058.37	1,538.28
	Proposed Dividend	14,600.38	10,318.84
	Corporate Dividend Tax	2,369.04	1,752.04
	Total	42,406.23	37,141.04

The Board of Directors of the Company have recommended a dividend of Rs.14 per share (Previous year : Rs. 10 per share) on Equity Share of Rs.10/- each for the current financial year. The dividend will absorb a sum of Rs. 16,816.18 Lacs (Previous year : Rs. 12,127.63 Lacs) (including dividend distribution tax).

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Asset Description	GROSS BLOCK AT COST				DEPRECIATION & AMORTISATION				NET BLOCK	
	Balance as at 1/4/2011	Additions for purchase / transfer	Deductions for Sale / transfer	Balance as at 31/3/2012	Balance as at 1/4/2011	Additions for purchase / transfer	Deductions for Sale / transfer	Balance as at 31/3/2012	As at 1/4/2011	As at 31/3/2012
FIXED ASSETS										
i) Tangible Assets :										
Land	6.96	0.00	6.96	0.00	0.00	0.00	0.00	0.00	6.96	0.00
Premises	108.92	0.00	0.00	108.92	12.27	1.78	0.00	14.05	96.65	94.87
Computers	3,090.32	1,197.31	6.97	4,280.66	1,772.91	479.12	1.13	2,250.90	1,317.41	2,029.76
Furniture and Fixtures	3,143.63	1,557.19	1.82	4,699.00	968.11	399.93	0.22	1,367.82	2,175.52	3,331.18
Vehicles	3,296.86	785.31	271.89	3,810.28	924.85	612.26	235.26	1,301.85	2,372.01	2,508.43
Office Equipment	2,239.60	1,233.99	0.77	3,472.82	968.59	471.62	0.16	1,440.05	1,271.01	2,032.77
Total (i)	11,886.29	4,773.80	288.41	16,371.68	4,646.73	1,964.71	236.77	6,374.67	7,239.56	9,997.01
ii) Intangible Assets :										
Computer software	988.64	11.53	0.00	1,000.17	841.25	63.81	0.00	905.06	147.39	95.11
Goodwill*	4.76	0.00	0.00	4.76	0.00	0.00	0.00	0.00	4.76	4.76
Total (ii)	993.40	11.53	0.00	1,004.93	841.25	63.81	0.00	905.06	152.15	99.87
Total (i+ii)	12,879.69	4,785.33	288.41	17,376.61	5,487.98	2,028.52	236.77	7,279.73	7,391.71	10,096.88
As on 31-03-2011	8,361.48	4,886.20	368.00	12,879.68	4,179.11	1,614.69	305.83	5,487.97	4,182.37	7,391.71

* Goodwill on consolidation

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

11

Particulars	Rs. in Lacs	
	March 2012	March 2011
NON-CURRENT INVESTMENTS		
a) Quoted (at cost)-		
Government Securities #	14,725.65	9,359.64
b) Unquoted (at cost)-	0.00	0.00
Total	14,725.65	9,359.64

Particulars	Rs. in Lacs	
	March 2012	March 2011
Additional Information :		
a) Aggregate amount of quoted investments and market value		
i) Aggregate amount	14,725.65	9,359.64
ii) Market Value	14,501.98	9,296.64
b) Aggregate amount of unquoted investments	0.00	0.00

Details of quoted long-term investments in Government stock as on 31st March , 2012

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 10.25%-30/05/2021	100	1000000	1,153.00
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 8.13%-21/09/2022	100	1500000	1,511.55
Govt Stock 8.20%-15/02/2022	100	1000000	1,010.35
Govt Stock 8.20%-15/02/2022	100	1000000	1,003.00
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Govt Stock 8.13%-21/09/2022	100	500000	490.95
Govt Stock 8.13%-21/09/2022	100	500000	490.71
Govt Stock 8.13%-21/09/2022	100	1000000	955.80
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.97%-05/12/2030	100	1000000	1,033.90
Govt Stock 8.97%-05/12/2030	100	1000000	1,035.35
Total		15000000	14,725.65

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Details of quoted long-term investments in Government stock as on 31st March, 2011

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
Govt Stock 6.90%-13/07/2019	100	1000000	947.79
Govt Stock 6.90%-13/07/2019	100	1500000	1,427.50
Govt Stock 6.90%-13/07/2019	100	1000000	932.55
Govt Stock 10.25%-30/05/2021	100	1000000	1,153.00
Govt Stock 6.35%-02/01/2020	100	1000000	885.25
Govt Stock 8.13%-21/09/2022	100	1500000	1,511.55
Govt Stock 8.20%-15/02/2022	100	1000000	1,010.35
Govt Stock 8.20%-15/02/2022	100	1000000	1,003.00
Govt Stock 7.80%-03/05/2020	100	500000	488.65
Total		9500000	9,359.64

Quoted investments of Rs.14,725.65 Lacs (Previous year : Rs. 9,359.64 Lacs) are in 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.

During the year, the Company has made an additional investment of Rs.249.36 Lacs (US \$ 0.49 million) in Mahindra Finance USA LLC, a 49% joint venture company formed jointly with De Lage Landen Financial Services Inc. in United States.

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.

12

DEFERRED TAX ASSET (NET)

In accordance with Accounting Standard 22 on Accounting for Taxes on Income the Company has accounted for Deferred Asset/Liability. The break up of the deferred tax asset as on 31st March, 2012 of Rs. 20,331.14 Lacs (Previous year : Rs. 21,755.96 Lacs) is as under :

Particulars	Rs. in Lacs	
	March 2012	March 2011
Provision for Non Performing Assets	18,208.15	20,137.01
Provision on Standard Assets	1,479.04	1,044.96
Depreciation	(66.54)	(26.99)
Other Disallowances	710.48	600.99
Total	20,331.14	21,755.96

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

13	Particulars	Rs. in Lacs	
		March 2012	March 2011
	LONG-TERM LOANS AND ADVANCES		
	a) Capital Advances	170.08	288.82
	b) Security Deposits (long-term, if any)	1,035.77	949.60
	c) Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts Ltd. & Loan to Mahindra Retail Pvt. Ltd.)	3,168.41	6,077.52
	d) Other loans and advances	7.95	10.33
	Loans against Assets (Secured, including overdue loans) # (Considered good, unless stated otherwise)	9,54,212.23	6,47,511.85
	Loans against Assets (Unsecured, including overdue loans)@ (Considered good, unless stated otherwise)	5,345.73	2,213.09
	# Includes non-performing assets of Rs.17,220.44 Lacs (Previous year : Rs. 20,323.48 Lacs)		
	@ Includes non-performing assets of Rs.150.15 Lacs (Previous year : Rs.101.39 Lacs)		
	Total	9,63,940.17	6,57,051.21

14	Particulars	Rs. in Lacs	
		March 2012	March 2011
	CURRENT INVESTMENTS		
	i) Quoted (at cost) -	0.00	0.00
	ii) Unquoted (at cost) -		
	Certificate of deposits #	28,937.55	53,157.78
	Total	28,937.55	53,157.78

Particulars	Rs. in Lacs	
	March 2012	March 2011
Additional Information :		
Aggregate amount of unquoted investments	28,937.55	53,157.78

Details of unquoted current investments in certificate of deposits as on 31st March, 2012

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
CORPORATION BANK	1,00,000	5000	4,532.72
CENTRAL BANK OF INDIA	1,00,000	10000	9,774.42
ORIENTAL BANK OF COMMERCE	2,00,000	10000	9,759.36
UCO BANK	1,00,000	5000	4,871.05
Total		30000	28,937.55

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Details of unquoted current investments in certificate of deposits as on 31st March, 2011

Particulars	Face Value (Rs.)	Units	Rs. in Lacs
			Amount
CENTRAL BANK OF INDIA	1,00,000	20000	19,585.18
CANARA BANK	1,00,000	5000	4,544.19
CENTRAL BANK OF INDIA	1,00,000	10000	9,803.34
PUNJAB NATIONAL BANK	1,00,000	5000	4,877.19
BANK OF INDIA	1,00,000	5000	4,540.00
SYNDICATE BANK	1,00,000	10000	9,807.88
Total		55000	53,157.78

15	Particulars	Rs. in Lacs	
		March 2012	March 2011
	TRADE RECEIVABLES		
	Sundry Debtors : (Hire Purchase -Secured)	381.69	384.06
	(Considered good, unless stated otherwise) #		
	Debts outstanding for a period exceeding six months #	51.75	7.50
	(Unsecured, considered good)		
	Debts outstanding for a period not exceeding six months #	678.69	655.81
	(Unsecured, considered good)		
	# Includes non-performing assets of Rs.391.99 Lacs (Previous year : Rs. 394.06 Lacs)		
	Total	1,112.13	1,047.37

16	Particulars	Rs. in Lacs	
		March 2012	March 2011
	CASH AND CASH EQUIVALENTS		
	Balance with Banks	17,054.20	17,568.85
	Cheques, drafts on hand	67.42	99.69
	Cash on hand	890.45	715.01
	Balance in Unclaimed Dividend Accounts with Banks	55.79	44.18
	Term Deposits with Scheduled Banks		
	- Free of lien	1,525.01	10,100.00
	(Of the above, Rs. Nil (Previous year : Rs. Nil) represents deposits with maturity more than 12 months)		
	-Under lien #	7,581.00	3,831.00
	(Of the above, Rs.1,577.00 Lacs (Previous year : Rs. 2,031.00 Lacs) represents deposits with maturity more than 12 months)		
	Total	27,173.87	32,358.73

Term deposits with scheduled banks under lien include:

- Rs.7,500.00 Lacs(Previous year : Rs. 3,800.00 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.
- Rs. 21.00 Lacs (Previous year : Rs. 21.00 Lacs) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suits filed by the Company.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

17	Particulars	Rs. in Lacs	
		March 2012	March 2011
	SHORT-TERM LOANS AND ADVANCES		
	Loans against Assets (Secured, including overdue loans) (Considered good, unless stated otherwise) #	7,74,545.38	5,34,080.15
	Loans and Advances (Unsecured, including overdue loans) (Considered good, unless stated otherwise) @	13,565.93	6,867.25
	Bills of Exchange	14,863.39	8,059.77
	Trade Advances @ (Advances recoverable in cash or in kind or for value to be received)	57,412.98	42,088.63
	Inter Corporate Deposits Given @	3,850.00	2,600.00
	Other Loans & Advances		
	Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts Ltd. & Loan to Mahindra Retail Pvt. Ltd.)	2,909.11	4,595.96
	Deposits for office premises / others	339.62	164.73
	Advance payment of tax (net of provisions)	7,160.76	4,854.30
	Other Short term advances	189.79	336.59
	# Includes non-performing assets of Rs. 36,384.90 Lacs (Previous year : Rs. 33,624.45 Lacs)		
	@ Includes non-performing assets of Rs. 741.47 Lacs (Previous year : Rs. 886.50 Lacs)		
	Total	8,74,836.96	6,03,647.38

18	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER CURRENT ASSETS		
	Interest accrued on -		
	a) Investments	292.56	234.61
	b) Other Deposits	451.88	129.56
	Total	744.44	364.17

19	Particulars	Rs. in Lacs	
		March 2012	March 2011
	REVENUE FROM OPERATIONS		
	a) Interest		
	Income from Loans	2,48,475.92	1,68,608.96
	Income from Hire Purchase	166.09	84.56
	Interest on Term Deposits / ICDs	810.62	1,162.22
	Interest on Government Securities :		
	- Short Term	0.00	11.35
	- Long Term	879.61	615.76
	Income from Insurance business / services	3,868.10	2,026.40
	Total	2,54,200.34	1,72,509.25

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

19	Particulars	Rs. in Lacs	
		March 2012	March 2011
	REVENUE FROM OPERATIONS (Contd.)		
	b) Other financial services		
	Service Charges & Other Fees on loan transactions	22,100.85	20,230.99
	Income from Hire Purchase	2.68	0.80
	Income from Bills	2,521.10	759.47
	Income from Lease	415.60	1.38
	Income from Assignment transactions (refer note no. 42)	9,249.49	9,059.40
		34,289.72	30,052.04
	Total	2,88,490.06	2,02,561.29

20	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER INCOME		
	Dividend Received from Investments in Mutual Fund Units	47.21	218.08
	Profit/Premium on Sale/Redemption of Investment	734.43	52.41
	Profit on Sale / retirement of Owned Assets	30.21	11.46
	Other non-operating income	1,734.27	1,015.64
	Total	2,546.12	1,297.59

21	Particulars	Rs. in Lacs	
		March 2012	March 2011
	EMPLOYEE BENEFIT EXPENSES		
	Salary, Bonus & Incentives	27,331.69	19,841.88
	Company's Contribution to Provident Funds & other funds	2,079.44	1,520.87
	Employee Compensation Expense on account of ESOPs	749.65	143.18
	Staff Welfare Expenses	1,114.63	892.37
	Total	31,275.41	22,398.30

The holding company, Mahindra & Mahindra Limited, has incurred a cost of Rs.12.26 Lacs (Previous year : Rs. 3.69 Lacs) under Employee Stock Options (ESOS) to employees of the Company.

22	Particulars	Rs. in Lacs	
		March 2012	March 2011
	FINANCE COSTS		
	Interest expense	1,12,396.97	65,448.93
	Other borrowing costs	1,592.83	1,169.46
	Total	1,13,989.80	66,618.39

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

23	Particulars	Rs. in Lacs	
		March 2012	March 2011
	DEPRECIATION AND AMORTISATION EXPENSE		
	Depreciation on tangible assets	1,964.71	1,451.10
	Amortisation of intangible assets	63.81	163.59
	Total	2,028.52	1,614.69

24	Particulars	Rs. in Lacs	
		March 2012	March 2011
	PROVISIONS AND WRITE OFFS		
	Bad Debts & Write offs (refer note no. 36)	18,124.13	15,709.34
	Provision for Non Performing Assets (Net) (refer note no. 33 & 35)	(3,465.58)	(5,140.38)
	General Provision on Standard Assets (refer note no. 34)	1,339.60	3,220.69
	Total	15,998.15	13,789.65

25	Particulars	Rs. in Lacs	
		March 2012	March 2011
	OTHER EXPENSES		
	Electricity Charges	765.94	496.07
	Rent	3,552.34	2,100.63
	Repairs & Maintenance -		
	- Buildings	1,195.84	1,890.38
	- Others	31.37	59.58
	Insurance	1,145.42	962.48
	Rates & Taxes, excluding taxes on income	82.95	165.36
	Directors Remuneration	98.34	89.02
	Commission & Brokerage (refer note no. 37)	7,810.42	5,629.19
	Legal & Professional Charges	3,498.32	2,097.63
	Loss on Sale / retirement of Owned Assets	4.02	1.73
	Payments to the auditor -		
	(a) as auditor	43.57	26.52
	(b) for other services	21.53	22.35
	(c) for reimbursement of expenses	0.64	0.39
	Donations	18.00	10.00
	General & Administrative Expenses @	13,345.81	11,115.12
	Total	31,614.51	24,666.45

@ General & Administrative Expenses include following expenditure incurred in Foreign Currency:

- Foreign Travel Rs. 36.29 Lacs (Previous year : Rs. 9.80 Lacs)
- Legal and Professional Fees Rs. 70.54 Lacs (Previous year : Rs. 136.95 Lacs)
- Others Rs. 262.71 Lacs (Previous year : Rs. 41.56 Lacs)

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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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 (AS27) "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 the 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 31st March , 2012.
- 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%

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The Company has the following investments in Joint Venture for which the required treatment as per Accounting Standard 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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The subsidiary company, MIBL, 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.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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In case of MIBL, the Company was operating under Direct Broker licence since 18th May, 2004, which was changed to Composite broker licence (Direct and Reinsurance) on 23rd September, 2011.

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During the year, the Company has granted 42,426 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 :

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 25th January, 2012
Intrinsic Value of shares based on latest available closing market price	Rs. 665.70
Total Amount to be amortised over the vesting period	Rs. 278.19 Lacs
Charge to Profit & Loss Account for the year	Rs. 31.25 Lacs
Compensation in respect of lapsed cases	Rs. 4.45 Lacs
Unamortised Amount Carried Forward	Rs. 242.49 Lacs

The fair value of options, based on the valuation of the independent valuer as of date of grant are :

Vesting period in years	Grant dated 25th January, 2012	
	Expected Vesting	Fair Value (Rs.)
1	8482	586.55
2	8482	
3	8482	
4	8482	
5	8498	
	42426	

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 25th January, 2012
Risk free interest rate	8.11%
Expected life	5.5 Years
Expected volatility	46.08%
Expected dividend yield	2.11%
Exercise price	Rs.10.00
Stock price	Rs. 665.70

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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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 2012	March 2011	March 2012	March 2011
A Net Profit After Tax (Rs. in Lacs)	64,349.71	49,277.13	64,370.64	49,230.95
B Weighted Average number of Equity Shares of Rs.10/- each (Basic)	102558165	96773669	102558165	96773669
C Weighted Average number of Equity Shares of Rs.10/- each (Diluted)	104002735	104002735	104002735	104002735
D Basic Earning per Share (Rs.)	62.74	50.92	62.77	50.87
E Diluted Earning per Share @ (Rs.)	61.87	47.38	61.89	47.34

@ Dilution in Earning per share is on account of 13,15,164 Equity shares (Previous year : 15,49,771 equity shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

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The Company had allotted 26,86,550 Equity shares on 6th December, 2005 and 9,69,005 Equity shares on 3rd February, 2011, to Mahindra and 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 1st April, 2011	762788	120.08
Options granted during the period	42426	10.00
Options forfeited/lapsed during the year	73497	51.92
Options exercised during the year	234607	115.49
Options outstanding on 31st March, 2012	497110	122.93
Options vested but not exercised on 31st March, 2012	161121	219.64

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.)
9th May, 2011	720.71
30th August, 2011	628.76
6th September, 2011	649.75
24th October, 2011	644.56
1st November, 2011	665.98
4th November, 2011	669.54
11th January, 2012	625.08
17th February, 2012	722.11
2nd March, 2012	708.52
21st March, 2012	680.72

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Information in respect of options outstanding as on 31st March, 2012 :

Exercise price	No. of Options	Weighted average remaining life
Rs. 211.00 (Grant dated 24th July, 2007)	60792	15 months
Rs. 304.00 (Grant dated 25th March, 2008)	63947	23 months
Rs. 233.00 (Grant dated 18th September, 2008)	112636	29 months
Rs. 10.00 (Grant dated 7th February, 2011)	217988	34 months
Rs. 10.00 (Grant dated 25th January, 2012)	41747	40 months

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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 31st March, 2012 is Rs. 13,178.47 Lacs (Previous year : Rs. 14,477.68 Lacs).

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In accordance with the Notification No. DNBS.222/ CGM (US)-2011 dated 17th January, 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 made a provision of Rs. 4,350.00 Lacs on the standard assets as on 31st March, 2012 (Previous year : Rs. 3,143.00 Lacs). The amount of provision on standard assets is shown separately as "Contingent Provision against Standard Assets" under provisions in the balance sheet.

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In case of MRHFL, the Company has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 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) Direction, 2010. In line with notification No. NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank, the Company has made (a) provision @ 0.40 % on Standard Assets outstanding as on 31st March, 2012 amounting to Rs. 208.61 Lacs. Hitherto, till Previous year the Company was making a voluntary provision @0.25% on outstanding standard assets. In view of this increase in provisioning, an additional provision of Rs. 78.23 Lacs during the year and (b) additional provision at higher percentage on substandard, doubtful and loss assets amounting to Rs. 48.17 Lacs. The total additional provision for the year is Rs. 126.40 Lacs.

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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.

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Commission & Brokerage mainly represents amount incurred in respect of acquisition of customers & mobilisation of public deposits.

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In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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Deposits/Advances received are on account of loan against assets, which are repayable / adjusted over the period of the contract.

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Particulars	March 2012	Rs. in Lacs March 2011
EMPLOYEE BENEFITS		
Leave Benefits:		
Defined Benefit Plans -As per actuarial valuation on 31st March, 2012		
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March		
1 Current service cost	298.45	164.63
2 Interest cost	11.89	6.64
3 Expected return on plan assets	0.00	0.00
4 Actuarial (Gains)/Losses	(189.32)	(115.65)
5 Total expense	121.02	55.62
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1 Present Value of Defined Benefit obligation as at 31st March	241.20	120.19
2 Fair value of plan assets as at 31st March	0.00	0.00
3 Funded status (surplus/(deficit))	(241.20)	(120.19)
4 Net asset/(liability) as at 31st March	(241.20)	(120.19)
III. Change in the obligations during the year ended 31st March		
1 Present Value of Defined Benefit obligation at the beginning of the year	120.18	64.56
2 Current service cost	298.45	164.63
3 Interest cost	11.89	6.64
4 Actuarial (Gains)/Losses	(189.32)	(115.65)
5 Benefits paid	0.00	0.00
6 Present Value of Defined Benefit obligation at the end of the period	241.20	120.18
IV. Change in the fair value of plan assets during the year ended 31st March		
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% p.a.	8% p.a.
2 Rate of Salary increase	5% p.a.	5% p.a.
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

	Rs. in Lacs	
	March 2012	March 2011
Gratuity:		
Defined Benefit Plans -As per actuarial valuation on 31st March, 2012		
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March		
1 Current service cost	466.99	317.56
2 Interest cost	47.47	34.34
3 Expected return on plan assets	(43.31)	(34.03)
4 Actuarial (Gains)/Losses	(170.12)	(151.07)
5 Total expense	301.03	166.80
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
1 Present Value of Defined Benefit obligation as at 31st March	764.36	489.26
2 Fair value of plan assets as at 31st March	563.54	428.44
3 Funded status (surplus/(deficit))	(200.82)	(60.82)
4 Net asset/(liability) as at 31st March	(200.82)	(60.82)
III. Change in the obligations during the year ended 31st March		
1 Present Value of Defined Benefit obligation at the beginning of the year	489.26	374.27
2 Current service cost	466.99	317.56
3 Interest cost	47.47	34.34
4 Actuarial (Gains)/Losses	(209.92)	(184.13)
5 Benefits paid	(29.44)	(52.78)
6 Present Value of Defined Benefit obligation at the end of the period	764.36	489.26
IV. Change in the fair value of plan assets during the year ended 31st March		
1 Fair value of plan assets at the beginning of the year	428.44	342.02
2 Expected return on plan assets	43.31	34.03
3 Contributions by employer	162.39	138.23
4 Actuarial (Gains)/Losses	(41.15)	(33.06)
5 Actual Benefits paid	(29.44)	(52.78)
6 Fair value of plan assets at the end of the year	563.55	428.44
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% p.a.	8% p.a.
2 Rate of Salary increase	5% p.a.	5% p.a.
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

In case of subsidiary company (MIBL)

- a) In accordance with the provisions of Accounting Standard – 15 (revised) issued by the Institute of Chartered Accountants of India; cost of employee benefits in the form of compensated absences for the year ended 31st March, 2012 is Rs. 28.82 Lacs (Previous year : Rs. 27.93 Lacs) and has been recognised in the Profit & Loss Account as such. The Present Value of obligation on account of such compensated absences is Rs. 50.26 Lacs (Previous year : Rs. 41.11 Lacs) as on 31st March, 2012.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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Disclosure on Derivatives

There were no Derivative instruments (Previous year : 2) for hedging interest rate risk outstanding as on 31st March, 2012.

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- a) During the year, the Company has without recourse assigned loan receivables of 56559 contracts (Previous year : 36618 contracts) amounting to Rs.1,48,741.39 Lacs (Previous year : Rs. 1,22,764.34 Lacs, including future interest receivable) for a consideration of Rs.1,48,741.39 Lacs (Previous year : Rs. 1,08,930.92 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. Nil (Previous year : Rs. 15,152.22 Lacs) against which a provision for estimated loss/expenses of Rs. Nil (Previous year : Rs. 9,830.08 Lacs) is made.

During the year, all the assignment transactions are on "at par" basis as against "premium structure" transactions during the previous year.

- b) During the year, the provision in respect of assignment transactions amounting to Rs. 2,479.18 Lacs (Previous year : Rs. 3,648.00 Lacs) considered no longer necessary has been written back.

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During the year, Company has acquired without recourse portfolio of Rs. Nil (Previous year : Rs. 2,076.46 Lacs) for a consideration of Rs. Nil (Previous year : Rs. 2,010.05 Lacs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company. The Company has received cash collateral amounting to Rs. Nil (Previous year : Rs. 221.11 Lacs) and over collateral of Rs. Nil (Previous year : Rs. 417.26 Lacs) against these assignments.

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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
Joint Ventures	Mahindra Finance USA, LLC
Fellow subsidiary Companies	As per list given below
Mahindra Navistar Automotives Ltd. (formerly known as Mahindra International Ltd.)	NBS International Ltd.
Mahindra USA, Inc	Mahindra First Choice Wheels Ltd.
Mahindra Holidays & Resorts Ltd.	Mahindra Retail Pvt. Ltd.
Mahindra Auto Developers Pvt. Ltd. (formerly known as Mahindra Renault Pvt. Ltd.)	Mahindra Two Wheelers Private Ltd.
Mahindra Yueda (Yancheng) Tractor Co. Ltd.	Mahindra Life Space Developers Ltd.
Mahindra First Choice Services Ltd.	
Key Management Personnel	Mr. Ramesh Iyer (Managing Director)
	Dr. Jaideep Devare (Managing Director)
	Mr. Anuj Mehra (Managing Director)

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

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	823.00	327.71	-	-
		(761.44)	(377.70)	-	-
	Other income	182.73	243.08	-	-
		-	(267.29)	-	-
2	Expenses				
	Interest	718.39	10.71	-	-
		(386.40)	(213.66)	-	-
	Other Expenses	1,668.35	21.03	-	317.64
		(781.18)	(15.66)	-	(264.02)
3	Investment in share capital	-	-	249.36	-
		-	-	-	-
4	Purchase of Vehicles	231.14	34.67	-	-
		(352.26)	(3.41)	-	-
5	Finance				
	NCD held (incl. int. accd.)	2,645.73	-	-	-
		(2,646.71)	-	-	-
	Dividend paid – for Previous year	5,824.15	-	-	4.85
		(4,368.11)	-	-	(3.98)
	Inter Corporate Deposits taken (including interest accrued but not due)	-	-	-	-
		-	(6,518.08)	-	-
	Inter Corporate Deposits given (including interest accrued but not due)	-	-	-	-
		-	(2,034.92)	-	-
	Loan given (including interest accrued but not due)	-	260.46	-	-
		-	(491.98)	-	-
6	Other Transactions				
	Reimbursement to parties	-	17.87	-	-
		(1.86)	(86.73)	-	-
7	Outstandings				
	Receivables	327.23	5,895.04	-	-
		(73.71)	(10,383.56)	-	-
	Payables	242.49	8.75	-	-
		(124.10)	(10.97)	-	-

Figures in bracket represent corresponding figures of Previous year.

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

45	Particulars	Rs. in Lacs	
		March 2012	March 2011
CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)			
a) Contingent liabilities			
	(a) Demand against the Company not acknowledged as debts on taxation matters (income tax)	4,629.06	5,569.24
	(b) Corporate Guarantees towards assignment transactions	86,274.38	73,253.29
	(c) Legal suits filed by customers in Consumer Forums and Civil courts claiming compensation from the Company	2,067.45	1,721.99
	(d) Any other money for which the Company is contingently liable	0.00	0.00
		92,970.89	80,544.52
b) Commitments			
	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for;	447.13	599.16
	(b) Uncalled liability on shares and other investments partly paid	0.00	1,400.00
		447.13	1,999.16
	Total	93,418.02	82,543.68

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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.

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Segment Information as per Accounting Standard 17:

Segment Report for the year ended March 31, 2012:

Particulars	Year ended 31st March, 2012			Year ended 31st March, 2011		
	Financing Activities	Other reconciling items	Total	Financing Activities	Other reconciling items	Total
External Revenue	2,87,100.34	3,935.85	2,91,036.19	2,01,809.76	7,880.21	2,09,689.97
Inter Segment Revenue	1,942.07	10,780.22	12,722.29	803.44	3,291.66	4,095.10
Total Revenue	2,89,042.41	14,716.07	3,03,758.48	2,02,613.20	11,171.87	2,13,785.07
Segment Results (Profit before tax and after interest on Financing Segment)	94,108.36	2,114.31	96,222.67	71,462.06	3,343.44	74,805.50
Less: Interest on Unallocated reconciling items	-	92.88	92.88	-	34.10	34.10
Net Profit before tax	94,108.36	2,021.43	96,129.79	71,462.06	3,309.34	74,771.40

Significant Accounting Policies and Notes to the accounts for the year ended 31st March, 2012

Particulars	Year ended 31st March, 2012			Year ended 31st March, 2011		
	Financing Activities	Other reconciling items	Total	Financing Activities	Other reconciling items	Total
Less: Income taxes	-	-	31,677.68	-	-	25,405.21
Net profit	-	-	64,452.11	-	-	49,366.19
Other information:						
Segment Assets	19,13,194.72	1,501.75	19,14,696.47	13,54,487.44	5,935.69	13,60,423.13
Unallocated corporate assets			27,491.90			26,610.27
Total Assets	19,13,194.72	1,501.75	19,42,188.37	13,54,487.44	5,935.69	13,87,033.40
Segment Liabilities	16,20,064.44	1,429.71	16,21,494.15	11,29,923.67	2,143.59	11,32,067.26
Unallocated corporate liabilities			-			-
Total Liabilities	16,20,064.44	1,429.71	16,21,494.15	11,29,923.67	2,143.59	11,32,067.26
Capital Expenditure	4,691.64	93.71	4,785.35	4,824.29	61.91	4,886.20
Depreciation / Amortisation	2,003.62	24.90	2,028.52	1,598.72	15.97	1,614.69
Non cash expenditure other than depreciation	(1,376.63)	0.30	(1,376.33)	(1,784.01)	7.50	(1,776.51)

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Previous year figures have been regrouped wherever found necessary.

Signatures to Note 1 to 48

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

Bharat Doshi
Chairman

Uday Y. Phadke
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

Consolidated Cash Flow Statement for the year ended 31st March, 2012

		Rs. in Lacs
	March 2012	March 2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies	96,129.79	74,771.40
Add/(Less):		
Non Cash Expenses :		
Depreciation & Amortisation	2,028.52	1,614.69
Exchange Fluctuation	332.49	0.00
Impairment Charge	78.90	0.00
Provision for non-performing assets (net)	(3,465.58)	(5,140.38)
General provision for Standard Assets	1,339.60	3,220.69
Share issue Expenses	35.00	0.00
Interest expense	90.89	32.47
Employee Compensation Expense on account of ESOS	749.65	143.18
	1,189.47	(129.35)
Add/(Less):		
Income considered separately :		
Income on investing activities	147.32	(395.34)
(Profit)/Loss on sale / retirement of assets	(26.19)	(9.46)
(Profit)/Loss on sale of Investment	(734.43)	(52.41)
Income from Assignment transactions	(9,247.54)	(8,970.14)
	(9,860.84)	(9,427.35)
Operating profit before working capital changes (I)	87,458.42	65,177.03
Less:		
(Increase)/Decrease in interest accrued investment/others	58.99	67.89
(Increase)/Decrease in Trade receivables	(14,208.12)	187.85
(Increase)/Decrease in Loans & Advances	(6,92,851.07)	(4,64,566.80)
	(7,07,000.20)	(4,64,311.06)
Add: Increase in Current liabilities	18,516.07	20,835.89
	(II)	(4,43,475.17)
Cash generated from operations (I+II)	(6,01,025.71)	(3,78,298.14)
Advance taxes paid	(32,559.35)	(28,406.67)
NET CASH FROM OPERATING ACTIVITIES (A)	(6,33,585.06)	(4,06,704.81)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets / Software	(4,127.32)	(5,215.90)
Sale of fixed assets	77.85	71.64
Purchase of Investments	(35,952.92)	(61,738.85)
Investment in Term Deposit with banks	(3,700.00)	6,077.50
Sale of Investments	53,892.21	15,928.75
Maturity of Term Deposits with Banks	0.00	0.00
Income received on investments	(19.11)	214.36
Intercorporate Deposits Placed	0.00	0.00
NET CASH FROM INVESTING ACTIVITIES (B)	10,170.71	(44,662.50)

Consolidated Cash Flow Statement for the year ended 31st March, 2012

	Rs. in Lacs	
	March 2012	March 2011
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares (net of issue expenses)	1,920.70	45,708.86
Increase/(Decrease) in Bank borrowings (net)	2,61,606.87	2,92,163.85
Increase/(Decrease) in long term borrowings (net)	1,68,950.96	13,356.46
Increase/(Decrease) in short term borrowings (net)	(15,143.15)	(21,641.11)
Increase/(Decrease) in Fixed Deposits (net)	54,113.22	35,444.06
Proceeds from Assignment transactions	1,55,509.77	1,08,930.92
Interest paid	(52.13)	(16.67)
Dividend paid	(12,376.75)	(8,577.32)
NET CASH FROM FINANCING ACTIVITIES (C)	6,14,529.49	4,65,369.05
NET INCREASE / (DECREASE) IN		
CASH AND CASH EQUIVALENT (A+B+C)	(8,884.86)	14,001.74
CASH AND CASH EQUIVALENTS AS AT:		
Beginning of the Year	*	28,537.73
End of the Year	*	19,652.87

* 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.

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

Bharat Doshi
Chairman

Uday Y. Phadke
Director

Ramesh Iyer
Managing Director

M. G. Bhide
Director

Padmini Khare Kaicker
Partner
Membership No.44784
Mumbai, April 23,2012

Dhananjay Mungale
Director

Pawan Goenka
Director

Rama Bijapurkar
Director

V Ravi
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Mumbai, April 23, 2012

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	250.00	4,571.43	1.00
b	Reserves	5,265.38	1,594.50	74.62
c	Total Assets	6,532.15	55,404.62	2,263.53
d	Total Liabilities	6,532.15	55,404.62	2,263.53
e	Details of Investments (except in case of investment in subsidiaries)	-	-	-
f	Turnover	4,654.61	8,574.32	10,061.46
g	Profit before tax	2,013.92	1,613.48	7.51
h	Provision for tax	663.36	422.38	0.44
i	Profit after tax	1,350.56	1,191.10	7.07
j	Proposed dividend & Tax thereon	435.75	371.91	-

MAHINDRA FINANCE GROUP STRUCTURE

**MAHINDRA &
MAHINDRA LIMITED**

**MAHINDRA & MAHINDRA
FINANCIAL SERVICES
LIMITED (56%)**

**MAHINDRA
INSURANCE
BROKERS LIMITED
(100%)**

**MAHINDRA
RURAL HOUSING
FINANCE LIMITED
(87.5%)**

**MAHINDRA
FINANCE USA LLC
(49% JOINT
VENTURE WITH
RABOBANK GROUP
SUBSIDIARY)**

**MAHINDRA
BUSINESS &
CONSULTING
SERVICES
PRIVATE LIMITED
(100%)**

Mahindra Finance

Mahindra & Mahindra Financial Services Limited

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

www.mahindrafinance.com