

# NOTICE

SPECIMEN

**THE TWENTY-THIRD ANNUAL GENERAL MEETING OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED** will be held at Swatantryaveer Savarkar Rashtriya Smarak, 252, S.V.S. Marg, Shivaji Park, Dadar (West), Mumbai – 400 028 on Thursday, the 25th day of July, 2013, at 3.30 p.m. to transact the following business:

1. To receive and adopt the audited Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss for the year ended on that date together with the reports of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Bharat Doshi, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Dhananjay Mungale, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification(s), the following as an Ordinary Resolution:

**“RESOLVED that** pursuant to section 224 of the Companies Act, 1956, Messrs. B. K. Khare & Co., Chartered Accountants (ICAI Registration Number 105102W), the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board of Directors of the Company in addition to out of pocket expenses as may be incurred by them during the course of the Audit.”

## Notes:

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- B. The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
- C. The Company's Registrar and Transfer Agents for its Share Registry Work (Physical and Electronic) are Karvy Computershare Private Limited having their office at Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad 500 081.
- D. The Register of Members and Transfer Books of the Company will be closed from Saturday, 6th July, 2013 to Thursday, 25th July, 2013 (both days inclusive).
- E. The dividend, if declared at the Annual General Meeting, will be credited/ dispatched between 26th July, 2013 and 2nd August, 2013 to those persons or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on 5th July, 2013 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company/its Registrar and Transfer Agents on or before 5th July, 2013.
- F. Under the Companies Act, 1956, the Share Application monies that are unclaimed for a period of seven years are required to be transferred to the Investor Education and Protection Fund (IEPF) administered by the Central Government. Pursuant to the provisions of section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the Company has transferred an amount of Rs. 20,69,550 in March, 2013 to the IEPF, being the unclaimed share application monies in respect of the Initial Public Offer (IPO) of the Company and no claim lies against the Company in respect thereof.
- G. Pursuant to the provisions of section 205A of the Companies Act, 1956, there were no unclaimed dividends for the Financial Year ended 31st March, 2005 due for transfer to the IEPF.

Due dates of transferring unclaimed and unpaid dividends declared by the Company for the Financial Year 2005-06 and thereafter to the IEPF:



<b>Financial Year ended</b>	<b>Date of declaration of dividend</b>	<b>Last date for claiming unpaid/unclaimed dividend</b>
31st March, 2006	10th July, 2006	9th August, 2013
31st March, 2007 (Interim Dividend)	30th March, 2007	29th April, 2014
31st March, 2007	23rd July, 2007	22nd August, 2014
31st March, 2008	23rd July, 2008	22nd August, 2015
31st March, 2009	27th July, 2009	26th August, 2016
31st March, 2010	23rd July, 2010	22nd August, 2017
31st March, 2011	29th July, 2011	28th August, 2018
31st March, 2012	27th July, 2012	26th August, 2019

Members who have not encashed the dividend warrants so far in respect of the aforesaid periods, are requested to make their claim to Karvy Computershare Private Limited well in advance of the above due dates. It may be noted that once the amounts in the unpaid dividend accounts are transferred to IEPF, no claim shall lie against the IEPF or the Company in respect thereof and the Members would lose their right to claim such dividend.

- H. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts [as referred to in section 205C(2)] lying with the Company as on 27th July, 2012 (date of the last Annual General Meeting of the Company) on the website of the Company viz. <http://www.mahindrafinance.com> as well as on the website of the Ministry of Corporate Affairs viz. <http://www.iepf.gov.in>.

The concerned Members are requested to verify the details of their unclaimed amounts, if any, from the said websites and lodge their claim with the Company's Registrar and Transfer Agents, Karvy Computershare Private Limited, before the same is due for transfer to the IEPF.

- I. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 109A of the Companies Act, 1956.

Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Karvy Computershare Private Limited having their office at Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad 500 081.

- J. To enable direct credit of the dividend amount into the Bank Account as per the Securities and Exchange Board of India circular dated 21st March, 2013, the Members are requested to update with their Depository Participant, the active Bank Account details (including 9 digit MICR Code and 11 digit IFSC Code), in case the holding is in dematerialized mode. In case the shares are held in physical mode, the said details may be communicated to the Registrar & Share Transfer Agents, by quoting the Reference Folio No., and attaching a photocopy of the cheque leaf of the active Bank Account and a self attested copy of the PAN card.

- K. Members are requested to:
  - a) intimate to the Company's Registrar and Transfer Agents, Karvy Computershare Private Limited at the above mentioned address, changes, if any, in their registered addresses at an early date, in case of shares held in physical form;
  - b) intimate to the respective Depository Participant, changes, if any, in their registered addresses at an early date, in case of shares held in electronic/dematerialised form;
  - c) quote their folio numbers/Client ID/DP ID in all correspondence;
  - d) consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

- L. Pursuant to the Circulars issued by the Ministry of Corporate Affairs (MCA) regarding the Green Initiative, the Annual Report for the year 2012-13, Notice for the Annual General Meeting (AGM), etc., are being sent in electronic mode to such of the Members of the Company whose e-mail addresses are available with the Company and who have not opted to receive the same in physical form.

# NOTICE SPECIMEN

Members are requested to support the Green Initiative by registering/updating their e-mail addresses, with the Depository Participant (in case of Shares held in dematerialised form) or with Karvy Computershare Private Limited (in case of Shares held in physical form).

The Annual Report and the Notice convening the AGM are also available on the website of the Company at the link viz. <http://www.mahindrafinance.com/annual-reports.aspx>.

M. Appointment/Re-appointment of Directors

Mr. Bharat Doshi holds 6,45,695 shares and Mr. Dhananjay Mungale holds 50,000 shares of Rs.2 each in the Company.

None of the Directors of the Company is inter-se related to each other.

In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

**By Order of the Board**

**Arnavaz M. Pardiwala**

Company Secretary

**Registered Office :**

Gateway Building,  
Apollo Bunder,  
Mumbai - 400 001.  
23rd April, 2013

# Mahindra FINANCE

## Mahindra & Mahindra Financial Services Limited

Registered Office: Gateway Building, Apollo Bunder, Mumbai - 400 001.

**SPECIMEN**

### ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders desiring to attend the Meeting may obtain additional Attendance Slips on request Provided such request is received by the Company/Registrar & Transfer Agents, Karvy Computershare Private Limited at Plot No. 17-24 Vittalrao Nagar, Madhapur, Hyderabad - 500 081 before 15<sup>th</sup> July, 2013.

Folio No./ Demat Account No.: .....

No. of Shares: .....

Name & Address of the Shareholder: .....

I hereby record my presence at the TWENTY-THIRD ANNUAL GENERAL MEETING of the Company being held at Swatantryaveer Savarkar Rashtriya Smarak, 252, S.V.S Marg, Shivaji Park, Dadar (West), Mumbai - 400 028 on Thursday, the 25th day of July, 2013 at 3.30 p.m.

Name(s) of the Shareholder(s)/ Proxy (IN BLOCK CAPITALS)

Signature(s) of the Shareholder(s) or Proxy

NOTE: No duplicate Attendance Slip will be issued at the Meeting Hall. You are requested to bring your copy of the Annual Report to the Meeting.

# Mahindra FINANCE

## Mahindra & Mahindra Financial Services Limited

Registered Office: Gateway Building, Apollo Bunder, Mumbai - 400 001.

### PROXY FORM

I/We .....

of.....being a member/members of MAHINDRA &

MAHINDRA FINANCIAL SERVICES LIMITED hereby appoint .....

..... of ..... or failing him

..... of ..... as my/our Proxy to vote for me/us and on my/our behalf

at the Twenty-Third Annual General Meeting of the Company to be held on 25<sup>th</sup> July, 2013 and at any adjournment thereof.

As witness my/our hand(s) this..... day of..... 2013.

Signed by the said.....

Affix 15 Ps.  
Revenue  
Stamp

NOTE: The Proxy Form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting.



**ADAM SAAB**

Village - Manvi, Taluka - Manvi,  
District - Raichur, Karnataka,  
Pin code - 584 123



**JAGAT SINGH**

Village - Jubbli, The Chopal,  
District - Shimla, Himachal Pradesh,  
Pin code - 171 210



**KARAMJIT SINGH**

Village - Jeondan, Taluka - Rampura Phul,  
District - Bhatinda, Punjab,  
Pin code - 151 103



**ENVISION. ELEVATE.**



**EMPOWER.**



**RAJENDRA KUMAR MEENA**

Village - Chatrapura,  
Post Office - Khanpura,  
District - Jhalawar, Rajasthan,  
Pin code - 326 038



**DADARAO BABARAO HOLGANDE**

Village - Gondala, Post Office - Khudaj,  
Taluka - Sengaon, District - Hingoli,  
Maharashtra, Pin code - 431 542



**NANDESWAR DAIMARY**

Village - Nalbari,  
Post Office - Kacharison,  
District - Sonitpur, Assam,  
Pin Code - 784 117

# MAHINDRA FINANCE

## GROUP STRUCTURE

Mahindra  
&  
Mahindra  
Limited

Mahindra &  
Mahindra  
Financial  
Services  
Limited  
(51.2%)

Mahindra  
Insurance  
Brokers Limited  
(85%)

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%)

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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  
 Piyush Mankad

#### **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

### **Corporate Social Responsibility Committee**

Piyush Mankad  
 Bharat Doshi  
 Uday Y. Phadke  
 Ramesh Iyer

### **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  
 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  
 Indian Bank  
 IndusInd Bank Ltd  
 ING Vysya Bank Ltd  
 Punjab National Bank  
 Standard Chartered Bank  
 State Bank of Bikaner and Jaipur  
 State Bank of Hyderabad  
 State Bank of India  
 State Bank of Patiala  
 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





MAHINDRA  
FINANCE  
IS ALL ABOUT



**ENVISIONING**  
**ELEVATING**  
*and*  
**EMPOWERING**



Our vision is to help transform lives across semi-urban and rural India. To elevate people's aspirations to the threshold of achievements. And to empower people to live a life of self-reliance and dignity.

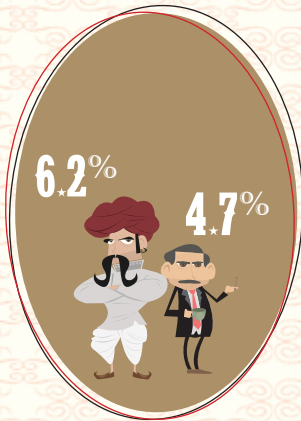
In all these decades, we have travelled to remotest places and unique cultures of India across 1,33,907 villages and 565 districts, spoken to people in their language and even their regional dialects and been a part of their everyday lives.

At Mahindra Finance, we share a special relationship with our 2.5 Million customers. We help drive their aspirations. They, in turn drive our business growth. A symbiotic relationship or sound business acumen.

Customers represent our real assets and their worth is reflected in the strength of our balance sheet and the sustainability of our business.

Our mission is to drive inclusive growth in India, and we cherish the trust of all our stakeholders.

India's rural population is **12%** of the world's population\*



GROWTH OF GROSS DOMESTIC PRODUCT#

CAGR between 2000 and 2012

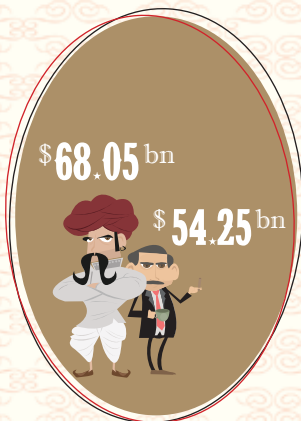


ANNUAL PER CAPITA CONSUMPTION GROWTH#

Between 2010 and 2012



# RURAL v/s URBAN INDIA



CONSUMER SPENDING#

Between 2010 and 2012



FMCG AND CONSUMER DURABLES SALES^

\*Source: Indian Brand Equity Foundation

#Source: Masters of Rural Markets: Profitably Selling to India's Rural Consumers, Accenture Report

^Source: Tata Strategic Report

### *Paving the road to rural empowerment*

Across semi-urban and rural India, a new world of opportunity is emerging as people are aspiring for a better quality of life. Consistent economic growth has given rural India the capability and the confidence to surge ahead. At Mahindra Finance, we are helping drive this rural opportunity through our products and services. We value rural aspirations, strengthen relationships of trust with customers and evolve a viable business model focused on their needs. Our vision and initiatives drive positive change in people's lives and help accelerate India's inclusive growth. We are well on our way to help empower rural India.

Mahindra & Mahindra Financial Services Limited (Mahindra Finance), a subsidiary of Mahindra & Mahindra Limited, is one of India's leading Non Banking Financial Companies (NBFCs). Since inception, we are functioning as a positive 'change agent' in rural India by catering to the financial requirements of rural and semi-urban Indians. Long presence in the industry and the expertise of our management endowed us with the ability to understand the exact requirements of our customers. With a vision of creating a self-reliant India, we have empowered millions of ambitious individuals by providing flexible financing opportunities to transform their dreams and help them to Rise.

Today, we are not just one of the trusted NBFCs of the country; we empower those who reside at the lower end of the social pyramid.

### *Product portfolio*

We have introduced multiple products to address varied customer requirements. Our product portfolio consists of:

#### *Vehicle financing*

Vehicle financing: Auto and utility vehicles, tractors, cars, commercial vehicles and construction equipment

Pre-owned vehicle financing: Loans for pre-owned cars, multi-utility vehicles, tractors and commercial vehicles

#### *SME Financing*

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

#### *Housing finance*

Loans for buying, renovating, extending and improving homes in rural and semi-urban India through our subsidiary Mahindra Rural Housing Finance Limited

### *EVENTFUL JOURNEY ACROSS DECADES*

*OUR JOURNEY STARTED ON 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 ASSET FINANCE, DEPOSIT TAKING NBFC.*



## **MISSION**

*Transform rural lives and drive positive change in the communities.*



## **VISION**

*To be a leading financial services provider in semi-urban and rural India.*

### Core purpose and 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 Brand Pillars that formed a bridge between the Core Values and Core Purpose. As a part of the Mahindra Group, we strive to achieve our core purpose by adhering to the core values.

Rise is a succinct articulation of the aspirations of the stakeholders. We believe that the Rise philosophy fits in well with our business approach and that it motivates our people to achieve greater success through 'Accepting No Limits', practising 'Alternative Thinking' and 'Driving Positive Change' in the lives of our stakeholders. As a part of the Mahindra Group, we are adhering to the Rise tenets and the Core values. We believe that adherence to these core values will lay the foundation for sustained business success.

### Fair practices

Our core purpose and values are the foundation of our Codes of Conduct. These codes are a vehicle of our occupational identity and permeate across all the actions taken by the employees across the organisation. These codes are in line with the requirements of the regulatory authorities, which aid us to maintain the standards of business conduct for Financial Services Sector. The Codes primarily deter wrongdoing and promote ethical conduct.

Besides, to adhere to every regulatory requirement, we have created six Board Committees. We have extensive corporate governance policies to address multiple aspect of our operations.

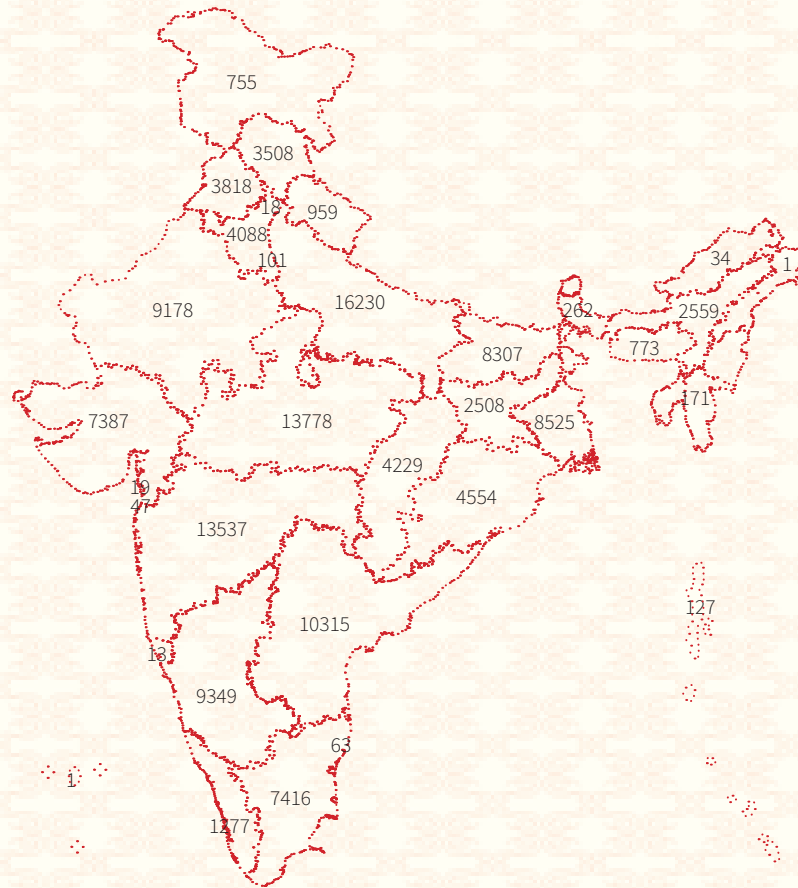
**Core Purpose**  
We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to rise.

**Brand Pillars**  
Accepting No Limits    Alternative Thinking    Driving Positive Change

**Core Values**  
Professionalism  
Good Corporate Citizenship  
Customer First  
Quality Focus  
Dignity of the Individual


## Presence

Our extensive reach across over 1.3 Lac villages across India.



## Rural footprint across states

States	Number of Villages		States	Number of Villages	
	TOTAL	MMFSL Presence		TOTAL	MMFSL Presence
Andaman & Nicobar Islands	550	127	Lakshadweep	27	1
Andhra Pradesh	28358	10315	Madhya Pradesh	56718	13778
Arunachal Pradesh	4082	34	Maharashtra	44128	13537
Assam	26465	2559	Manipur	2428	0
Bihar	45224	8307	Meghalaya	6045	773
Chandigarh	27	18	Mizoram	839	0
Chhattisgarh	20406	4229	Nagaland	1326	1
Dadra & Nagar Haveli	72	47	Orissa	52029	4554
Daman And Diu	25	19	Puducherry	98	63
Delhi	249	101	Punjab	12865	3818
Goa	403	13	Rajasthan	42014	9178
Gujarat	18802	7387	Sikkim	461	262
Haryana	7089	4088	Tamil Nadu	17739	7416
Himachal Pradesh	20478	3508	Tripura	894	171
Jammu And Kashmir	6727	755	Uttar Pradesh	108233	16230
Jharkhand	32765	2508	Uttarakhand	16912	959
Karnataka	29986	9349	West Bengal	41170	8525
Kerala	1523	1277	<b>Total</b>	<b>647157</b>	<b>133907</b>



*Long before 'financial inclusion' became an overused phrase, we have been working with a vast majority of people across India's remotest corners. Respecting the diversity of their culture, understanding their aspirations and supporting them in their hour of need. In this annual report we have presented an insight into the reach we have across India's villages through headgear - a traditional symbol of pride and self-esteem. In the following pages, we feature a sneak peak into the rich mosaic of diverse headgear worn in India and our efforts to support people's aspirations in their very own cultural setting, and facilitate their empowerment.*

# CULTURAL CONNECT

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## HUMAN ENDEAVOUR



### MYSORE PETA

Mysore Peta (Peta is a Kannada word, which means turban) was part of the traditional attire of the kings and administrators of Mysore. Mysore Peta has stood the test of time and even after centuries it has retained its place in the cultural pantheon of Karnataka. Made up of silk or cotton, the attractive and colourful turbans are often decorated with golden or silver laces and beautiful metal pendants that add to its glory and grandeur.



## ADAM SAAB

Village - Manvi, Taluka - Manvi, District - Raichur,  
Karnataka, Pin code - 584 123

*Not many people may have heard of Adam Saab's village. The roads that lead up to his home are uneven, commuting is difficult and life is full of hardship. Yet we are privileged of being a part of Adam Saab's world. He is as much familiar to our products and services as his very own Mysore Peta. Although the nearest village bank is not too far away, Adam Saab feels comfortable dealing with Mahindra Finance.*

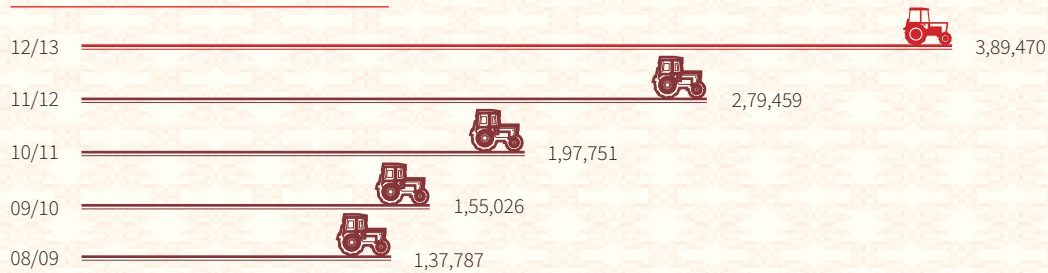
*"In 2006, I was in dire need of financial assistance. I had nowhere to go. I felt helpless. Mahindra Finance stood by me in my hour of need. Their support has given me confidence and dignity."*

POPULATION: 3000  
NEAREST RAILWAY STATION: 60 KM AWAY  
NEAREST BANK: 2 KM AWAY

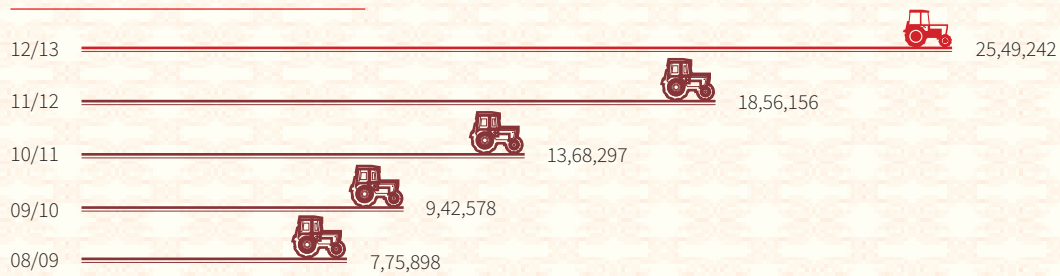


# FINANCIAL HIGHLIGHTS

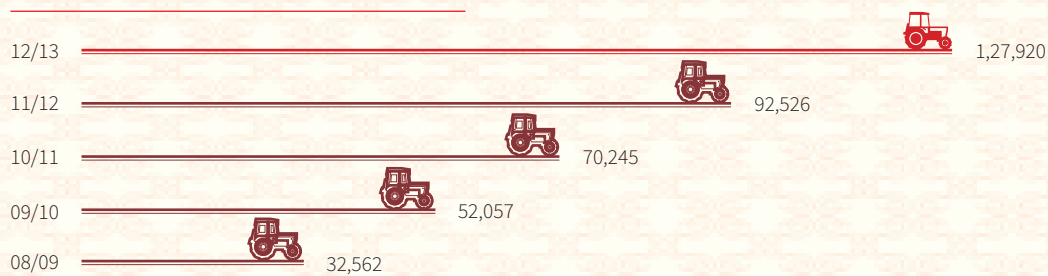
## TOTAL INCOME Rs. in Lacs



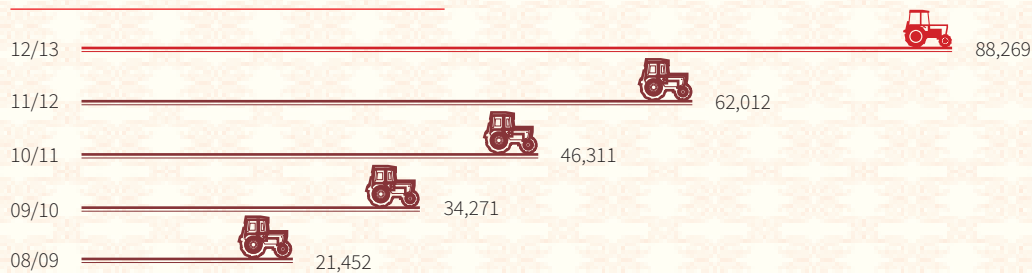
## TOTAL ASSETS Rs. in Lacs



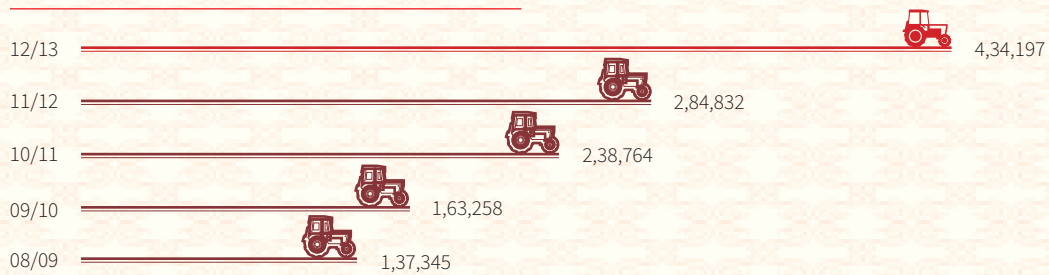
## PROFIT BEFORE TAX Rs. in Lacs



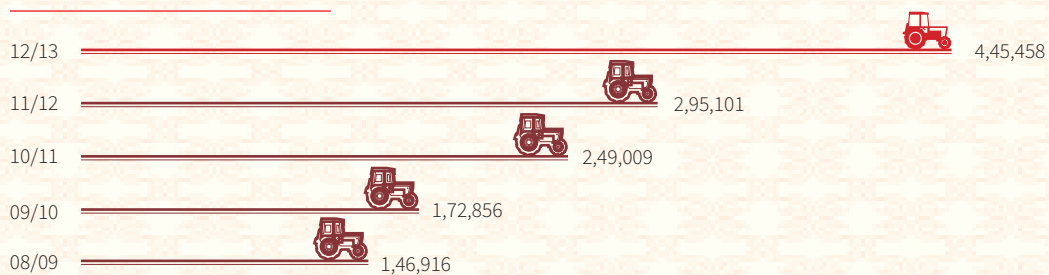
## PROFIT AFTER TAX Rs. in Lacs



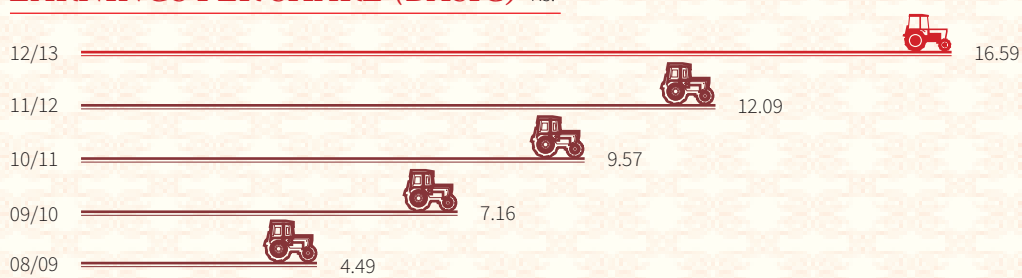
**RESERVE AND SURPLUS** Rs. in Lacs



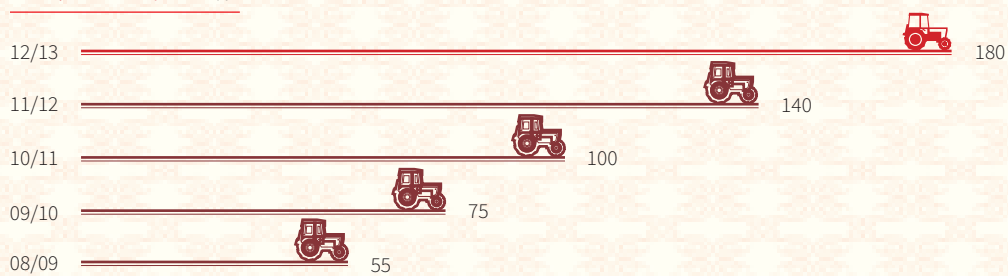
**NETWORTH** Rs. in Lacs



**EARNINGS PER SHARE (BASIC)** Rs.



**DIVIDEND** %



## A WARM RELATIONSHIP OF TRUST



### KULLU CAPS

Spun out of Pashmina, or Angora wool, the Kullu Caps are very useful to deal with the severe cold of the Himalayan state of Himachal Pradesh. The hand-woven traditional caps of Himachal Pradesh are known for their attractive colours. Worn mostly by men, the exclusively designed caps are a part of the rich cultural heritage of the region.

## JAGAT SINGH

Village - Jubbli, The Chopal, District - Shimla,  
Himachal Pradesh, Pin code - 171 210

*The people of Jubbli village are close to us, despite their remoteness from any urban convenience. In 2011, we provided financial assistance to Jagat Singh and other villagers. Today, the villagers of Jubbli share a warm relationship of trust with Mahindra Finance. Much like their kullu caps.*

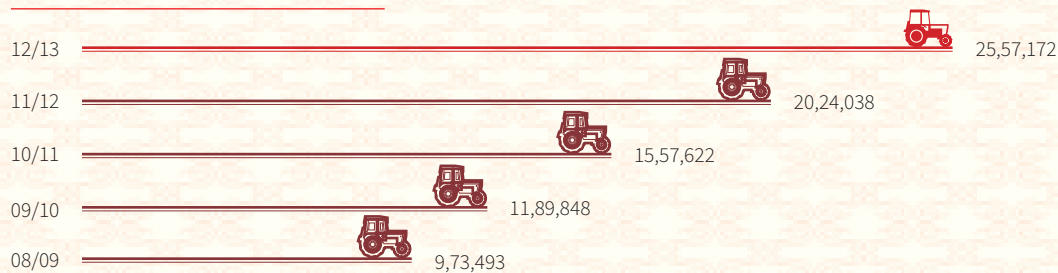
*“People from urban areas tell us that we live in the back of beyond. We don’t agree. If our friends from Mahindra Finance can reach us and support our aspirations. Why can’t others?”*

POPULATION: 650  
NEAREST RAILWAY STATION: 230 KM AWAY  
NEAREST BANK: 55 KM AWAY

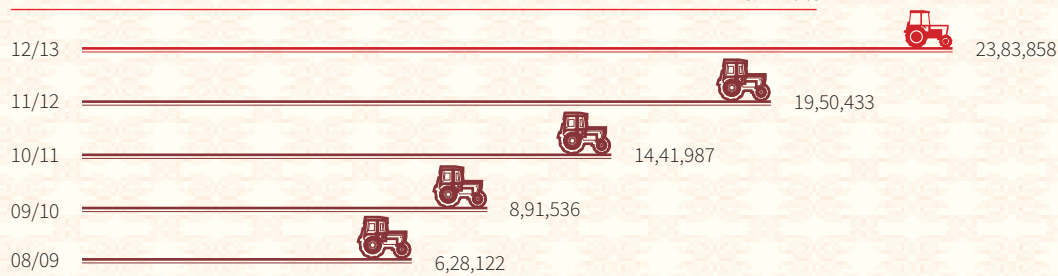


# OPERATIONAL HIGHLIGHTS

## NO. OF CONTRACTS

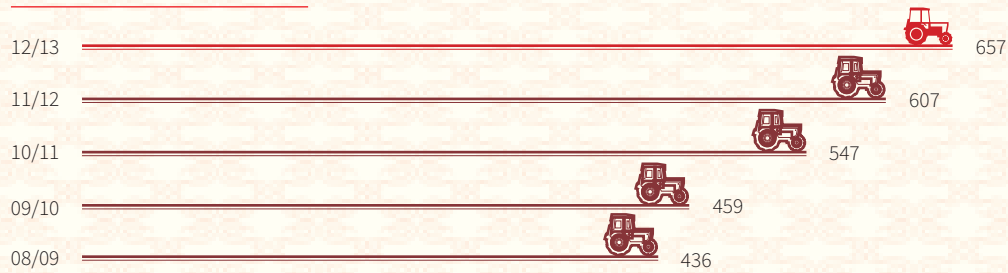


## ESTIMATED VALUE OF ASSETS FINANCED Rs. in Lacs

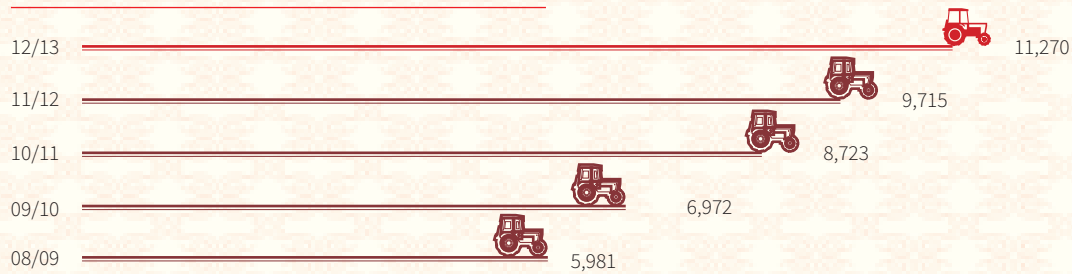


- ❖ Crossed the milestone of financing 2.5 Million customers
- ❖ Enhanced presence in the financing of commercial vehicles, construction equipment, pre-owned vehicles
- ❖ Retained our leadership position in financing Mahindra & Mahindra vehicles and tractors. At the same time, extended our relationship across other Original Equipment Manufacturers (OEMs)

**NO. OF OFFICES**



**NO. OF EMPLOYEES ENGAGED**



- ◆ Assets Under Management crossed Rs. 27,000 Crores as at 31st March, 2013
- ◆ Enhanced the Capital to Risk Assets Ratio (CRAR) to 19.7 per cent (as on 31st March, 2013), well above 15 per cent CRAR prescribed by the RBI

# A MATTER OF FAITH



## DASTAR

Dastar or Pagri is an inseparable part of Sikh religion, culture and identity. It represents honour, self-respect, courage, spirituality and piety. Mostly worn by men, Dastar is an article of faith for the Sikhs.



❧ **KARAMJIT SINGH** ❧

Village - Jeondan, Taluka - Rampura Phul,  
District - Bhatinda, Punjab, Pin code - 151 103

*The year 2011 was a turning point in Karamjit Singh's life. The year he first met and shook hands with our representative. We supported him financially. Today, he is a self-reliant man; but still cherishes a close bond with Mahindra Finance. Much like the dastar he wears with pride.*

❧  
*"I have always trusted Mahindra Finance for any financial assistance. They do not make false promises. In fact, they promise less, deliver more."*

❧  
POPULATION: 5000  
NEAREST RAILWAY STATION: 12 KM AWAY  
NEAREST BANK: 12 KM AWAY  
❧



# SUPPORTING DREAMS

## WITH A DEADLINE

*At Mahindra Finance, we believe in people, their dreams and their potential. We don't evaluate customers based on their current financial status. We evaluate customers based on their future earning capacity and extend a helping hand to fulfil their aspirations within a deadline.*



Our faith in our customers has also instilled a sense of confidence in them, allowing them to dream big and in turn help rural India grow considerably. In the past two-decades, we understood one simple reality: the number of branches and products cannot ensure business sustainability in our industry; what matters is customer centricity.

We commenced our journey by financing the vehicles of our parent company - Mahindra & Mahindra Limited. Nevertheless, sensing the need of our customers, we have diversified across various products. We have introduced housing finance, insurance advisory solutions and Small and Medium Enterprises financing to further address the growing customer needs. We have also introduced flexible payment options to our customers, realising the nature of their income.

On the other hand, we have not only financed our customers, but also introduced many of them to the world of financial services. Today, we generate aspirations, build confidence and raise the social stature of our customers.



### **FACE OF TRANSFORMATION**



*MR. RATNABHAI BHARVAD IS THE FACE OF SOCIAL TRANSFORMATION THAT WE ARE HELPING DRIVE IN RURAL INDIA. HE USED TO SUPPLY MILK RIDING ON HIS BIKE AT MARETHA VILLAGE OF VADODARA. HOWEVER, POOR ROAD CONDITIONS MADE THINGS CHALLENGING FOR HIM. HE DECIDED TO PURCHASE A MAHINDRA PICK-UP AND APPROACHED US FOR FINANCIAL SUPPORT. WE UNDERSTOOD HIS NEED AND HIS LOAN WAS DISBURSED WITH SPEED. TODAY HIS BUSINESS IS GROWING AT A RAPID PACE. HE IS NOW ASPIRING TO PURCHASE A FAMILY CAR AND ALSO TAKE HOME LOAN AFTER FEW YEARS. HE IS SO SATISFIED WITH OUR SERVICES THAT HE HAS TILL NOW PROVIDED 15 REFERENCES TO MAHINDRA FINANCE.*

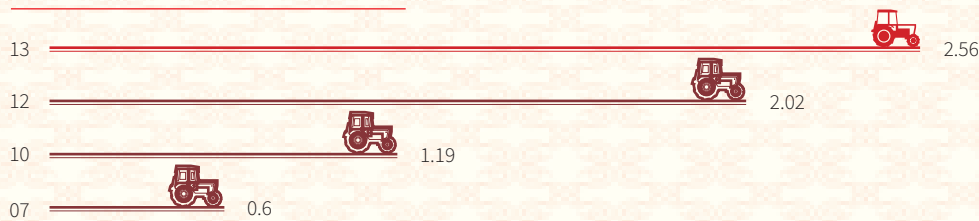


# NO CUSTOMER IS EVER REMOTE

*We don't believe in distance or remoteness. We believe in reaching customers, whatever the location or the social strata.*



**CUSTOMER BASE** in Million



Over the years, we have enhanced our grass-root presence across India. Our network of 657 offices is spread across 25 states, four union territories and 1,33,907 villages.

To better understand and cater to the local requirements, we have consciously aimed at recruiting local people and empowering them to take decisions that help build the trust of our customers. Our 2.5 Million customers vindicate our efficiency.

On the other hand, we have built relationships with all types of rural customers. Our customer base includes doctors, teachers, small entrepreneurs and farmers. Besides, our extensive support to our customers ensures that they come back to us whenever they need another financing service.

Besides, we undertake a number of initiatives to communicate with our customers, knowing the lack of financial knowledge in most Indian villages. Our customer communication initiatives like *Spارش* and *Shikhar Sammelan* have generated commendable response.

**“I WILL TAKE LOAN ONLY FROM MAHINDRA FINANCE”**

*MR. SHANUDDIN SHEIKH, FROM A SURAT SLUM, IS ANOTHER EXAMPLE OF OUR ENDURING RELATIONSHIP WITH CUSTOMERS. IN 2004, HE NEEDED A LOAN TO GROW HIS SCRAP BUSINESS. HE HAD APPROACHED MANY BANKS AND FINANCIERS TO SUPPORT HIM. BUT NONE OF THEM WERE READY TO PROVIDE FINANCIAL ASSISTANCE.*

*WE TRUSTED HIM AND THIS IS THE RESULT: TODAY, HE IS THE OWNER OF TWO HOUSES, A SHOP, A GODOWN AND ALSO A PERSONAL CAR. THE RELATIONSHIP HAS CONTINUED FOR NINE YEARS. WHENEVER A FINANCIER OFFERS HIM LOAN EVEN AT A LOWER RATE OF INTEREST, HIS REPLY HIS EMPHATIC: “I WILL TAKE LOAN ONLY FROM MAHINDRA FINANCE”.*

# DEBT

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## WITH DIGNITY



# SAFA

Safa (most commonly worn headgear) is a part of Rajasthan's unique heritage and culture, reminiscent of Maharajas and their valour. Even today ornately designed safas are worn by men during marriage and other social functions. It is created with moderately broader and colourful fabric and the left side of the safa is characterised by the placement of up to nine plain pleats. It is distinctive for its long trailing end, the length of which varies not only from community to community, but also in accordance with an individual's social status.

## RAJENDRA KUMAR MEENA

Village - Chatrapura, Post Office - Khanpura, District - Jhalawar,  
Rajasthan, Pin code - 326 038

*A quiet hamlet in the heart of Rajasthan is the home of Rajendra Kumar Meena. Life was once challenging for him, much like the hard topography of Rajasthan. Not anymore. We financed him during 2011. At that time, we were the only financier available in the village. Today, he is an empowered villager of Chatrapur. He knows the world is changing around him and he must respond to change. However, he remains traditional when it comes to his love for the safa.*

*"I have always believed in traditional means of money lending until Mahindra Finance arrived. Life was tough in those days and I thought that was my fate. Today, conditions are different. Mahindra Finance is the face of empowerment in my life."*

POPULATION: 300  
NEAREST RAILWAY STATION: 65 KM AWAY  
NEAREST BANK: MORE THAN 8 KM AWAY



# THINKING INCLUSIVE.

## DRIVING GROWTH

*At Mahindra Finance, we understand the need to strengthen our business model and enhance our efficiencies to drive inclusive growth. Our prudent strategies have enabled us to grow despite a challenging business scenario.*





Since inception, we have focused on building a well-governed, risk-focused business model. We have enhanced our operational efficiencies and concurrently nurtured our human capital to serve customers better.

### *A resilient business model*

Since inception, we have focused primarily on rural India, which has witnessed rapid growth during the past few years. Even during the global economic crisis, rural India offered significant growth opportunities, insulating us from economic volatilities.

Our well-balanced, high-quality product portfolio helped us achieve commendable growth during the year under review. In the past few years, we have diversified our asset mix, financing vehicles manufactured all major OEMs. This is indicative of our increasing acceptance as a preferred financier for a large variety of vehicular assets.

Our fund mix is also evenly distributed across the major financial instruments and institutions. Besides, we have also adhered to all the regulatory requirements of the industry. As on 31st March, 2013, our capital to risk assets ratio (CRAR) was 19.7 per cent, well above the required 15.0 per cent prescribed by the RBI. We have always welcomed the industry's stringent regulatory changes.

We believe in transparency and candid communication with our investors and regulators. These initiatives have helped us emerge as one of India's most respected NBFCs.

### *A commitment to human excellence*

Mahindra Finance is as good as the spirit of the people who drive the business. Our close-knit family promotes individual growth and encourages people to widen their horizons.

A continuous loop of growth, performance, feedback, training and motivation is maintained. Moreover, we conduct a five-day induction programme on product knowledge, business processes and aptitude training for all new recruits. The Mahindra Finance Academy was established to conduct regular trainings.

The training modules are properly designed to help employees improve expertise and remain relevant in the fast transforming industry scenario.

We aim to develop leadership qualities among our employees and empower every team member with authority and responsibility. Employees are encouraged to perform to the best of their abilities and handle challenging projects. To create a motivated workforce, we also organise various employee recognition programmes, including Dhruv Tara, Annual Convention Award and Achievement Box.

### *Enhancing efficiencies*

To enhance our operational efficiencies, we have adopted various technological initiatives. By the end of 2012-13, approximately 96 per cent of our 657 offices were connected to the centralised data centre in Mumbai. We have introduced handheld devices, which are connected to the central server by General Packet Radio Service (GPRS). These devices help us to:

- ✦ Transfer data with ease
- ✦ Provide prompt customer intimation through SMS
- ✦ Respond to customer queries with transaction security
- ✦ Collect MIS data online on management's dashboard
- ✦ Record customer commitments
- ✦ Enable better internal checks and controls

We have also introduced Enquiry Management Loan Application Processing. This procedure helps process transparent data that can be tracked and monitored by all stakeholders. The dynamic and user-friendly application has completely changed our data processing, significantly reducing our turn around time.

Technological initiatives undertaken by us during the year helped optimise cost.

# DELIVERING ON STAKEHOLDER EXPECTATIONS

*Despite the global economic turmoil and sluggish growth of Indian economy, 2012-13 was not an exception to our growth story at Mahindra Finance. We are grateful for the trust bestowed on us by all our stakeholders.*



### *Performance of our Joint Venture, Mahindra Finance USA LLC*

Mahindra Finance USA LLC is our Joint Venture with De Lage Landen Financial Services Inc., a wholly-owned subsidiary of the Rabobank Group. This Joint Venture provides wholesale inventory financing to the US-based dealers. It sponsors dealer purchases of Mahindra products. Besides, Mahindra Finance USA LLC also provides retail financing to end-user customers to fund their lease or purchase of Mahindra products from the US dealers.

During the year, the Company's disbursement grew by 67.6 per cent. From US\$ 4.3 Million, our income reached US\$ 10.4 Million, up 141.9 per cent. Profit before Tax soared by 188.9 per cent to reach US\$ 2.6 Million, as compared to US\$ 0.9 Million for the previous year. Profit after Tax surged by 220 per cent from US\$ 0.5 Million in 2011-12 to reach US\$ 1.6 Million in 2012-13.

### *Mahindra Insurance Brokers Limited*

During the year under review, our insurance broking subsidiary, Mahindra Insurance Brokers Limited (MIBL) crossed the 8,00,000 mark in terms of the policies served. The Company's total policies, at the end of 2012-13, stood at 8,39,408 for both life and non-life retail business lines. It has also accomplished the milestone of Rs. 600 Crores gross premium. The income increased by 85 per cent from Rs. 46.6 Crores in 2011-12 to Rs. 86.3 Crores in 2012-13.

During the year, MIBL entered into a strategic partnership with LeapFrog Investments, world's largest investor in insurance for the underserved. Through its subsidiary company, Inclusion Resources Private Limited, LeapFrog invested Rs. 80.4 Crores for a 15 per cent shareholding in MIBL.

### *Mahindra Rural Housing Finance Limited*

During the year under review, our subsidiary Mahindra Rural Housing Finance Limited (MRHFL) disbursed loans aggregating to Rs. 432.9 Crores, up from Rs. 266.8 Crores in the previous year. We have significantly addressed rural India's growing housing finance requirements, touching lives of over 61,000 families. The profit after tax for 2012-13 stood at Rs. 20.3 Crores, against Rs. 11.9 Crores in the previous year. The outstanding loan portfolio, as on 31st March, 2013, stood at Rs. 879.5 Crores.

Leveraging our grass-root presence in rural India, we, at Mahindra Finance, have considerably expanded our geographical presence. During the year under review, we established footprints across Maharashtra, Gujarat, Rajasthan, Tamil Nadu, Andhra Pradesh, Kerala, Karnataka, Madhya Pradesh and Bihar.

### *Mahindra Business & Consulting Services Private Limited*

Our wholly owned subsidiary, Mahindra Business & Consulting Services Private Limited (MBCSPL), provides staffing services primarily for us at Mahindra Finance. Besides, it also serves our subsidiaries (MIBL and MRHFL) and our parent company (Mahindra & Mahindra Limited). During the year, MBCSPL deputed 8,098 employees to these companies. The Profit after Tax increased from Rs. 7.1 Lacs in 2011-12 to Rs. 173.8 Lacs in 2012-13.

# DREAM ★ ASPIRE ★

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## BELIEVE ★



## PHETA

Pheta is a turban worn in Maharashtra during traditional ceremonies and occasions. In the past, people used to wear pheta as a part of their regular attire. Over the years, it has evolved into various variants (Puneri Pagadi, Kolhapuri and Mawali pheta) in different regions.

## DADARAO BABARAO HOLGANDE

Village - Gondala, Post Office - Khudaj, Taluka - Sengaon, District - Hingoli,  
Maharashtra, Pin code - 431 542

*We have empowered Dadarao Babarao Holgande in 2008, when he had no other hope of financial support. It was a difficult period of his life. Now those days are long gone. Today, his pheta-clad head is held high. We have partnered his journey towards prosperity and self-reliance.*

*"I had no access to credit or financial support before Mahindra Finance came into my life. It felt like a fresh breeze of hope in a life of missed opportunities. Today, I have a new word in my lexicon. Empowerment."*

POPULATION: 900  
NEAREST RAILWAY STATION: 40 KM AWAY  
NEAREST BANK: AROUND 9 KM AWAY



# BEING SOCIALLY RESPONSIBLE

*Universal education, healthcare for all and environment protection represent our focus areas. A responsibility we share with all our stakeholders.*



Corporate social responsibility lies at the core of our initiatives at Mahindra Finance. Inspired by Rise, our core philosophy and Alternate Thinking, we have always put our best foot forward to drive a positive change in the society and foster inclusive growth.

Over the years, we have engaged in various social initiatives to empower people with education, provide healthcare facilities and reduce environmental footprint. Our dream is to create a better world for people around us. Some of our initiatives include:

**Lifeline Express:** The Lifeline Express is a mobile hospital run on a train with five railway coaches. The coaches are equipped with updated medical and surgical facilities to provide free, on-the-spot diagnosis and treatment. It addresses the medical requirements of inhabitants from India's remote, rural corners that have scarce medical facilities. Above 2,500 patients suffering from disabilities like cleft lip, deafness, polio (for children under 14 years) and cataract were treated on-board. Mahindra Finance conducted its first ever solo journey of the Lifeline Express at Puri (Odisha) from 24th September to 14th October, 2012.

**Village electrification project:** We continued lighting up lives of less fortunate people in Tamil Nadu's interior locations in 2012-13. We conducted need analysis in the area and, based on the findings, installed 165 solar streetlights.

**Blood donation camp:** We actively organised blood donation camps in 2012-13 and collected 1,084 bottles of blood.

**Fund donation to purchase ambulance:** We donated funds to various NGO's with the aim to help them purchase ambulances.

**Diesel generator (DG) set donation:** For the well-being of street kids, we donated DG sets at various welfare societies, such as Pradesh Children Village, Shri Nakoda Karna Badheer School and Karuna Welfare Trust.

**Palliative care centre:** We donated funds to support a palliative care centre in Madhya Pradesh Cancer Chikitsa Evam Seva Samitee.

**Cancer detection camp:** We partnered with the Cancer Patients Aid Association to conduct cancer detection camps in Dharward's interiors. As many as 431 people were treated in these camps and advised on further action plan.

### *Green initiatives*

**Mahindra Hariyali:** Mahindra Hariyali is our tree plantation model at Mahindra Group. We partnered with schools, colleges, trusts, Government's Forest Departments and old age homes to spread our green agenda. During the year, we planted around 54,000 saplings across India.

To protect the environment, we undertook various initiatives. By focusing on optimum natural resource usage and reducing Greenhouse Gas emission. As a result, we have strictly controlled our consumptions of electricity, water and paper significantly. Besides, we have installed solar panels at various remote branches.

# AN EMBLEM OF COMFORT AND CONFIDENCE



## JAAPI

Jaapi is the traditional Assamese headgear, made up of tightly woven bamboo and palm leaf. Bright coloured clothes (primarily red, white, green, blue and black) are also integrated with the weaving of Jaapi. A typical Jaapi features a red border. It not only protects against the elements, but is also worn in ceremonies. The Bihu costume is incomplete without a Jaapi.



## ~ NANDESWAR DAIMARY ~

Village - Nalbari, Post Office - Kacharison, District - Sonitpur, Assam,  
Pin Code - 784 117

*At Mahindra Finance, we were as excited as Nandeswar Daimary to support his initiatives. He has today earned the respect of other fellow villagers for being able to counter challenges and succeed. The big jaapi covers part of his face, but his new-found confidence shines through.*

*“I can still recollect the excitement of the day in which my first loan was disbursed by Mahindra Finance. All my family members were happy and supported my endeavour. It was a great day and the start of a new journey towards empowerment.”*

POPULATION: 700  
NEAREST RAILWAY STATION: 80 KM AWAY  
NEAREST BANK: 3 KM AWAY



# RECOGNITION FOR OUR INITIATIVES



*Mahindra Finance's efforts to empower people across rural India have been recognised by various awards and accolades. We were bestowed with several awards during 2012-13. Some of them include:*

#### **EMI – Online Newsletter & IN-House Magazine**

Organised by Public Relations Council of India

#### **BITS – Winner of Nasscom IT User Awards, 2012**

Organised by NASSCOM

#### **Ranked 14th in the Dream Companies to Work for Awards Top 80 Indian Power Brands**

Organised by UTVBloomberg World HRD Congress 2012

#### **Best CFO Award to Mr. V. Ravi at the IPE BFSI Awards**

Organised by Asian Confederation of Businesses, 2012

#### **1st Runner up at the Best Learning Organisation of Asia Awards**

Organised by L&OD Roundtable, 2012

#### **Ranked 5th in the Financial Services Sector and among the Top 50 companies having over 1,000 employees by Great Place to Work Institute**

Organised by Great Place to Work Institute, in association with The Economic Times

#### **Winner of Golden Peacock HR Excellence Awards**

Organised by Institute of Directors

#### **7th Annual CIO 100 Awards**

Organised by CIO Magazine

#### **Strong Commitment to HR in CII National HR Excellence Awards**

Organised by CII 2012

#### **Best use of IT in Investment Banking in Asian Leadership Awards**

Organised by Asian Confederation of Businesses

#### **First Runner in the NBFCs – Asset-backed Lending category at the Best Bank & Financial Institution Awards**

Organised by CNBC TV18

#### **Silver Award 2012 for Best Corporate Website**

Organised by ABCI Awards ( Association of Business Communicators of India)

#### **Bits - Information & Communication Technologies (ICT) in Financial Inclusion Initiative**

Organised by eOdisha Awards

#### **Winner of PRCI Awards for CSR Brochure of Lifeline Express**

Organised by PRCI

# SUMMARY OF RESULTS

Rs. in Lacs

Sr. No.	Particulars	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004
1	Estimated Value of Assets Financed	23,83,858	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
2	No. of Contracts	25,57,172	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
3	Total Assets	25,49,242	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
4	Total Income	3,89,470	2,79,459	1,97,751	1,55,026	1,37,787	1,21,827	83,290	58,875	39,858	29,553
5	Profit Before Depreciation & Tax	1,30,144	94,482	71,824	53,047	33,435	28,070	21,014	16,731	13,665	10,686
6	Depreciation	2,224	1,956	1,579	990	873	873	743	517	385	500
7	Profit Before Tax	1,27,920	92,526	70,245	52,057	32,562	27,197	20,272	16,214	13,280	10,186
8	Profit After Tax	88,269	62,012	46,311	34,271	21,452	17,702	13,288	10,827	8,228	6,762
9	Dividend (%)	180	140	100	75	55	45	40	35	35	28
10	Equity Share Capital	11,260	10,269	10,245	9,598	9,571	9,529	8,402	8,331	7,016	6,062
11	Reserves & Surplus	4,34,197	2,84,832	2,38,764	1,63,258	1,37,345	1,21,898	69,422	59,947	28,542	19,111
12	Net Worth	4,45,458	2,95,101	2,49,009	1,72,856	1,46,916	1,31,426	77,823	68,278	35,557	25,173
13	No. of Employees Engaged	11,270	9,715	8,723	6,972	5,981	5,690	4,730	4,012	1,773	1,115
14	No. of Offices	657	607	547	459	436	436	403	305	256	224
15	Earnings Per Share - Basic (Rs.) (Face value - Rs. 2/- per share)	16.59	12.09	9.57	7.16	4.49	4.16	3.16	2.92	2.65	2.23
16	Earnings Per Share - Diluted (Rs.) (Face value - Rs. 2/- per share)	16.40	11.93	8.91	7.07	4.43	3.65	3.07	2.88	2.65	2.23

# DIRECTORS' REPORT

To,  
The members of  
**Mahindra & Mahindra Financial Services Limited**

Your Directors are pleased to present their Twenty-third Report together with the audited accounts of your Company for the Financial Year ended 31st March, 2013. The summarised financial results of the Company are given below:

## FINANCIAL RESULTS

	(Rs. in Crores)	
	<b>March 2013</b>	<b>March 2012</b>
Total Income	3,894.7	2,794.6
Less : Finance Costs	1,618.8	1,120.3
Expenditure	1,003.1	729.5
Depreciation/Amortisation	22.2	19.6
Total Expenses	2,644.1	1,869.4
Profit Before Tax and Exceptional Item	1,250.6	925.2
Add: Exceptional Item	28.6	0.0
Profit Before Tax	1,279.2	925.2
Less : Provision For Tax		
Current Tax	433.5	289.6
Deferred Tax	(37.0)	15.5
Profit After Tax for the Year	882.7	620.1
Add : Amount brought forward from Previous Years	979.8	713.5
Amount available for Appropriation	1,862.5	1,333.6
<b>Appropriations</b>		
General Reserve	88.3	62.0
Statutory Reserve	176.5	124.0
Proposed Dividend on Equity Shares	204.8	145.6
Income-tax on proposed Dividend	34.1	22.6
Excess provision for Corporate Dividend Tax on Equity Shares of earlier year	0.0	(0.4)
Surplus carried to Balance Sheet	<b>1,358.8</b>	979.8

## DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 3.60 per Equity Share of the face value of Rs. 2 each (including a special dividend of Re. 0.20 per Equity Share), 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. 238.9 Crores (as against Rs. 168.2 Crores on account of dividend of Rs. 14 per Equity Share of the face value of Rs.10 each, paid for the previous year).

## OPERATIONS

The overall disbursement registered a growth of 22.2 per cent at Rs. 23,838.6 Crores as compared to Rs. 19,504.3 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 enhancing and strengthening long-term relationship with its customers.

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

Income grew by 39.4 per cent to Rs. 3,894.7 Crores for the year ended 31st March, 2013 as compared to Rs. 2,794.6 Crores for the previous year. Profit Before Tax was 38.3 per cent higher at Rs. 1,279.2 Crores as compared to Rs. 925.2 Crores for the previous year. Profit After Tax grew at a healthy rate of 42.4 per cent to Rs. 882.7 Crores as compared to Rs. 620.1 Crores in the previous year.

Your Company has cumulatively financed over two and a half million customers since its inception. The number of contracts entered into by the Company during the year was 5,33,134 as against 4,66,416 in the previous year.

During the year under review, the Assets Under Management have crossed Rs. 27,000 Crores and stood at Rs. 27,913 Crores as at 31st March, 2013.

#### **DISTRIBUTION OF MUTUAL FUND PRODUCTS**

During the year under review, the activity of distribution of Mutual Fund Products (MFP) was carried out across 152 branches covering 19 States.

As on 31st March, 2013, the amount of Assets Under Management outstanding through the Company's Advisory Services on MFP, aggregate of institutional and retail segment, was Rs. 1,109 Crores and the number of clients stood at 41,023.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A detailed analysis of the Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

#### **CORPORATE GOVERNANCE**

Your Company practices a culture that is built on core values and ethical governance practices and is committed to transparency in all its dealings. A Report on Corporate Governance along with a Certificate from the Statutory Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement are annexed to this Report.

#### **ECONOMY**

In the current year the global economy continued to witness sluggish growth. Overall growth at 3 per cent was 0.5 per cent lower compared to the pre-crisis levels in 2008. While the US grew at better than expected levels, the entire Euro Zone was lurching from one crisis to another. Apart from the financial crisis starting at the PIIGS (Portugal, Italy, Ireland, Greece and Spain) countries, major economies like Germany and France experienced low growths. European Central Bank's attempts to kickstart the economy through its own version of quantitative easing did not yield the desired results and more steps would be required to reignite the growth. The implementation of the Basel III guidelines would cause the European Banks to deleverage. This might affect the capital flows to the emerging markets and the consequent liquidity crunch would lead to a possible hike in interest rates.

Against the backdrop of an adverse global environment and a spiraling current account deficit, India's growth slowed down significantly. GDP growth for the Financial Year 2012-13 is expected to be around 5 per cent, the slowest growth in more than a decade. While there was a slowdown across the entire economy, it was more pronounced in the industrial sector. Low capex by the corporate sector as a result of uncertain policy environment and delay in key approvals was the primary reason behind this. Inflation, an area of significant concern of the Reserve Bank of India (RBI), eased considerably in the latter part of the year and was 5.96 per cent in March 2013. Despite the easing of inflation the RBI

## DIRECTORS' REPORT

adopted a conservative approach and reduced the rates by only 25 basis points in March 2013.

Liquidity remained under pressure throughout the year because of persistently high government cash balances with RBI and elevated incremental credit to deposit ratio for significant part of the year. The net average liquidity injection under the daily liquidity adjustment facility (LAF) at Rs. 730 billion during the first half of the year, increased significantly to Rs. 1,012 billion during the second half. In order to alleviate liquidity pressures, RBI lowered the Cash Reserve Ratio (CRR) cumulatively by 75 basis points on three occasions and the statutory liquidity ratio (SLR) by 100 basis points during the year. Additionally, RBI injected liquidity to the tune of Rs. 1.5 trillion through Open Market Operations (OMO) purchase auctions.

Against this backdrop of sharp decline in the GDP growth and moderation in headline WPI inflation, the stance of the RBI Monetary Policy is intended to appropriately manage liquidity to ensure adequate flow to the productive sectors of the economy, guard against the risk of inflation pressures re-emerging and continue to address risks to growth.

While the overall economy decelerated significantly, the rural and semi-urban markets, the focus areas of the Company, witnessed higher growth. The governmental thrust on rural areas through programmes like MGNREGA, high agri commodity prices, etc., led to an increase in disposable income thereby leading to a robust demand for various products and services. Consequently, there was enhanced demand for vehicles in these geographies. 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 shifted its stance from an inflation focused to an accommodating growth focused policy and reduced the Repo Rate three times totalling to 100 basis points to contain the increasing risk to the growth, which resulted in medium/long term interest rates coming-off approximately by 50 basis points. RBI has clearly indicated that even as the policy stance emphasises addressing the growth risk, the headroom for further

monetary easing remains quite limited. Liquidity conditions remained in a deficit mode throughout the year. In order to mitigate the liquidity tightness, RBI conducted OMOs and reduced CRR by 75 basis points during the last year. However, your Company was able to reduce the impact of volatility in the interest rates by ensuring that prudent Asset Liability Management Guidelines were adhered to.

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 throughout the year. Your Company sourced long term loans from banks at attractive rates. Your Company also issued Subordinated Debt amounting to Rs. 115 Crores and successfully completed five securitisation transactions (at par structure) amounting to Rs. 1,433.6 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

#### Qualified Institutions Placement

On 16th November, 2012, your Company successfully concluded the Qualified Institutions Placement (QIP) issue to Qualified Institutional Buyers aggregating Rs. 866.80 Crores through the issue of 97,50,257 Equity Shares of the Face Value of Rs. 10 each at a price of Rs. 889 per Equity Share including a premium of Rs. 879 per Equity Share, which is a 0.94 per cent premium to the price of Rs. 880.70 per share, arrived at as per Regulation 85 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

The Company received bids of approximately Rs. 4,345 Crores. Despite it being launched in markets clouded by bearish sentiments, the second QIP offering by your Company received an overwhelming response, as seen by the high levels of subscription and strong participation from International and Domestic Institutional Investors.

Your Company has duly utilised the issue proceeds to augment its capital base, meet its capital requirements, for other general corporate purposes and for payment of Issue Expenses. This is in line with the issue purpose mentioned in the Placement Document filed with various Regulatory Authorities.

#### **Sub-Division (“Stock-Split”) of Face Value of Equity Shares**

Pursuant to the approval received from the Members of the Company by way of Postal Ballot on 5th February, 2013, your Company has on 19th February, 2013, upon sub-division, issued 5 (Five) Equity Shares of Rs. 2 each fully paid-up in the Equity Share Capital of the Company for every 1 (One) Equity Share of the face value of Rs. 10 fully paid-up held by the Members in the Equity Share Capital of the Company as on the Record Date i.e. 18th February, 2013.

Post allotment of Equity Shares and sub-division of Equity Shares as aforesaid, the issued, subscribed and paid-up Share Capital of the Company stands at Rs. 113.8 Crores comprising of 56,87,64,960 Equity Shares of Rs. 2 each fully paid-up and the Authorised Share Capital of the Company stands at Rs. 190 Crores comprising of 70,00,00,000 Equity Shares of Rs. 2 each and 50,00,000 Redeemable Non-Convertible Preference Shares of Rs. 100 each. Consequent to the Stock-split, a new International Securities Identification Number (ISIN) INE774D01024 has been created by the Depositories for the Company’s Equity Shares of the face value of Rs. 2 each.

#### **CAPITAL ADEQUACY**

Consequent upon the allotment of Equity Shares to the Qualified Institutional Buyers under the Qualified Institutions Placement, the paid-up share capital of the Company has increased to Rs. 113.8 Crores as on 31st March, 2013 from Rs. 104.0 Crores as on 31st March, 2012. The securities premium account has also increased to Rs. 2,014.5 Crores from Rs. 1,165.3 Crores. As a result of the increased net worth, your Company was able to enhance the Capital to Risk Assets Ratio (CRAR) to 19.7 per cent as on 31st March, 2013, which is well above 15.0 per cent CRAR prescribed by RBI.

#### **HOLDING COMPANY**

Pursuant to the allotment of Equity Shares to the Qualified Institutional Buyers under the Qualified

Institutions Placement, the shareholding of Mahindra & Mahindra Limited, the holding company, stands reduced to 51.2 per cent from 56.0 per cent.

#### **STOCK OPTIONS**

During the year under review, no new Options have been granted under the ‘Mahindra & Mahindra Financial Services Limited Employees’ Stock Option Scheme-2005’ and ‘Mahindra & Mahindra Financial Services Limited Employees’ Stock Option Scheme-2010’ respectively.

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. 16.0 Crores as at 31st March, 2013, towards the same. With effect from the current year, the Company has, on a prudent basis, decided to make additional/accelerated general provision on its standard assets and has provided Rs. 36.0 Crores for the same which is reflected as “Exceptional Items” in the Statement of Profit and Loss.

#### **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 reaffirmed at ‘CRISIL A1+’ (earlier P1+) which is the highest level of rating.

## DIRECTORS' REPORT

During the year under review, India Ratings & Research Private Limited, which is part of the Fitch Group, has reaffirmed the Company's National Long-term Rating Instrument and Lower Tier II Subordinated Debt programme to 'IND AA+/Stable'. The 'IND AA' denotes that Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. Modifiers {"+" (plus) / "-" (minus)} can be used with the rating symbols for the categories 'IND AA' to 'IND C'. The modifiers reflect the comparative standing within the category.

Brickwork 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, 2013, your Company has mobilised funds from Fixed Deposits to the tune of Rs. 2,327.9 Crores, with an investor base of over 1,52,553 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 sent before the maturity date to the depositors. Your Company has also launched across-the-counter facility at its Corporate Office Annexe, to issue Fixed Deposit Receipts promptly to its customers and the same is expected to be implemented across its branches shortly.

As at 31st March, 2013, 1,224 deposits amounting to Rs. 6.8 Crores had matured for payment and remained unclaimed. The unclaimed deposits have since reduced to 809 deposits amounting to Rs. 4.4 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 been way ahead in the Financial Services Sector in India to protect and sustain the rural livelihoods through a sustainable business model. The business 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. Your Company's Sustainability Report continues to attain 'A+' rating from Global Reporting Initiative (GRI).

Your Company continued with its focus on sustainability awareness for employees, vendors, suppliers and customers and took various initiatives in this direction. Your Company made proactive efforts to fight against global warming through Project 'Mahindra Hariyali', by planting around 54,000 saplings across the country. Various initiatives were also taken for conservation of water and energy, reduction of noise pollution and paper consumption. Along with this your Company has also started reporting on Carbon Disclosure Project (CDP) from the Financial Year 2011-12. CDP focuses on how companies are geared up, to deal with the challenges of Climate change in a carbon constrained economy. CDP works for 655 institutional investors with \$78 trillion under management.

### CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As a socially responsible citizen, the Mahindra Group, through its various Corporate Social Responsibility (CSR) initiatives, is enabling entire communities to 'RISE'. Rise is a symbol of the Mahindra Group's dedication to continual improvement within itself and in the Communities the Group touches. CSR continues to be an integral part of the vision of the Mahindra Group and this year too, your Company has pledged 1 per cent of its Profit after Tax for CSR initiatives, largely to benefit the economically weaker and socially disadvantaged sections of the Society and has continued to be incessantly engaged in activities, which add value to the community around it.

As a part of its commitment to Corporate Social Responsibility initiatives, your Company, during the year continued to involve itself in social welfare activities by contributing to recognised



charitable institutions, which specifically benefit the economically weaker sections of the society as well as extended its support to Nanhi Kali, the flagship programme of the K.C. Mahindra Education Trust, which supports the education of the disadvantaged girl child.

During the year under review, your Company organised a nationwide Blood Donation Drive to reaffirm its pledge to the society and collected 1,084 bottles of blood. Your Company also conducted a cancer detection camp in the interior areas of Dharward. The 'Lifeline Express' Train, in association with Impact India, catered to the medical needs of 2,550 underprivileged people in Puri (Odisha). Your Company also donated funds for the purchase of 4 ambulances, 3 DG sets and Palliative Care Unit equipment to numerous charitable institutions. The Company also took a step in lighting up the lives of the people in the interior locations of Tamil Nadu by installing 165 Solar Street Lights.

During the year under review, your Company contributed Rs. 5.7 Crores towards Corporate Social Responsibility to various institutions for charitable purposes.

#### **ACHIEVEMENTS**

During the year under review, your Company was featured in the ET 500 'Star Trek: The Dazzling Dozen' as well as in the ET 500 2012 'India's Biggest 500 Companies'. Your Company was also awarded the inaugural Porter Prize for creating Distinctive Value, the NASSCOM IT User Awards 2012, the EDGE Award 2012 for best use of Technology, the Silver Award 2012 for Best Corporate Website from ABCI (Association of Business Communicators of India), eOdisha Awards 2013 for Information and Communication Technologies in Financial Inclusion Initiative, Asian Leadership Awards 2012 for best use of IT in Investment Banking by the Asian Confederation of Businesses and the First Runner-up Trophy in the NBFCs – Asset Backed Lending category at the Best Bank & Financial Institution Awards 2012 by CNBC TV18.

Your Company has won the Golden Peacock HR Excellence Awards 2012 and was also awarded the Commendation Certificate for 'Strong Commitment to HR Excellence' in the 3rd National HR Excellence Awards by the Confederation of Indian Industry. The

Company was ranked 5th in the Financial Services Sector by the Great Places to Work Institute and was also included in the Top 80 Indian Power Brands. Your Company was also conferred with 6 PRCI Annual Corporate Collateral Awards 2012 by the Public Relations Council of India (PRCI) as well as adjudged the First Runner-up at the Best Learning Organisation of Asia Awards by the L&OD Round Table, 2012.

#### **DIRECTORS**

Mr. Bharat Doshi, Chairman and Mr. Dhananjay Mungale, Independent Director, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

#### **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, 2013 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**

MIBL has crossed the 8,00,000 mark in terms of policies serviced, with a total of 8,39,408 policies for both Life and Non-Life retail business lines, for the year ended 31st March, 2013. The customised Life

## DIRECTORS' REPORT

insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive an encouraging response and grew by 21 per cent from 3,63,691 lives covered with a Sum Assured of Rs. 8,255.0 Crores in the financial year 2011-12 to 4,40,553 lives covered with a Sum Assured of Rs. 11,798.2 Crores in the financial year 2012-13, with a substantial portion being covered in the rural markets.

MIBL achieved a growth of 33.8% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs. 413.8 Crores (Gross Premium Rs. 456.2 Crores) in the financial year 2011-12 to Rs. 553.8 Crores (Gross Premium Rs. 619.8 Crores) in the financial year 2012-13, crossing a milestone of Rs. 600 Crores of Gross Premium.

The Income increased by approximately 85 per cent from Rs. 46.6 Crores in the financial year 2011-12 to Rs. 86.3 Crores in the financial year 2012-13. The Profit before Tax increased by 154.2 per cent from Rs. 20.1 Crores to Rs. 51.2 Crores, and the Profit after Tax increased by 155 per cent from Rs. 13.5 Crores to Rs. 34.5 Crores during the same period.

During the year under review, MIBL has entered into Definitive Agreements with Inclusion Resources Private Limited (IRPL), a subsidiary of LeapFrog Inclusion Fund (LFIF), incorporated in Singapore and the Company, to expand MIBL's services to consumers in rural and semi-urban areas of India, by bringing in IRPL's international knowledge and experience, especially in using low cost technology solutions to provide insurance in mass markets. In addition, given IRPL's expertise and association in reinsurance globally, IRPL would help MIBL to connect with various global reinsurers to assist in MIBL's reinsurance broking business.

During the year under review MIBL has received the necessary approvals from the Insurance Regulatory and Development Authority, the Foreign Investment Promotion Board as well as the Reserve Bank of India and the Company has in pursuance of the aforesaid Definitive Agreements, sold 3,09,278 Equity Shares of Rs. 10 each of MIBL to IRPL, for an amount aggregating Rs. 64.3 Crores, vide issue of transfer instruction dated 30th March, 2013. On account of a technical issue raised by the Depository Participant of IRPL, the actual transfer of 309,278 Equity Shares on sale by the Company from the demat account of the Company, was recorded in the demat account of IRPL on 2nd April, 2013, being the next working day. MIBL has also made a preferential allotment to IRPL of 77,320 Equity Shares of Rs. 10 each for cash

at a premium of Rs. 2,070 per share aggregating to Rs. 16.1 Crores.

Pursuant to the preferential allotment and transfer of Equity Shares to IRPL, the shareholding of the Company in MIBL stands reduced to 85 per cent from 100 per cent and hence MIBL has ceased to be a wholly-owned subsidiary of the Company.

### Mahindra Rural Housing Finance Limited

Mahindra Rural Housing Finance Limited (MRHFL) has during the year ended 31st March, 2013, disbursed loans aggregating Rs. 432.9 Crores (previous year Rs. 266.8 Crores), covering over 61,000 families. The profit after tax for the year ended 31st March, 2013 is Rs. 20.3 Crores (previous year Rs. 11.9 Crores). The outstanding loan portfolio as at 31st March, 2013 stood at Rs. 879.5 Crores.

The housing loans sanctioned during the year ended 31st March, 2013 were to the extent of Rs. 541.0 Crores as against Rs. 292.2 Crores sanctioned during the previous year. The cumulative loan sanctions of MRHFL as at the end of financial year 2012-13 were Rs. 1,253.3 Crores as compared to Rs. 718.4 Crores in the previous year. The cumulative loan disbursement at the end of the year stood at Rs. 1,040.5 Crores as compared to Rs. 607.4 Crores in the previous year.

MRHFL has been expanding its geographical presence, especially to provide affordable services for rural households. During the year under review, operations were strengthened in the states of Maharashtra, Gujarat, Rajasthan, Tamilnadu, Andhra Pradesh, Kerala, Karnataka, Madhya Pradesh and Bihar.

### 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, 2013, MBCSPL had on rolls 8,098 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. 173.79 Lacs for the year ended 31st March, 2013 as compared to Rs. 7.06 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 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. Further, the Annual Accounts of the subsidiaries would 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](http://www.mahindrafinance.com).

#### **JOINT VENTURE**

##### **Mahindra Finance USA LLC.**

Mahindra Finance USA LLC is a joint venture company incorporated in Delaware, U.S.A, for the purpose of providing wholesale inventory financing to US based dealers, financing dealer purchases of Mahindra products and providing retail financing to end-user customers to finance their lease or purchase of Mahindra products or used products from dealers, in U.S.A. The Company has a 49 per cent shareholding along with De Lage Landen Financial Services Inc., a wholly-owned subsidiary of the Rabobank Group, which holds the balance 51 per cent shareholding in the joint venture company.

The joint venture company's disbursement registered a growth of 67.63 per cent as compared to the previous year. Income grew by 144.66 per cent to USD 104.42 Lacs for the year ended 31st March, 2013 as compared to USD 42.68 Lacs for the previous year. Profit Before Tax was 205.99 per cent higher at USD 26.04 Lacs as compared to USD 8.51 Lacs for the previous year. Profit After Tax grew at a healthy rate of 212.69 per cent to USD 16.26 Lacs as compared to USD 5.20 Lacs in the previous year.

#### **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 AS21 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 eight employees who were in receipt of remuneration of not less than Rs. 60,00,000 during the year ended 31st March, 2013 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, 2013

**DIRECTORS' REPORT****ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013**

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

	<b>Employees Stock Option Scheme 2005 (ESOS-2005)</b>			<b>Employees Stock Option Scheme 2010 (ESOS-2010)</b>	
(a) Options granted.	164,74,830			14,69,955	
(b) The pricing formula.	<b>Grant-2</b> Granted on 24th July, 2007	<b>Grant-3</b> Granted on 25th March, 2008	<b>Grant-4</b> Granted on 18th September, 2008	<b>Grant-1</b> Granted on 7th February, 2011	<b>Grant-2</b> Granted on 25th January, 2012
	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. 2/- per Equity Share	At Face Value of Rs. 2/- per Equity Share
<b>Employees Stock Option Scheme - 2005</b>					
(^) <b>Average Price:</b> 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.					
(#) <b>The Specified Date:</b> 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.					
<b>Employees Stock Option Scheme - 2010</b>					
<b>Price</b> : Rs. 2/-					
<b>The Specified Date</b> : 22nd October, 2010					
(c) Options stand vested on 31st March, 2013.	i) Employees Stock Option Scheme - 2005 : 1,25,96,175 ii) Employees Stock Option Scheme - 2010 : 5,40,905				
(d) Options exercised.	i) Employees Stock Option Scheme - 2005 : 1,20,58,230 ii) Employees Stock Option Scheme - 2010 : 4,74,760				
(e) The total number of shares arising as a result of exercise of options	i) Employees Stock Option Scheme - 2005 : 1,20,58,230 Equity Shares of Rs. 2/- each. These were transferred from the Trust to the eligible employees. ii) Employees Stock Option Scheme - 2010 : 4,74,760 Equity Shares of Rs. 2/- each. These were transferred from the Trust to the eligible employees.				
(f) Options lapsed.	i) Employees Stock Option Scheme - 2005 : 37,49,020 ii) Employees Stock Option Scheme - 2010 : 18,100				
(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. 20,58,60,060 ii) Employees Stock Option Scheme - 2010 : Rs. 9,49,520. These monies have been received by the Trust.				
(i) Total number of options in force.	i) Employees Stock Option Scheme - 2005 : 6,67,580 ii) Employees Stock Option Scheme - 2010 : 9,77,095				

(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. 16.40*
(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 the 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. 39.39 Lacs, profit after tax higher by Rs. 39.39 Lacs and the basic and diluted earnings per share would have been higher by Re. 0.01 and Re. 0.01 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.	There were no fresh options granted during the period from 1st April, 2012 to 31st March, 2013.

**DIRECTORS' REPORT**

(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:	There were no fresh options granted during the period from 1st April, 2012 to 31st March, 2013.
Sr. No.	Particulars	
i)	risk-free interest rate,	N.A.
ii)	expected life,	N.A.
iii)	expected volatility,	N.A.
iv)	expected dividends, and	N.A.
v)	The price of the underlying share in market at the time of option grant	N.A.

\* Refer Note No. "30 (g)" under Notes to the Financial Statements in the Annual Accounts of the Annual Report.

**STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013**

Names of Directors and Senior Managerial Persons to whom Stock Options have been granted	Employees Stock Option Scheme 2005			Employees Stock Option Scheme 2010
	Options granted in July, 2007 @	Options granted in March, 2008 @	Options granted in September, 2008 @	Options Granted in February, 2011 @
Mr. Bharat N. Doshi	60,675	Nil	70,255	Nil
Mr. Uday Y. Phadke	20,210	Nil	70,255	1,67,390
Dr. Pawan Goenka	10,105	Nil	17,565	Nil
Ms. Rama Bijapurkar	N.A.	N.A.	50,000	Nil
Mr. Ramesh Iyer	97,900	95,530	1,21,830	2,00,140
Mr. V. Ravi	56,035	54,230	69,160	77,815
Mr. Rajesh Vasudevan	16,630	18,325	23,370	21,860
Mr. Dinesh Prajapati	19,380	21,460	27,365	26,985
Mr. Suresh Shanmugam	15,135	16,115	20,550	19,360
Mr. Gurdev Mehta ^	15,375	15,570	20,085	21,440
Mr. H. S. Kamath	8,140	13,725	17,500	17,115
Mr. Rajnish Agarwal	6,895	5,295	9,005	16,930
Mr. R. Balaji	N.A.	N.A.	27,040	25,830

@ Stock Options are adjusted for sub-division.

^ retired from the services of the Company with effect from 2nd October, 2012.

**ANNEXURE II TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2013**

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, 2013.

**A. Conservation of Energy**

- |   |   |
|---|---|
| <p>a) Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.</p> | <p>b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Rs. 0.4 Crores.</p> |
|---|---|

- 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, 2013

**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**

Name of the Company	(Rs. in Crores)	
	Balance as on 31st March, 2013	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	0.39	186.26
Mahindra Business & Consulting Services Private Limited	17.80	19.64

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

# REPORT ON CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that sound Corporate Governance is essential for enhancing long-term shareholder value and retaining investor trust. Governance is moulded in the culture of your Company that is built upon core values, beliefs and ethics. Your Company continues to practice Corporate Governance of the highest standard. Your Company has an active, experienced and well-informed Board, necessary to ensure the highest principles of corporate conduct.

Your Company is committed to transparency in all its dealings and conducts its business with integrity and fairness. 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. A Report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in the Listing Agreement is given below :

## 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 stakeholders' 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 and 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 eight times during the year under review, on 23rd April, 2012, 11th June, 2012, 27th July, 2012, 9th October, 2012, 20th October, 2012, 21st December, 2012, 18th January, 2013 and 15th March, 2013. 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, 2013, 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 as follows:



**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 Held	Attended	Last AGM	Directorships	Committee Memberships	Committee Chairmanships/Chairpersonship
Mr. Bharat N. Doshi (Chairman)	Non-Executive Non-Independent	8	8	Yes	9	4	3
Mr. Uday Y. Phadke	Non-Executive Non-Independent	8	7	No	7	8	0
Mr. Ramesh Iyer (Managing Director)	Executive	8	8	Yes	7	5	3
Dr. Pawan Kumar Goenka	Non-Executive Non-Independent	8	4	Yes	11	5	0
Mr. Dhananjay Mungale	Independent	8	8	Yes	9	8	2
Mr. Manohar G. Bhide	Independent	8	8	Yes	4	4	3
Mr. Piyush Mankad	Independent	8	7	Yes	8	8	2
Ms. Rama Bijapurkar	Independent	8	7	No	4	1	0

**Note:**

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

**INFORMATION SUPPLIED TO THE BOARD**

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

Meetings of the Audit and other Committees of the Board and information on recruitment of Officers just below the Board level including the Company Secretary and 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

## REPORT ON CORPORATE GOVERNANCE

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 2012-13 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, 2013.

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 2012-13

(Rs. in Lacs)

Name of the Director	Sitting Fees (excluding Service Tax)	Salary and Perquisites	Superannuation and Provident Fund #	Commission	Total	Employees Stock Option Scheme 2005 (ESOS - 2005)				Employees Stock Option Scheme 2010 (ESOS - 2010)
						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 \$ @	Number of Stock Options granted in Feb. 2011 Grant 1 \$ @	
Mr. Ramesh Iyer*	N.A.	167.36	11.57	46.75	225.68	97,900	95,530	1,21,830	2,00,140	
Mr. Bharat N. Doshi	N.A.	N.A.	N.A.	Nil	Nil	60,675	Nil	70,255	Nil	
Mr. Uday Y. Phadke	N.A.	N.A.	N.A.	Nil	Nil	20,210	Nil	70,255	1,67,390	
Dr. Pawan Goenka	N.A.	N.A.	N.A.	Nil	Nil	10,105	Nil	17,565	Nil	
Mr. Dhananjay Mungale	2.90	N.A.	N.A.	11.00	13.90	Nil	Nil	Nil	Nil	
Mr. M.G. Bhide	3.05	N.A.	N.A.	11.00	14.05	Nil	Nil	Nil	Nil	
Mr. Piyush Mankad	2.05	N.A.	N.A.	11.00	13.05	Nil	Nil	Nil	Nil	
Ms. Rama Bijapurkar	2.20	N.A.	N.A.	11.00	13.20	N.A.	N.A.	50,000	Nil	

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

@ Stock Options are adjusted for sub-division.

## REPORT ON CORPORATE GOVERNANCE

### § ESOS - 2005 - DETAILS OF GRANTS

**Grant-2:** The Stock Options have been granted on 24th July, 2007. All the options have been vested.

**Grant-3:** The Stock Options have been granted on 25th March, 2008. All the options have been vested.

**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, 10% of the options have vested on 18th September, 2012 and the balance 10% of the options would vest 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, 20% of the options have vested on 7th February, 2013 and the balance options would vest in three equal tranches of 20% each on expiry of 36 months, 48 months and 60 months, respectively, from the date of grant.

**Grant-2:** The Stock Options have been granted on 25th January, 2012. Of this, 20% of the options have vested on 25th January, 2013, 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 2012 - 13, 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, 2013.

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

Name of the Director	Number of Shares held
Mr. Bharat N. Doshi	6,45,695
Mr. Uday Y. Phadke	76,420
Dr. Pawan Kumar Goenka	36,060
Mr. Dhananjay Mungale	50,000
Mr. M. G. Bhide	50,000
Mr. Piyush Mankad	50,000
Ms. Rama Bijapurkar	45,000

### CODES OF CONDUCT

The Board has laid down Code of Conduct for Board Members and for Senior Management and Employees of the Company ("Codes"). These Codes have been posted on the Company's website [www.mahindrafinance.com](http://www.mahindrafinance.com). All Board Members and Senior Management Personnel have affirmed compliance with these 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 49V 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, 2013.

### 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 seven Board level Committees - Audit Committee, Remuneration/

Compensation Committee, Share Transfer and Shareholders/Investors Grievance Committee, Asset Liability Committee, Risk Management Committee, Nomination Committee and Corporate Social Responsibility 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, 2013, the Audit Committee comprised five Non-Executive Directors of which four are Independent Directors. The Committee comprises Mr. Dhananjay Mungale (Chairman), Mr. M.G. Bhide, Ms. Rama Bijapurkar, Mr. Piyush Mankad, all being Independent Directors and Mr. Uday Y. Phadke, Non-Executive Non-Independent Director. The Committee was re-constituted during the year under review. Mr. Piyush Mankad was appointed as a Member of the Committee with effect from 27th July, 2012. 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 49III(D) of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49III(C) and reviews all the information as prescribed in Clause 49II (E).

Mr. Dhananjay Mungale, Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 27th July, 2012.

The Audit Committee met six times during the year on 23rd April, 2012, 11th June, 2012, 27th July, 2012, 20th October, 2012, 30th November, 2012 and 18th January, 2013. 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	6
Ms. Rama Bijapurkar	4
Mr. Uday Y. Phadke	5
Mr. Piyush Mankad (appointed as a Member with effect from 27th July, 2012)	3

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

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

**b) Remuneration/ Compensation Committee**

The Remuneration/ Compensation Committee comprises of majority of Independent Directors, including its Chairman. As of 31st March, 2013, the Committee comprised five members viz. Mr. Piyush Mankad (Chairman), Mr. Dhananjay

## REPORT ON CORPORATE GOVERNANCE

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 Schemes and to attend to such other matters and functions as may be prescribed from time to time.

The Committee met two times during the year under review on 23rd April, 2012 and 27th July, 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)	1*
Mr. Bharat N. Doshi	2
Mr. Dhananjay Mungale	2
Mr. Uday Y. Phadke	1
Mr. M.G. Bhide	2

\* Mr. Piyush Mankad also attended one Remuneration/ Compensation Committee Meeting via Conference call.

### c) Share Transfer and Shareholders/ Investors Grievance Committee

The Company's Share Transfer and Shareholders/ Investors Grievance Committee presently comprises of 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. Ms. Arnavaz M. Pardiwala, Company Secretary is the Compliance Officer of the Company.

The Committee meets, as and when required, to inter alia, deal with matters relating to transfers/ transmissions of shares and monitor 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 23rd April, 2012, 20th October, 2012 and 15th March, 2013. 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	3
Mr. Uday Y. Phadke	3
Mr. Ramesh Iyer	3

Details of queries and grievances received and attended to by the Company during the year 2012 - 13 are given in Table 7.

**Table 7** Complaints/Letters received and attended to during the Financial Year 2012-13

Nature of Complaints/Letters	Pending as on 1st April, 2012	Received during the year	Answered during the year	Pending as on 31st March, 2013
1. Status of Share Application	0	0	0	0
2. Non Receipt of Refund	0	1	1	0
3. Non Receipt of Electronic Credit	0	0	0	0
4. Correction of Refund Orders	0	0	0	0
5. Duplicate/ Revalidation of Refund Order	0	5	5	0
6. Non Receipt of Dividend	0	23	23	0
7. Duplicate/Revalidation/Correction of Dividend Warrant	0	42	42	0
8. SEBI/Stock Exchange Complaints	0	0	0	0
<b>Total</b>	<b>0</b>	<b>71</b>	<b>71</b>	<b>0</b>

**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 held two meetings during the year under review. Both the meetings were well attended by its Members.

**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, 2013, 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. All the meetings were well attended by its Members.

**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 presently 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. No Meeting was held during the year under review.

**g) Corporate Social Responsibility Committee**

The Corporate Social Responsibility (CSR) Committee was constituted by the Board of Directors at its meeting held on 15th March, 2013 to formulate, recommend and monitor

## REPORT ON CORPORATE GOVERNANCE

the CSR Policy and to recommend the amount to be spent on CSR activities.

Mr. Piyush Mankad, Independent Director, Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Executive Non-Independent Directors and Mr. Ramesh Iyer, Managing Director are the members of the Committee. No Meeting was held during the year under review.

### SUBSIDIARY COMPANIES

Clause 49 defines a “material non-listed Indian subsidiary” as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% 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” during the year under review. The subsidiaries of the Company function independently, with an adequately empowered Board of Directors and sufficient resources.

### MANAGEMENT

#### Management Discussion and Analysis

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

#### Disclosures

During the Financial Year 2012-13, 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. “41” 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 or strictures were imposed 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

The Company has instituted a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees, in compliance with the Securities and Exchange Board of India [Prohibition of Insider Trading] Regulations, 1992, as amended from time to time. The Code lays down Guidelines, which advise 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. Bharat Doshi, Chairman and Mr. Dhananjay Mungale, 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. Bharat Doshi
Date of Birth	12th June, 1949
Date of Appointment on the Board	30th March, 1992
Expertise in specific functional area	Finance and Accounts, Corporate Affairs and Information Technology and Trade and Finance
Qualifications	B. Com., FCA, FCS, LLM, participated in the Program for Management Development at the Harvard Business School
Directorship in Companies	Mahindra & Mahindra Limited (Executive Director) Mahindra Intertrade Limited (Chairman) Mahindra & Mahindra Financial Services Limited (Chairman) Mahindra Holdings Limited Mahindra USA Inc. Tech Mahindra Limited Mahindra Navistar Automotives Limited Mahindra Navistar Engines Private Limited NSE.IT Limited Godrej Consumer Products Limited SsangYong Motor Company Limited The Mahindra United World College of India Indian Council on Global Relations
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Navistar Automotives Limited (Chairman) Mahindra Navistar Engines Private Limited (Chairman) Godrej Consumer Products Limited (Chairman)
Remuneration/ Compensation Committee	Mahindra Intertrade Limited Godrej Consumer Products Limited Mahindra & Mahindra Financial Services Ltd. Mahindra Navistar Engines Private Limited
Shareholders/Investors Grievance Committee	Mahindra & Mahindra Limited
Shareholding of Director in the Company	6,45,695 Equity Shares of Rs. 2 each

Mr. Bharat Doshi is a Fellow Member of both, the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has a Master's Degree in Law from the University of Bombay. He has participated in the Program for Management Development at the Harvard Business School. He was also a Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships' held in December 2000. Mr. Bharat Doshi joined Mahindra & Mahindra Limited (M&M) in the year 1973. He is

presently the Executive Director and Group Chief Financial Officer (Group CFO), M&M.

Mr. Doshi is Chairman of Mahindra & Mahindra Financial Services Limited and Mahindra Intertrade Limited and Director of several companies in the Mahindra Group. He is also an independent Director of Godrej Consumer Products Limited and NSE.IT Limited. He is a Member of the Board of Governors of Indian Institute of Management, Tiruchirappalli.

## REPORT ON CORPORATE GOVERNANCE

Mr. Bharat Doshi is very actively involved with the work of several Chambers of Commerce and Industry in India and is a member of various Expert Committees, which influence economic and business policies of the Government. He was a Member of the High Powered Expert Committee constituted by the Ministry of Finance, Government of India, on Making Mumbai an International Financial Centre. He was a Member of the SEBI (Securities and Exchange Board of India) Committee on Disclosures and Accounting Standards (SCODA). Mr. Doshi was a Member of the Reserve Bank of India (RBI) constituted Working Group to examine a range of emerging issues pertaining to regulation of the NBFC (Non-Banking Financial Companies) Sector.

Mr. Doshi has been associated with the Bombay Chamber of Commerce and Industry (BCCI) for over 30 years and was the President of the Chamber for the year 2009-10.

He is currently a Member of CII National Council on Corporate Governance & Regulatory Affairs.

Mr. Doshi, over the years, has spoken on economic and management topics at several international and domestic fora. Mr. Bharat Doshi was adjudged 'India's Best CFO' by the leading business fortnightly Business Today (India Today Group Publication) in April 2005. He was also conferred the 'CFO of the Year' Award, honouring Financial excellence, by IMA India, an associate of The Economist Group, in December 2005. In November 2007, Mr. Bharat Doshi was honoured with the prestigious CNBC CFO of the Year 2007 Award. He was inducted by CFO India as a Founding Member to the CFO Hall of Fame in recognition of an exemplary career and a lifetime of contribution to the field of Finance. In February 2013, Mr. Doshi was awarded the CA Business Achiever Corporate award for his exceptional performance and achievement as CA Business Achiever.

**Table 8**

Name of Director	Mr. Dhananjay Mungale
Date of Birth	1st June, 1953
Date of Appointment on the Board	1st March, 1999
Expertise in specific functional area	Investment Banking and Finance
Qualifications	B.Com, C.A., L.L.B.
Directorship in Companies	Mahindra & Mahindra Financial Services Limited
	Chowgule Steamships Limited
	Kalpataru Limited
	LIC Housing Finance Limited
	Mahindra Composites Limited
	NOCIL Limited
	Samson Maritime Limited
	Sicagen India Limited
	Tamilnadu Petroproducts Limited
	Inestor Advisores Private Limited
	Lavgan Dockyard Private Limited
	J P Morgan Asset Management India Private Limited
	LICHFL Trustee Company Private Limited
	L&T Infra Investment Partners Advisory Private Limited
	Mentor Technologies Private Limited
	Snowcem Paints Private Limited

**Table 8**

Name of Director	Mr. Dhananjay Mungale
Membership of Committees in Public Limited Companies	
Audit Committee	Chowgule Steamships Limited
	Mahindra & Mahindra Financial Services Limited
	Mahindra Composites Limited
	NOCIL Limited
	LIC Housing Finance Limited
	Sicagen India Limited
	Kalpataru Limited
	Samson Maritime Limited
Remuneration/ Compensation Committee	Chowgule Steamships Limited
	Mahindra & Mahindra Financial Services Limited
	Mahindra Composites Limited
	NOCIL Limited
	Sicagen India Limited
	Kalpataru Limited
	Samson Maritime Limited
ALCO Committee	Mahindra & Mahindra Financial Services Limited
Shareholding of Director in the Company	50,000 Equity Shares of Rs. 2 each

Mr. Dhananjay Mungale is a Member of the Institute of Chartered Accountants of India and has a Bachelor's degree in Commerce and Law from the University of Mumbai. He has spent a major part of his career in corporate and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Limited. He is presently acting as advisor to various corporations in India and Europe. He is on the Board of various public and private limited companies.

#### **MEANS OF COMMUNICATION WITH SHAREHOLDERS**

The Company publishes quarterly, half-yearly and annual results in Business Standard and Sakal which are national and local dailies 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.mahindra.finance.com>. The Company

also makes presentations to international and national institutional investors and analysts, which are also hosted on its website. The Company also files various compliances as required to be filed in the NSE Electronic Application Processing System (NEAPS) introduced by the National Stock Exchange of India Limited.

The Company has designated "investorhelpline\_mmfl@mahindra.com" as an email id for the purpose of registering complaints by investors and displayed the same on the Company's website. The Company has also designated mfinfd@mahindra.com as an exclusive email ID for Fixed Deposit Investors for the purpose of registering queries/complaints in respect of Fixed Deposits of the Company and the same has also been displayed on the Company's website.

**REPORT ON CORPORATE GOVERNANCE****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
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"> <li>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.</li> <li>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.</li> </ol>	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
2011-2012	27th July, 2012	3.30 p.m.	Amendment to the Articles of Association of the Company for convening Board Meetings and General Meetings through Video Conference and/or other permissible electronic or virtual facilities and for servicing of documents to Shareholders through electronic mode.	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020.

**Details of Extraordinary General Meeting held during the past three financial years**

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2012-2013	6th November, 2012	10.00 a.m.	Allotment of Equity Shares to Qualified Institutional Buyers under the Qualified Institutions Placement.	Swatantryaveer Savarkar Rashtriya Smarak, 252, S.V.S. Marg, Shivaji Park, Dadar (W), Mumbai - 400 028.

**POSTAL BALLOT**
**Details of Resolutions passed through Postal Ballot during the Financial Year 2012-13**

<b>Date of Board Meeting</b>	<b>Description</b>	<b>% of Votes in favour of the Resolution(s)</b>	<b>Scrutinizer for conducting the Postal Ballot</b>
23rd April, 2012	Ordinary Resolution for increase in borrowing limits from Rs.20,000 Crores to Rs.30,000 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.	99.99 %*	Mr. S. N. Ananthasubramanian, Practising Company Secretary.
21st December, 2012	1. Ordinary Resolution to sub-divide each Equity Share of the face value of Rs.10 each into 5 Equity Shares of the face value of Rs. 2 each.  2. Special Resolutions for amendment to clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company.	99.99%**  99.99%**	Mr. S. N. Ananthasubramanian, Practising Company Secretary.

\* Results declared on 12th June, 2012

\*\* Results declared on 5th February, 2013

**COMPLIANCE**
**Mandatory Requirements**

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

**Compliance with Non-Mandatory Requirements**

- Remuneration/Compensation Committee**

The Company has set up a Remuneration/Compensation Committee. Details of the Remuneration/Compensation Committee have been provided under the Section 'Remuneration/ Compensation Committee'.

- Audit Qualification**

During the year under review, there is no audit qualification in your Company's standalone financial statements nor has there been a matter of emphasis made during the year. Your Company continues to adopt best practices to ensure a regime of unqualified financial statements.

- Whistle Blower Policy**

The Company promotes ethical behaviour in all its business activities and has during the year put in place a mechanism wherein the Employees are free to report illegal or

unethical behaviour, actual or suspected fraud or violation of the Company's Codes of Conduct or Corporate Governance Policies or any improper activity to the Chairman of the Audit Committee of the Company or Chairman of the Company or Corporate Governance Cell. The Whistle Blower Policy has been appropriately communicated within the Company.

Under the Whistle Blower Policy, the confidentiality of those reporting violation(s) is protected and they are not subject to any discriminatory practices. No personnel has been denied access to the Audit Committee.

Your Company has not adopted the other non-mandatory requirements as specified in Annexure I D of Clause 49.

**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

## REPORT ON CORPORATE GOVERNANCE

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

#### 23rd Annual General Meeting

Date	: 25th July, 2013
Time	: 3.30 p.m.
Venue	: Swatantryaveer Savarkar Rashtriya Smarak, 252, S.V.S. Marg, Shivaji Park, Dadar (W), Mumbai - 400 028.

#### Financial Year of the Company

The financial year covers the period from 1st April to 31st March. For the year ending 31st March, 2014 results will be tentatively announced on:

- Quarter ending 30th June, 2013 - End July, 2013
- Half-year ending 30th September, 2013 - End October, 2013
- Quarter ending 31st December, 2013 - End January, 2014
- Year ending 31st March, 2014 - End April, 2014

#### Book Closure

From 6th July, 2013 to 25th July, 2013, inclusive of both days.

#### Dividend Payment

A dividend of Rs. 3.6 per Equity Share of Rs. 2 each (including a Special Dividend of Re. 0.20 per Share), will be credited/dispatched between 26th July, 2013 to 2nd August, 2013 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.

#### Sub-division of Face Value of Equity Shares (Stock-Split)

Pursuant to the approval received from the members of the Company by way of Postal Ballot on 5th February, 2013, the Company has on 19th February, 2013, upon sub-division, issued 5 (Five) Equity Shares of Rs. 2 each fully paid-up in the Equity Share Capital of the Company for every 1 (One) Equity Share of face value of Rs. 10 fully paid-up held by the Members in the Equity Share Capital of the Company as on the Record Date i.e. 18th February, 2013.

Post the allotment of Equity Shares under the Qualified Institutions Placement and sub-division of Equity Shares as aforesaid, the issued, subscribed and paid-up Share Capital of the Company stands at Rs.113.8 Crores comprising of 56,87,64,960 Equity Shares of Rs.2 each fully paid-up (prior to Stock-split: 11,37,52,992 Equity Shares of Rs.10 each) and the Authorised Share Capital of the Company stands at Rs. 190 Crores comprising of 70,00,00,000 Equity Shares of Rs. 2 each and 50,00,000 Redeemable Non-Convertible Preference Shares of Rs.100 each.

**Table 1** Stock Exchange Codes

BSE	532720
NSE	M&MFIN
Demat ISIN in NSDL and CDSL for Equity Shares	INE774D01024

#### Corporate Identification Number

L65921MH1991PLC059642

#### Stock Market Data

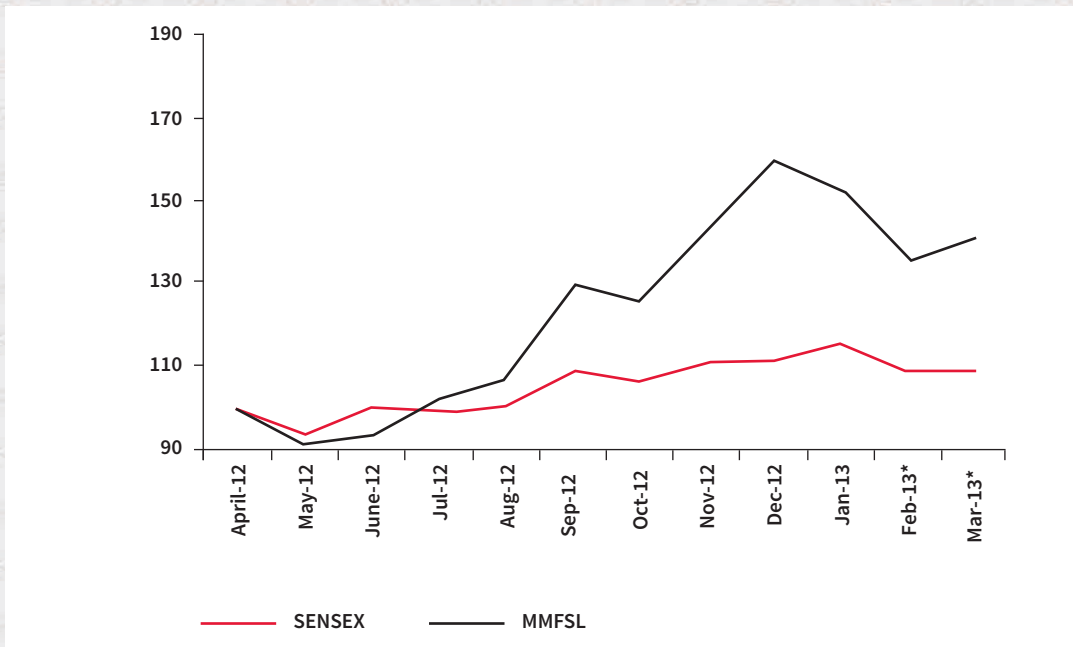
Table 2 and Charts A and B give required details.

**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 (NSE)	
	High	Low	High	Low
April, 2012	702.45	655.00	719.60	655.00
May, 2012	709.00	612.00	707.45	614.00
June, 2012	651.00	602.45	648.95	567.60
July, 2012	710.00	639.00	712.90	627.35
August, 2012	805.00	700.00	807.00	700.00
September, 2012	910.00	725.10	915.50	723.60
October, 2012	937.85	854.00	934.80	825.20
November, 2012	1,024.65	875.00	1,098.35	860.00
December, 2012	1,172.55	992.75	1,172.70	988.05
January, 2013	1,224.00	1,003.00	1,222.20	1,001.95
February, 2013*	1,088.00	184.30	1,089.00	183.50
March, 2013*	224.60	179.00	224.85	178.50

\*The Share Price became ex-date for sub-division with effect from 15th February, 2013.

**Chart A** MMFSL's share performance versus BSE Sensex

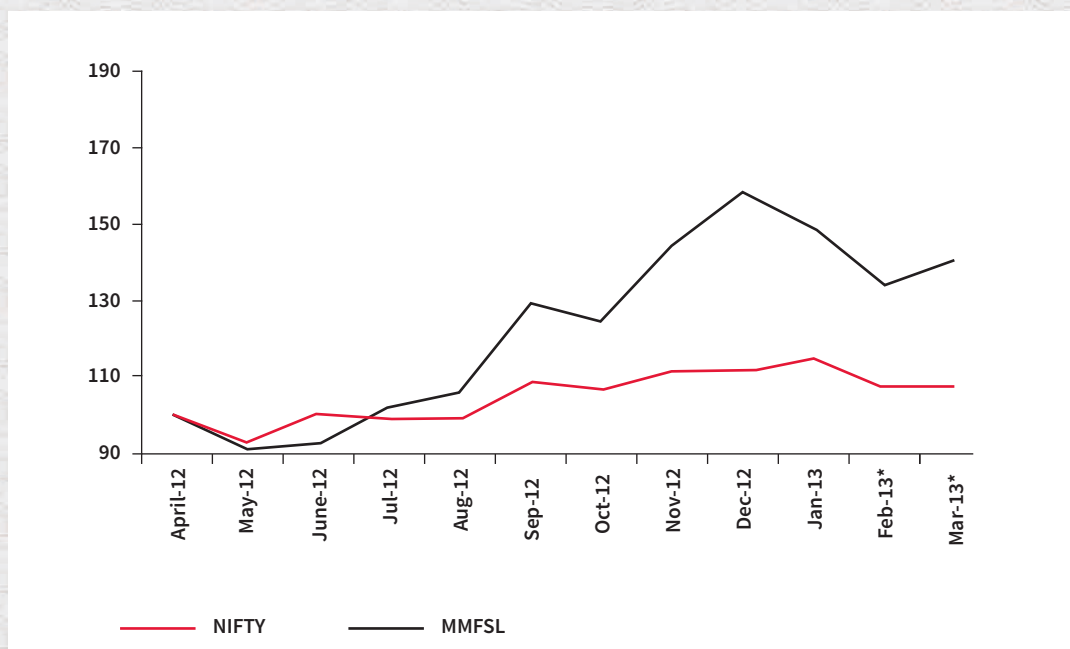


**Note:** Share prices and BSE Sensex indexed to 100 as on the first working day of the Financial Year 2012 - 13 i.e. 2nd April, 2012.

\* The share price became ex-date for sub-division from face value of Rs. 10 each to Rs. 2 each with effect from 15th February, 2013. However, for a meaningful comparison, the closing prices for February and March 2013 have been multiplied by 5.

## 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 2012 -13 i.e. 2nd April, 2012.

\* The share price became ex-date for sub-division from face value of Rs. 10 each to Rs. 2 each with effect from 15th February, 2013. However, for a meaningful comparison, the closing prices for February and March 2013 have been multiplied by 5.

### 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, 2013.

**Table 3** Shareholding pattern by size as on 31st March, 2013

Number of Shares held	Number of Shareholders	No. of Shares held	% of Shareholding
1 -500	34,375	53,73,797	0.94
501 -1,000	1,477	11,57,201	0.20
1,001 - 5,000	1,698	39,82,834	0.70
5,001 - 10,000	245	17,92,406	0.32
10,001 - 20,000	169	24,61,601	0.43
20,001 and above	415	55,39,97,121	97.40
<b>Total</b>	<b>38,379</b>	<b>56,87,64,960</b>	<b>100.00</b>



**Table 4 Shareholding pattern by ownership as on 31st March, 2013**

Category of Shareholders	Number of Shares held	% of Shareholding
Promoter and Promoter Group	29,69,52,445	52.21
Mutual Funds	2,01,76,708	3.55
FIs	21,59,52,551	37.97
Bodies Corporate	46,38,831	0.81
Indian Public/HUF	2,22,74,322	3.92
NRIs	14,68,811	0.26
Trusts	9,556	0.00
Indian Financial Institution/Banks	32,38,840	0.57
Venture Capital Fund	18,55,000	0.33
Insurance Companies	18,32,515	0.32
Clearing Members	3,65,381	0.06
<b>Total</b>	<b>56,87,64,960</b>	<b>100.00</b>

#### Dematerialisation of Shares

As on 31st March, 2013, 99.67 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 - 28 shareholders representing 1,041 Equity Shares of the Face Value of Rs. 10/- each.
- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year - 4.

- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - 1.
- (iv) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year - 27 shareholders representing 4,975 Equity Shares of the Face Value of Rs. 2/- each.
- (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, 2013, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible Instruments.

#### Plant Locations

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

#### Registrar and Transfer Agents

##### Karvy Computershare Private Limited

Unit: Mahindra & Mahindra Financial Services Limited

Plot No. 17- 24, Vittalrao Nagar, Madhapur, Hyderabad 500 081.

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

**Fax:** + 91 40 23420814

**Email:** mailmanager@karvy.com; support@karvy.com; einward.ris@karvy.com

## REPORT ON CORPORATE GOVERNANCE

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 fifteen 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.1 7 - 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. Kurme 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, 2013.

For Mahindra & Mahindra Financial Services Limited

**Ramesh Iyer**

Managing Director

Place: Mumbai

Date : 23rd April, 2013

## **CERTIFICATE**

### **TO THE MEMBERS OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LTD.**

We have examined the compliance of conditions of corporate governance by Mahindra & Mahindra Financial Services Limited, Gateway Building, Apollo Bunder, Mumbai 400 001 ("the Company") for the year ended 31st March, 2013 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, 2013, 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, 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL ECONOMIC REVIEW

The big picture about the global economy is one of cautious optimism. The world has not fully emerged from the shadows of the financial crisis that started in late 2008, and once the government stimulus was slowly reduced, both developed and developing economies began to show signs of stress. However, it must be admitted that global economic prospects have improved to some extent on key macroeconomic parameters.

The European Central Bank has reduced tail risks in the Euro zone by providing extensive monetary support to distressed economies, a commendable effort. On the other hand, the US economy is strengthening fiscal consolidation and has grown for 15 consecutive quarters (Source: US Commerce Department). China, India, Japan and Indonesia are driving Asian growth, although the rate of growth is not significant. Japan's master plan for structural reforms is expected to boost economic growth in the coming years. Overall, there is a need for consistent vigilance on the part of global policy makers to build resilience against financial vulnerabilities.

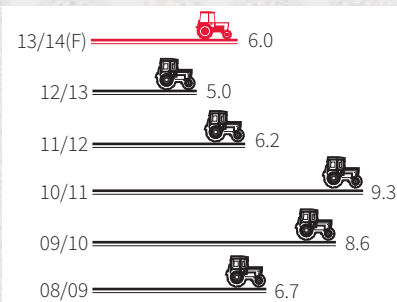
## INDIA'S ECONOMIC REVIEW

The Indian economy is expected to grow by 5 per cent in Financial Year 2012-13 and witness higher growth compared to world average GDP growth. India's growth rate looks subdued, when compared with those of yesteryears, but considering the fact that the world has now entered a low growth economic landscape, the nation's performance is not altogether discouraging. Going ahead, India's key macroeconomic fundamentals look robust.

The Reserve Bank of India's (RBI) initiatives to rein in inflation have succeeded considerably as the country's inflation rates eased to a 41-month low in April 2013. The government is also initiating measures to limit the fiscal deficit for 2013-14 to 4.8 per cent of GDP. Such measures will restore confidence in India's macroeconomic policy. Besides, the 12th Five Year Plan is already underway and fiscal allocation for infrastructure creation is significant. The government has also allocated Rs. 60 Billion for rural housing in the Union Budget 2013, around 50 per cent more than last year. It has also provided additional tax subvention for housing loans. These initiatives are expected to boost the infrastructure and housing sector considerably. However, the result of these steps will take some time to reflect in the real economy.

Another positive trend is that India is steadily growing its economic stature internationally. China has shown eagerness to enhance bilateral trade with India and the two countries have set a target USD 100 Billion in trade by 2015. Despite challenges, India's long-term growth prospects look positive, but policies need to be recalibrated in view of evolving circumstances.

**Chart 1** Indian GDP growth rate (%)



(Source: CSO)

## INDIA'S NBFC INDUSTRY OVERVIEW

Over the years, the Non-Banking Financial Companies (NBFCs) of India have been instrumental in driving the country's inclusive growth. In the rural and semi-urban India, the sector plays a critical role in financing long-term infrastructure, construction equipment, leasing, real estate, vehicles and SMEs. At present, more than 80 per cent of equipment leasing and hire purchase financing in India are financed by NBFCs. (Source: Indian Brand Equity Foundation)

The industry's retail credit projects 17 per cent growth in FY 2013. It is evident that prudent policy initiatives are required at all levels to drive growth to a higher trajectory. The key industry segments (construction equipment, commercial vehicle and gold) which constitute around 56 per cent of total retail credit, witnessed moderate growth. The poor growth of the key segments will diminish the Gross Non Performing Assets (NPAs) of the industry. The cost of funds for retail-focused NBFCs will also remain high (Source: ICRA).

Nevertheless, the industry's long-term outlook remains stable. The major NBFCs maintain a strong buffer against expected credit quality pressures.

## PERFORMANCE OF KEY INDUSTRY SEGMENTS

### Indian Automobile industry

The Indian automobile industry grew by only 1.20 per cent in FY 2013. The industry produced 1,685,355 vehicles in March 2013 as against 1,845,868 in March 2012, a decline of 8.70 per cent. The overall growth in domestic sales in FY 2013 was 2.61 per cent.

Passenger Vehicles (PV) segment grew at 2.15 per cent in FY 2013. The Passenger Car segment declined by 6.69 per cent, while the Utility Vehicles segment grew by 52.20 per cent and Vans grew only by 1.08 per cent during FY 2013, as compared to the same period last year. The overall Commercial Vehicles (CV) segment registered a degrowth of 2.02 per cent in FY 2013, compared to the same period last year. While Medium and Heavy Commercial Vehicles (MHCVs) segment growth declined by 23.18 per cent, Light Commercial Vehicles grew at 14.04 per cent.

Three Wheelers sales posted a modest growth of 4.87 per cent in April-March 2013. Passenger Carriers grew by 8.58 per cent during FY 2013 and Goods Carriers registered de-growth at 9.20 per cent during this period.

**Exports**

During April-March 2013, overall automobile exports registered de-growth of 1.34 per cent compared to the same period last year. PV export grew by 9.02 per cent, while the other segments like CV, Three Wheelers and Two Wheelers fell by 13.35 per cent, 16.22 per cent and 0.72 per cent, respectively.

(Source: Society of Indian Automobile Manufacturers)

**Indian Tractor industry**

The Indian tractor market, the largest in the global tractor market by volume, declined marginally to touch 5,25,970 tractors, 1.7 per cent lower than the previous year as against a high growth of 32 per cent, 20 per cent and 11 per cent, respectively, in the previous three fiscals. A delayed South West monsoon and deficient North East rains impacted the Indian agriculture, especially in the southern

states, already reeling under the impact of scarce rainfall in consecutive preceding years. This, together with the slowdown on infrastructure spending and restrictions on quarrying operations in certain parts of the country resulted in lower sales of new tractors as compared to the previous year.

**Construction equipment**

Owing to the slow pace of infrastructural investments and various regulatory hurdles, the construction equipment industry is expected to witness around 12-15 per cent decline in volumes in FY 2013.

The industry's short-term outlook is expected to remain subdued, given the slow pace of infrastructural investments, weak business confidence and slow growth in agriculture.

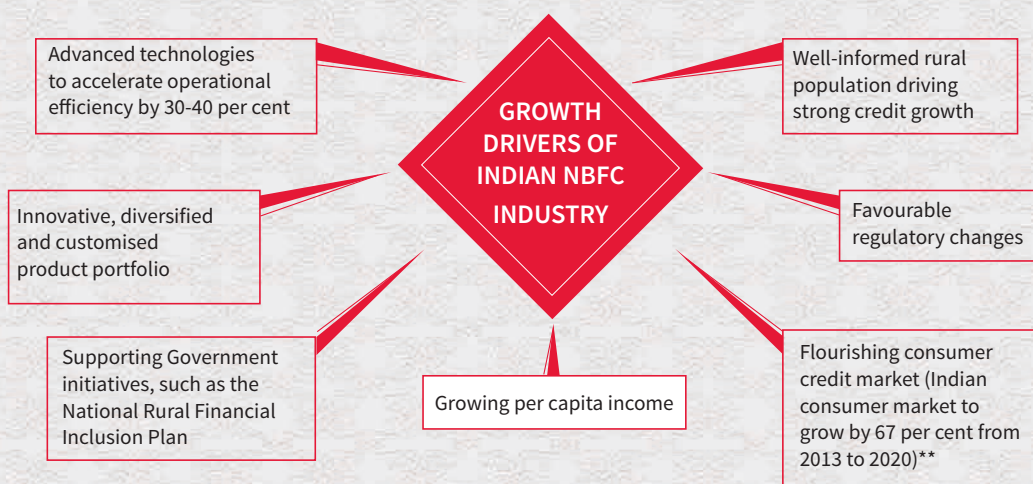
However, construction activity in the private sector may revive during the latter half of FY14, supported by a proactive policy environment. Besides, the prevailing large demand-supply gap in the domestic power sector and the need for basic infrastructure are expected to drive the construction equipment segment.

(Source: ICRA Report on Indian Mining and Construction Equipment Industry, March 2013)

**Housing finance**

According to National Housing Bank, India's housing finance market is expected to register an estimated growth of 20 per cent, reaching a size of Rs. 1.25-1.3 Trillion by the end of FY 2013. However, the current fiscal could be saddled with an increasing number of bad loans as greater competition forces lenders into stepping up volume to maintain profit.

**Chart 2 Growth drivers of India's NBFC industry**



(Source: \*\* Euromonitor)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Regulatory landscape

Indian NBFCs operate under continuously evolving stringent guidelines. In fiscal 2013, RBI finalised its much awaited Guidelines on securitisation and assignment transaction of standard assets and issued final Guidelines on 7th May, 2012. As per the new Guidelines, securitisation route will be preferred over assignment route. RBI has also released revised Guidelines on Priority Sector Lending-Targets and Classification, incorporating recommendations of MV Nair Committee on 20th July, 2012. The revised Guidelines recommend:

- ❖ Interest spread cap of 8 per cent is higher than the original recommendation of 6 per cent
- ❖ No cap on the amount, which banks can buy through this route
- ❖ No restriction on NBFCs on amount of securitisation/assignment

### Usha Thorat Committee recommendations

RBI has proposed new draft Regulatory Guidelines for NBFCs, based on the recommendations of the Usha Thorat Committee on Issues and Concerns in the NBFC sector, published on 12th December, 2012. The key proposals are as follows:

- ❖ The Tier I ratio of registered NBFCs to be increased to 10 per cent, and three years be given to achieve the required ratio (currently the minimum Tier I ratio for retail finance NBFCs is 7.5 per cent).
- ❖ Asset classification and provisioning norms similar to those for banks are to be introduced in a phased manner. This includes standard asset provision at 0.40 per cent w.e.f. 31st March, 2014 (current 0.25 per cent), the 90 days overdue norm for classifying Non-Performing Assets (NPA) from Q1 FY 2016, to be transited through a 120-day NPA from Q1 FY15, and a 'one-time restructuring' to be allowed for borrowers, which will not be treated as default.
- ❖ Liquidity ratio requirement for all registered NBFCs, such that cash, bank balances and government securities fully cover the gaps, if any, between cumulative outflows and cumulative inflows for the first 30 days (currently, only deposit-taking NBFCs are required to hold 15 per cent of their public deposits in the RBI-defined liquid assets).
- ❖ Strict corporate governance standards to be followed by large NBFCs; RBI's permission is

necessary for any change in control, or sale of 25 per cent stake, and for appointment of CEOs for NBFCs with asset size of over Rs. 10 Billion.

- ❖ Higher disclosures have been suggested by the RBI. These cover provision coverage ratios, liquidity ratios, asset-liability profiles and the movement of NPAs.
- ❖ Capital market and real estate exposures: Risk weights will be increased to 150 per cent for capital market exposures and 125 per cent for commercial real estate exposures (from the current 100 per cent for both these categories).
- ❖ NBFCs with asset size below Rs. 250 Million will be exempted from registration with the RBI; existing non-deposit taking NBFCs (asset size below Rs. 250 Million) will have to provide a roadmap to the RBI for increasing their asset size to this level or above within two years.

### Effects of recommendations on the industry

The policies, if implemented, will usher in positive and long-term growth of the NBFC sector, even though some of the clauses can impact profitability in the early stages of implementation.

The new proposals will have limited financial impact on major NBFCs. However, the incremental provision on 90-day NPAs and general provisions on standard assets at 0.40 per cent (current 0.25 per cent) will reduce return on assets by 5-40 basis points. The industry is less likely to have any material impact from the requirements of higher Tier I ratio and liquid asset coverage (for cumulative mismatches in 1- 30 day buckets), as major NBFCs maintain high capital ratios and well-matched asset-liability tenors (*Source: India Ratings*).

If the proposed requirement of registration of NBFCs at an asset size of Rs. 250 Million is implemented, the industry's small and mid-sized NBFCs will be consolidated. As on 30th June, 2012, there were 12,385 registered NBFCs, marginally lower than 12,630 registered NBFCs in 2010 (*Source: RBI*).

## COMPANY OVERVIEW

### Business overview

Mahindra & Mahindra Financial Services Limited ('MMFSL' or 'the Company'), one of India's prime NBFCs, caters to the financial needs of rural and semi-urban population of the country. MMFSL commenced operations in 1993, as a subsidiary of the renowned Indian tractor and utility vehicle

manufacturer, Mahindra & Mahindra Limited. Over the years, the Company has considerably diversified its product portfolio, offering the following services to its customers:

- ❖ Vehicle loans (utility vehicles, commercial vehicles, tractors, cars, two-wheelers and used vehicles)
- ❖ Housing finance (through Mahindra Rural Housing Finance Limited, a subsidiary of the Company)
- ❖ SME financing
- ❖ Personal loans
- ❖ Fixed deposits
- ❖ Mutual fund distribution
- ❖ Insurance broking (through Mahindra Insurance Brokers Limited, a subsidiary of the Company)

- ❖ Loan against gold
- ❖ Construction equipment loan

The Company's prudent risk management has helped maintain a better asset quality. This has resulted in steady growth despite market volatilities.

The Company focuses on building long-term relationships with all stakeholders, including customers, bankers, investors, dealers and employees. It understands the evolving requirements of discerning customers and delivers appropriately to address their needs. This has helped Mahindra Finance emerge as a customer-focused financial organisation and maintain strong profitability, despite macroeconomic headwinds.

**Table 1 Our credit ratings**

	<b>CRISIL</b>	<b>Outlook</b>
Fixed Deposit Programme	FAAA	Stable
Short term debt	A1+	Stable
Long term and subordinated debt	AA+	Stable
	<b>Brickwork</b>	<b>Outlook</b>
Long term and subordinated debt	AA+	Positive
	<b>India Rating (FITCH)</b>	<b>Outlook</b>
Long term and subordinated debt	AA+(ind)	Stable

**OPERATIONAL OVERVIEW**

The key highlights of the Company's operations have been enumerated below:

- ❖ Enhanced customer base considerably to reach 2.5 Million in fiscal 2013
- ❖ Expanded branch network to 657 in 2012-13 (compared to 607 in 2011-12) across 24 states and four union territories
- ❖ Registered 22 per cent growth in the value of assets financed, helping it rise from Rs. 195,043 Million in 2011-12 to Rs. 238,386 Million in 2012-13
- ❖ Witnessed 35 per cent growth in assets under management, helping it increase from Rs. 206,429 Million in 2011-12 to Rs. 279,131 Million in 2012-13

- ❖ Total assets and income from operations increased by 37 per cent and 39 per cent, respectively
- ❖ Total employee base has grown to 11,270 in 2012-13
- ❖ Maintained gross NPA to total assets at 3 per cent

**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 following table presents MMFSL's abridged financials for 2012-13, including revenues, expenses and profits:

## MANAGEMENT DISCUSSION AND ANALYSIS

**Table 2** Abridged Statement of Profit and Loss (Rs. in Lacs unless indicated otherwise)

	2012-13	2011-12	Growth
<b>Revenue</b>			
Revenue from operations	3,85,672.15	2,76,811.05	39.3%
Other income	3,797.75	2,648.33	43.4%
<b>Total Revenues</b>	<b>3,89,469.90</b>	<b>2,79,459.38</b>	<b>39.4%</b>
<b>Expenses</b>			
Employee benefits expenses	22,340.20	19,977.07	11.8%
Finance costs	1,61,876.50	1,12,032.35	44.5%
Depreciation and amortisation expenses	2,224.33	1,956.32	13.7%
Loan provisions and write-offs	28,334.34	15,702.00	80.5%
Other expenses	49,632.86	37,266.04	33.2%
<b>Total Expenses</b>	<b>2,64,408.23</b>	<b>1,86,933.78</b>	<b>41.4%</b>
<b>Profit before exceptional items and taxes</b>	<b>1,25,061.67</b>	<b>92,525.60</b>	<b>35.2%</b>
<b>Exceptional items (net) - income/ (expense)</b>	<b>2,858.21</b>	-	-
<b>PBT</b>	<b>1,27,919.88</b>	<b>92,525.60</b>	<b>38.3%</b>
Tax expense	39,650.70	30,513.93	29.9%
<b>PAT</b>	<b>88,269.18</b>	<b>62,011.67</b>	<b>42.3%</b>
Basic EPS (Rs.)	16.59	12.09	37.2%

In fiscal 2013, the growth in new contracts stood at 14.3 per cent, which, in turn, enhanced the Company's total assets and total revenues by 37.3 per cent and 39.4 per cent, respectively, as compared to the previous fiscal. The Company's profit before tax (PBT) witnessed 38.3 per cent growth, increasing from Rs. 92,525.60 Lacs in 2011-12 to Rs. 1,27,919.88

Lacs in 2012-13. Profit after tax (PAT) also increased from Rs. 62,011.67 Lacs in 2011-12 to Rs. 88,269.18 Lacs in the current fiscal, up 42.3 per cent.

Subsequently, basic earnings per share grew by 37.2 per cent, from Rs. 12.09 in 2011-12 to Rs. 16.59 in 2012-13.

**Table 3** Key Ratios

Particulars	2012-13	2011-12
PBT/Total income	32.8%	33.1%
PBT/Total assets	5.1%	5.1%
RONW (avg. net worth)	23.9%	22.8%
Debt/Equity	4.2	4.7
Capital adequacy	19.7%	18.0%
Tier I capital	17.0%	15.1%
Tier II capital	2.7%	2.9%
Book value (Rs.) (excluding ESOPs)	79.0	57.3



The Company's debt to equity ratio stood at 4.2 on 31st March, 2013. Compared to other finance companies, the Company has better scope to enhance borrowings for future business ventures.

The Company has capital adequacy ratio of 19.7 per cent as compared to 15 per cent, mandated by the Reserve Bank of India. The book value stood at Rs. 79.0 as on 31st March, 2013.

The Company prudently makes additional provisions for NPAs at a faster rate than that prescribed by RBI. In FY 2012-13, the gross NPA to total asset ratio stood at 3 per cent, while the net NPA to total asset ratio was at 1 per cent.

**OPPORTUNITIES**

**Financial inclusion**

Although rural India has made significant strides in recent decades, it has a long way to go. According to Census 2011, rural India:

- ❖ Is home to 833 Million people
- ❖ Covers 38 per cent of total pan-India bank branches (32,000 branches)
- ❖ Offers bank access to 39 per cent population
- ❖ Constitutes 9 per cent in total deposits, 7 per cent in total credit, 10 per cent in life insurance and 0.6 per cent in non-life insurance business

India's Government has focused on financial inclusion to provide credit facilities and other government-

sponsored benefits to the rural population. Powered by its extensive reach, the Company has emerged as one of the important drivers of rural credit. Going ahead, various government initiatives to elevate the quality of life in rural India will catalyse MMFSL's growth opportunities.

**Vehicle financing**

In the last five years, Commercial Vehicles (CV) loan disbursements grew by around 10 per cent per annum owing to the growing CV sales. Light Commercial Vehicles (LCV) disbursements grew by 23 per cent per annum, faster compared to Medium and Heavy Commercial Vehicles (MHCV) disbursements. The focus of market players to drive sales and enhanced vehicle financing will augur well for the segment. On the other hand, MHCV disbursements grew by around 6 per cent. However, finance penetration in this segment was impacted during the year due to the economic volatility and higher risk aversion by financiers. Nevertheless, steady growth in underlying vehicle demand and increase in finance penetration is expected to drive the CV finance industry over the next five years. By 2016-17, vehicle financing penetration levels will reach 74 per cent for cars and 66 per cent for UVs, following moderation in interest rates and alleviation of credit risks. The Loan to Value (LTV) ratio for cars and Utility Vehicles (UV) is also expected to rise to 75 per cent and 71 per cent, respectively. These factors are expected to accelerate the vehicle finance industry growth by 18-20 per cent, reaching Rs. 1,150 Billion in 2016-17.

**Table 4 Projected growth of new car finance and new car market** (Rs. Billion)

	<b>New car market</b>	<b>New car finance market</b>
2009-10	637	349
2010-11	858	476
2011-12	905	456
2012-13	991	506
2016-17 (Projected)	2,100	1,165

## MANAGEMENT DISCUSSION AND ANALYSIS

**Table 5** Projected growth of Utility Vehicles (UV) finance and new Utility Vehicles market (Rs. Billion)

	New UV market	New UV finance market
2009-10	253	108
2010-11	340	155
2011-12	396	172
2012-13	485	217
2016-17 (Projected)	872	409

(Source: CRISIL Report on Auto-Finance, October 2012)

### SME financing

The small and medium enterprises (SMEs) contribute significantly to India's economic development, including:

- 40 per cent in domestic production
- About 50 per cent in total exports
- 45 per cent in industrial employment
- 95 per cent in all industry establishments

(Source: FICCI Report on Financial Foresights, Volume 2, Q2 FY 12-13)

Despite growing considerably over the past few years, India's SMEs often lack access to timely and adequate credit to meet working capital requirements. A majority (92.77 per cent) of India's SMEs lack access to finance, while only 5.18 per cent avail finance from institutional sources (Source: Role of Government in SME Financing, YES Bank report, April 2012). Hence, the sector has immense potential to fuel industry growth.

### Housing finance

The 12th Five Year Plan (2013-17) estimates a housing shortage of over 40 Million, with over 200 Million people, especially in rural India, living in chronically poor housing conditions (Source: Planning Commission's Report on Rural Housing, September 2011). Several schemes introduced by the National Housing Bank and the Government of India to bridge the housing demand-supply gap will, in turn, help the Company grow.

The housing demand is further magnified by:

- A favourable demographic profile (65 per cent of the population is below 35 years)
- Growing family nuclearisation, leading to higher housing demand
- Enhanced affordability

On the other hand, India's mortgage profile as a percentage of GDP remains one of the world's lowest (9 per cent), a considerable headroom for growth. By 2015, the home loan portfolio of finance companies is expected to reach Rs. 3,116 Billion. Going forward, Mahindra Rural Housing Finance Limited, the Company's subsidiary, in association with the National Housing Bank, will contribute significantly to the Company's consolidated revenues.

### Insurance services

With most of the country's population still uninsured, India's insurance sector offers immense growth potential. Insurance sector growth is expected to be driven by a combination of factors viz., expanding economy, rise in young earners, growing public awareness and escalating concern about the incidence of natural calamities. The country's general insurance and life insurance markets are likely to reach Rs. 90,000 Crores and Rs. 5,17,000 Crores, respectively by 2015 (Source: ASSOCHAM and Deloitte Report on Funding the Infrastructure Investment Gap). With enhanced operations of our subsidiary Mahindra Insurance Brokers Limited, we are well positioned to leverage the long-term growth.

### MUTUAL FUND DISTRIBUTION

The Assets Under Management of Indian Asset Management Companies reached Rs. 8.16 trillion in March, 2013. The Indian Mutual Fund Industry witnessed sluggish short-term growth in last 2 years due to changes in regulatory guidelines, including abolishment of entry load, stringent KYC norms, guidelines on transaction charges and tightening valuation and advertisement norms. However, Securities and Exchange Board of India (SEBI) has undertaken several initiatives to re-energise the industry. Enhanced presence, relaxing KYC norms

for small investors, widening distributor network to include postal agents and retired officials, and recommending the inclusion of equity scheme mutual fund products under Rajiv Gandhi Equity Savings Scheme will help the industry in the long-run.

On the other hand, India's gross national savings is expected to reach USD 1,455 Billion by 2016. With only 10 per cent of India's savings being channelised to financial services, and abysmally low penetration of mutual funds in India, the country's mutual fund distribution has considerable growth prospects.

(Source: KPMG India, Sector Insights (Issue 21), September 2012)

#### CHALLENGES

- ❖ An overall sluggish economy is affecting industry growth. Combined with a declined automobile demand, the sector projects moderate growth in the coming years.
- ❖ Products standardisation is gradually gaining prominence, owing to variable interest rates, different payment terms and low processing fees, in the wake of enhanced competition.
- ❖ The economic slowdown can raise the delinquency rate and enhance credit costs.
- ❖ The adverse operating environment around the Heavy and Medium Commercial Vehicles and Construction Equipment (CE) segments will keep asset quality under pressure. It may increase the aggregate gross NPA (NPA – 180 days overdue) ratio of the key NBFCs to 2.7 per cent-3.0 per cent in 2013 from 2.1 per cent in FY 2012.
- ❖ 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 costs 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 integral to MMFSL's business philosophy. The Company's Board has put in place a

systemic Risk Management Committee to effectively manage and review the risk management systems, policies and strategies.

The operating risk management team, headed by the Chief Financial Officer, identifies, assesses and monitors all principal relevant risks, in accordance with defined policies and procedures. The Company's key risks and mitigation strategies include the following:

**Risk:** Mahindra Finance is dependent on Mahindra & Mahindra Limited (M&M), the parent company for sourcing of business. Hence, sluggish growth by M&M can impact the Company's future growth prospects.

**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 (M&M and Non-M&M asset ratio is around 45: 55).

**Risk:** Continuously evolving government regulations may impact operations.

**Mitigation:** The Company continuously monitors regulatory compliances. The Company's Tier I and Tier II capital adequacy ratios conform to 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.

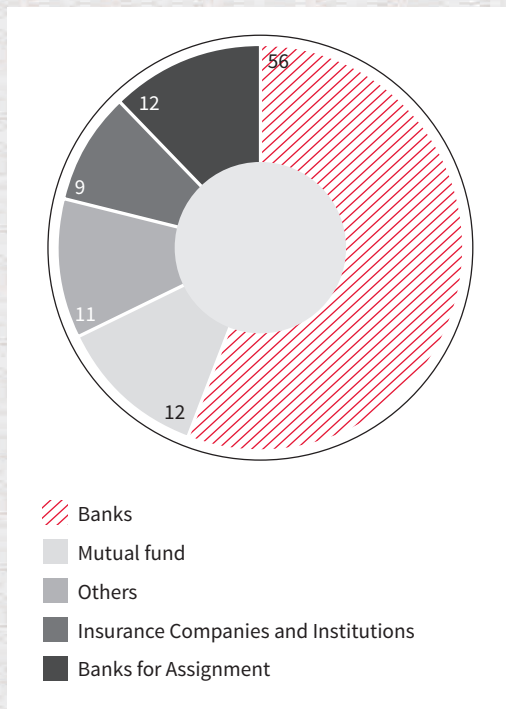
**Mitigation:** Insight about the nature of borrowers and a strong business model reduce the risk of defaults significantly.

**Risk:** Government policies may impact interest rates and liquidity.

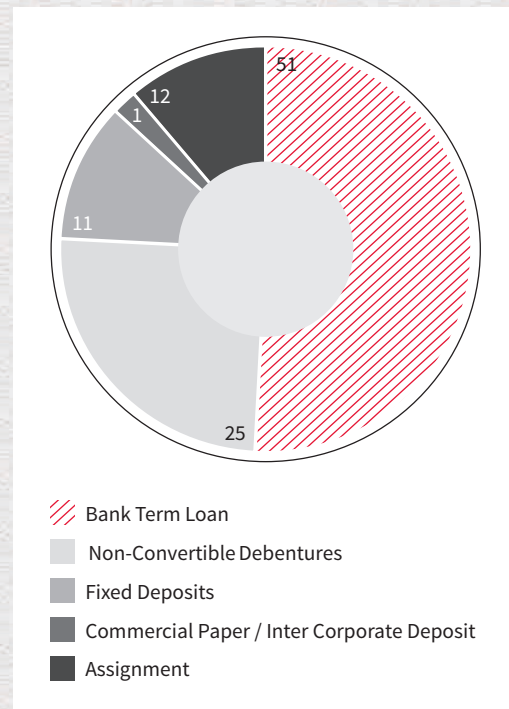
**Mitigation:** The Company has prudently evolved a strategic fund mix to reduce dependence on banks. Moreover, superior credit rating helps MMFSL raise funds at a competitive rate.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Chart 3** Fund mix on the basis of investor profile (%)



**Chart 4** Fund mix on the basis of type of instruments (%)



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

**Mitigation:** Mahindra Finance's extensive presence across rural India provides it with a decisive edge over its competitors.

### OUTLOOK

Since the beginning of its journey, MMFSL has developed a strong and sustainable business model to maintain profitability, even amidst the global economic turmoil. The Company's customer-centric business model has been yielding significant results over the years. It is optimistic about the growing business potential across India's vast rural and semi-urban markets. MMFSL's growth is expected to be driven by its extensive branch network, growing customer fraternity, operational excellence, innovative products with local relevance, strong processes and prudent risk management.

### INFORMATION TECHNOLOGY (IT)

MMFSL's systematic and sound IT support system facilitates smooth transaction processes. At the pre-disbursement stage, the system maintains relevant customer details for future reference. After disbursement, the system generates the Equated Monthly Instalments (EMI) due on each loan at any given point. It also tracks each phase of the payment schedule (until maturity) and enables the senior management to access operational data, as and when required.

MMFSL has successfully implemented innovative solutions over a period of time, to focus and address the problems specific to the Rural environment in India. The hand-held devices used by the field executives act as a virtual local branch at the customer's door step and provides information about the dues and transactions to the customers in their preferred languages. Other innovations include Mobility solutions for tracking and monitoring Turn-

Around-Time, self-service portals for all Customers and Dealers, Solar and wind based power solutions to provide uninterrupted customer servicing at remote rural locations, etc.

As on 31st March, 2013, about 96 per cent of the offices were connected to the centralised data centre in Mumbai. Besides, the Company's field executives use approximately 9,000 hand-held GPRS devices to collect loan payments from the customer's home or business locations.

The Company's entire data and systems are centrally controlled from the Head Office and all 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**

MMFSL's growth and sustained leadership is the result of hard work and commitment of its people. The human enterprise drives the Company's customer-driven business model.

The Company recruits and retains industry relevant talent by virtue of a strong recruitment policy, clearly defined roles and responsibilities, individual performance management systems and performance-based compensation policies. The inspiring work environment also ensures career progression of the employees. Rewarding employee stock options to key performers creates a sense of ownership among employees. Besides, the Company regularly identifies areas of improvement to accelerate business processes. Moreover, the Mahindra Finance Academy imparts

training to employees to significantly enhance the organisation's collective knowledge and efficiency.

#### **INTERNAL CONTROL SYSTEM**

The Company has put in place an adequate internal control system to safeguard all assets and ensure operational excellence. The system also meticulously records all transaction details and ensures regulatory compliance.

It also has a team of internal auditors to conduct internal audit. Reputed audit firms also ensure that all transactions are correctly authorised and reported. The reports are reviewed by the Audit Committee of the Board. Wherever deemed necessary, internal control systems are strengthened and corrective actions initiated.

#### **CAUTIONARY STATEMENT**

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

STANDALONE

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FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT

To the Members of

## MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

1. We have audited the accompanying financial statements of **MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 3. Auditors' Responsibility

3.1 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3.3 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and;
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### 5. Report on Other Legal and Regulatory Requirements

5.1 As required by 'the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by section 227(3) of the Act, we report that:

- a. 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;
- b. 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;
- c. 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;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

**Padmini Khare Kaicker**  
Partner  
M. No.44784

Place: Mumbai  
Date: 23rd April, 2013

## 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 of the Company.
- 2 Clause 4(ii) of the Companies (Auditors' 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 the Company is having an adequate internal control system commensurate with the size and the nature of its business, for the purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. On the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct any major weaknesses in the aforesaid internal control system.
- 5 According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- 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. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company in respect of the aforesaid deposits.
- 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 the 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) According to the records of the company and information and explanations given to us particulars of disputed dues in respect of income tax and service tax which have not been deposited on account of dispute are as under:
 

Nature of Dues	Amount (in Lacs)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
Income Tax	284.99	2002-03	Income Tax Appellate Tribunal
	59.33	2003-04	Income Tax Appellate Tribunal
	218.70	2005-06	Income Tax Appellate Tribunal
	242.64	2006-07	Income Tax Appellate Tribunal
	72.82	2007-08	Income Tax Appellate Tribunal
Service Tax	88.41	2004-05	Asst Commissioner Service Tax
- 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 as at the Balance Sheet date.
- 12 Based on the records examined by us and according to the information and explanations given to us, the Company has



## ANNEXURE TO THE AUDITORS' REPORT

referred to in our report of even date

- not granted any loans and advances on the basis of security by way of pledge of shares, debentures, or other securities.
- 13 The provisions of any applicable statute to Chit Fund, Nidhi or Mutual Benefit Fund / Society are not applicable to the Company.
- 14 In our opinion, the company has maintained proper records of transactions and contracts related to dealing in mutual fund investments during the year and timely entries have been made therein. Except this, 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 During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted accounting practices and according to the information and explanations given to us, except for 28 cases of fraud aggregating to Rs. 450.18 Lacs on the Company mainly in the nature of misappropriation of assets, we have neither come across any instances of fraud on or by the Company noticed or reported during the year, nor have we been informed of any such instances during the year.

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

**Padmini Khare Kaicker**  
Partner  
M. No.44784

Place: Mumbai  
Date: 23rd April, 2013

**BALANCE SHEET**

as at March 31, 2013

	Note No.	March 2013	March 2012
Rs. in Lacs			
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share capital	1	11,260.40	10,268.75
b) Reserves and surplus	2	4,34,197.48	2,84,832.31
		<b>4,45,457.88</b>	<b>2,95,101.06</b>
<b>2) Non-current liabilities</b>			
a) Long-term borrowings	3	13,01,532.69	9,29,073.95
b) Other long-term liabilities	4	24,297.19	7,804.35
c) Long-term provisions	5	31,038.95	35,371.24
		<b>13,56,868.83</b>	<b>9,72,249.54</b>
<b>3) Current liabilities</b>			
a) Short-term borrowings	6	1,30,124.23	1,44,913.51
b) Trade payables	7	47,884.32	37,653.68
c) Other current liabilities	8	5,03,721.46	3,60,059.68
d) Short-term provisions	9	65,184.98	46,178.35
		<b>7,46,914.99</b>	<b>5,88,805.22</b>
<b>TOTAL</b>		<b>25,49,241.70</b>	<b>18,56,155.82</b>
<b>II. ASSETS</b>			
<b>1) Non-current assets</b>			
a) Fixed assets	10		
i) Tangible assets		10,409.79	9,614.47
ii) Intangible assets		150.32	95.11
iii) Capital work-in-progress		117.57	182.72
b) Non-current investments	11	34,511.43	21,313.04
c) Deferred tax assets (net)	12	23,820.72	20,121.03
d) Long-term loans and advances	13	12,91,978.98	9,25,770.91
e) Other non-current assets	14	17,056.50	1,517.00
		<b>13,78,045.31</b>	<b>9,78,614.28</b>
<b>2) Current assets</b>			
a) Current investments	15	21,585.34	28,937.55
b) Trade receivables	16	981.30	768.40
c) Cash and bank balances	17	34,542.75	23,004.03
d) Short-term loans and advances	18	11,11,860.38	8,24,077.07
e) Other current assets	19	2,226.62	754.49
		<b>11,71,196.39</b>	<b>8,77,541.54</b>
<b>TOTAL</b>		<b>25,49,241.70</b>	<b>18,56,155.82</b>
<b>Summary of significant accounting policies and notes to the financial statements</b>		<b>I &amp; II</b>	

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

**Padmini Khare Kaicker**

Partner

Membership No.44784

Place: Mumbai

Date: 23rd April, 2013

**Uday Y. Phadke**

Director

**Ramesh Iyer**  
Managing Director

**V. Ravi**  
Chief Financial Officer

**Dhananjay Mungale**

Director

**Piyush Mankad**

Director

**M. G. Bhide**

Director

**Rama Bijapurkar**

Director

**Arnavaz Pardiwala**

Company Secretary

# STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2013

		Rs. in Lacs		
	Note No.	March 2013	March 2012	
I.	Revenue from operations	20	3,85,672.15	2,76,811.05
II.	Other income	21	3,797.75	2,648.33
<b>III.</b>	<b>Total Revenue (I + II)</b>		<b>3,89,469.90</b>	<b>2,79,459.38</b>
<b>IV.</b>	<b>Expenses:</b>			
	Employee benefits expense	22	22,340.20	19,977.07
	Finance costs	23	1,61,876.50	1,12,032.35
	Depreciation and amortization expenses	24	2,224.33	1,956.32
	Loan provisions and write offs	25	28,334.34	15,702.00
	Other expenses	26	49,632.86	37,266.04
	<b>Total Expenses</b>		<b>2,64,408.23</b>	<b>1,86,933.78</b>
<b>V.</b>	<b>Profit before exceptional items and taxes (III-IV)</b>		<b>1,25,061.67</b>	<b>92,525.60</b>
VI.	Exceptional items (net) - income / (expense)	27	2858.21	-
<b>VII.</b>	<b>Profit before tax (V + VI)</b>		<b>1,27,919.88</b>	<b>92,525.60</b>
<b>VIII.</b>	<b>Tax expense:</b>			
	Current tax		43,350.39	28,962.00
	Deferred tax		(3,699.69)	1,551.93
			<b>39,650.70</b>	<b>30,513.93</b>
<b>IX.</b>	<b>Profit (Loss) for the year (VII - VIII)</b>		<b>88,269.18</b>	<b>62,011.67</b>
<b>X.</b>	Earnings per equity share (Rupees)	30 (g)		
	(Face value - Rs. 2/- per share)			
	(1) Basic		16.59	12.09
	(2) Diluted		16.40	11.93
	<b>Summary of significant accounting policies and notes to the financial statements</b>	<b>I &amp; II</b>		

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

**Uday Y. Phadke**  
Director

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Rama Bijapurkar**  
Director

**V. Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

Place: Mumbai  
Date: 23rd April, 2013

# CASH FLOW STATEMENT

for the year ended March 31, 2013

	Rs. in Lacs	
	<b>March 2013</b>	<b>March 2012</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies and exceptional items	1,25,061.67	92,525.60
Add/(Less):		
<b>Non Cash Expenses:</b>		
Depreciation and amortisation expense	2,224.33	1,956.32
Provision for Non-performing assets	5,814.48	(3,629.13)
General provision for Standard assets	1,597.00	1,207.00
Employee compensation expense on account of ESOP Scheme	443.02	749.65
	<b>10,078.83</b>	<b>283.84</b>
Add/(Less):		
Income considered separately:		
Income on investing activities	(3,098.11)	(1,156.82)
(Profit)/Loss on sale of assets	(8.70)	(30.21)
(Profit)/Loss on sale of Investments	(231.18)	(734.43)
Income from Assignment / Securitisation transactions	(21,461.02)	(9,247.54)
	<b>(24,799.01)</b>	<b>(11,169.00)</b>
Operating profit before working capital changes (i)	1,10,341.49	81,640.44
Less:		
(Increase)/Decrease in interest accrued others	(198.59)	(169.40)
(Increase)/Decrease in trade receivables	(212.90)	(73.78)
(Increase)/Decrease in loans & advances	(7,97,896.15)	(6,57,221.09)
	<b>(7,98,307.64)</b>	<b>(6,57,464.27)</b>
Add: Increase in current liabilities	36,751.90	13,465.61
	<b>(ii) (7,61,555.74)</b>	<b>(6,43,998.66)</b>
Cash generated from / (used in) operations (i+ii)	(6,51,214.25)	(5,62,358.22)
Advance taxes paid	(44,065.45)	(30,367.77)
<b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES (A)</b>	<b>(6,95,279.70)</b>	<b>(5,92,725.99)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets / Software	(3,092.66)	(3,807.43)
Sale of fixed assets	61.03	63.60
Purchase of investments	(34,790.51)	(35,952.92)
Investments in term deposits with banks	(19,388.00)	(5,509.00)
Sale of investments	29,168.73	53,892.21
Maturity of term deposits with banks	0.00	1,809.00
Income received on investments	2,834.14	1,149.16
Proceeds from sale of long-term investments in equity shares of Mahindra Insurance Brokers Limited	6,432.99	0.00
<b>NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(18,774.28)</b>	<b>11,644.62</b>

# CASH FLOW STATEMENT

for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity shares (net of issue expenses)	85,531.99	106.34
Increase/(Decrease) in Bank borrowings (net)	2,00,175.75	2,42,648.54
Increase/(Decrease) in Long term borrowings (net)	1,91,450.00	1,31,485.00
Increase/(Decrease) in Short term borrowings (net)	4,188.00	365.00
Increase/(Decrease) in Fixed deposits (net)	95,305.83	54,113.22
Proceeds from Assignment / Securitisation transactions	1,61,629.31	1,55,509.77
Dividend paid (including tax on dividend)	(16,816.18)	(12,087.46)
<b>NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES (C)</b>	<b>7,21,464.70</b>	<b>5,72,140.41</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>7,410.72</b>	<b>(8,940.96)</b>
<b>Cash and Cash Equivalents at the beginning of the year *</b>	<b>17,000.03</b>	<b>25,940.99</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR *</b>	<b>24,410.75</b>	<b>17,000.03</b>

\* Cash and Cash Equivalents does not include Term deposits under lien in respect of deposits kept with 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

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

Place: Mumbai  
Date: 23rd April, 2013

**Uday Y. Phadke**  
Director

**Ramesh Iyer**  
Managing Director

**V. Ravi**  
Chief Financial Officer

**Dhananjay Mungale**  
Director

**Piyush Mankad**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**M. G. Bhide**  
Director

**Rama Bijapurkar**  
Director

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### 1) Basis for preparation of financial statements:

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 and liabilities have been classified as current and non – current as per the Company's normal operating cycle and other criteria set out in the Revised 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 and non-current classification of assets and liabilities.

Further, the Company follows prudential norms for Income Recognition, assets classification and provisioning for Non-performing assets as well as contingency provision for Standard assets as prescribed by The Reserve Bank of India (RBI) for Non-Banking Financial Companies. The Company has a policy of making additional provision on a prudential basis (refer note no. 31 of notes to the financial statements).

### 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 statements 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 recognition of income except for delayed payment charges, fee based income and Interest on trade advances, which on account of uncertainty of ultimate collection are accounted on receipt basis. Further, 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 loans:

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 and documentation charges are booked at the commencement of the contract.

#### iv. Income from assignment / securitisation transactions:

In assignment of receivables, the assets are de-recognised as all the rights, title, future receivables and 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 and incidental expenses related to the transaction is recognised as gain or loss arising on assignment. Such assignment transactions were executed prior to issuance of RBI guidelines dated 21st August, 2012 for accounting and disclosure of securitisation / assignment transactions.

The recently issued guidelines as mentioned above are applicable to transactions effected on or after that date. Accordingly, securitisation transactions effected post issuance of the said guidelines are accounted as under:

- a) Securitised receivables are de-recognised in the balance sheet when they are sold i.e. if they fully meet the true sale criteria.
- b) Gains arising on securitisation of assets are recognised over the tenure of securities issued by Special Purpose Vehicles Trust (SPV).
- c) Company's contractual rights to receive the share of future interest (i.e. interest spread) in the transferred assets from the SPV is capitalised at the present value as Interest Only (I/O) strip with a corresponding liability created for unrealised gains on loan

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

transfer transactions. The excess interest spread on the securitisation transactions are recognised in the Statement of profit and loss only when it is redeemed in cash by the SPV. Losses, if any, are recognised upfront.

**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) Tangible and intangible assets:**

**a) Tangible assets:**

Tangible 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.

**b) Intangible assets:**

Intangible assets comprising of computer software is initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

**5) Depreciation / Amortisation:**

- i.** Depreciation on fixed assets, other than repossessed assets capitalised for own use, is charged on Straight Line Method (SLM) at rates specified in Schedule XIV to the Companies Act, 1956 on a pro-rata basis except that:
  - a) Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
  - b) Assets costing less than Rs. 5,000/- are fully depreciated in the period of purchase and
  - c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.
- ii.** Repossessed assets that have been capitalised for own use are depreciated @ 15% on SLM over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of 'Owned Assets'.

- iii.** Computer software is amortised over the estimated useful life. The maximum period for such amortisation is 36 months.

**6) Foreign exchange transactions:**

Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the Statement of profit and loss.

Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates and the resultant exchange differences are recognised in the Statement of profit and loss.

In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate on the date of inception of a forward contract is recognised as income or expense and is amortised over the life of the contract. Such forward contracts outstanding at the year end are marked to market and gain or loss thereon is charged to statement of profit or loss. Any profit or loss arising on cancellation or renewal of forward exchange contracts are recognised as income or expense for the period.

**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. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income from investments. The book value of the investments is reduced to the extent of amount amortised during the relevant accounting period.

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

**8) Loans against assets:**

Loans against assets are stated at agreement value net of instalments received less unmatured finance charges.

**9) Employee benefits:**

**(a) Defined contribution plans:**

Company's contribution paid/payable during the

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

year to provident fund and labour welfare fund are recognised in the Statement of profit and loss.

**(b) Gratuity:**

Liabilities with regard to the gratuity benefit payable in future are determined by actuarial valuation at each balance sheet date using the projected unit credit method and contributed to employee gratuity fund managed by Life Insurance Corporation of India. Actuarial gains and losses arising from changes in actuarial assumptions are recognised in the Statement of profit and loss in the period in which they arise.

**(c) Superannuation:**

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance Corporation of India. The Company has no obligation to the scheme beyond its monthly contributions.

**(d) Leave encashment / compensated absences:**

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The liabilities are provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation.

Hitherto, the Company has determined liability on account of leave encashment on actual basis. With effect from the current year, the liability has been determined on actuarial basis. This change has no material impact on the financial statements of the Company.

**10) Borrowing costs:**

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) Taxes on income:**

Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961.

Deferred tax 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 is accounted for using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date. 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. Other deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

**12) Share issue expenses:**

Expenses incurred in connection with fresh issue of Share capital are adjusted against Securities premium reserve in the year in which they are incurred.

**13) 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.

**14) Provisions and 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.

**15) 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 (i.e. excess of market value of shares over the exercise price of the option at



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

the date of grant). Compensation expense is amortised over the vesting period of the option on a straight line basis.

### 16) Lease:

Payments under operating lease arrangements are recognised as per the terms of the lease.

### 17) Earnings Per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per

share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, sub-division of shares etc. that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

## II. NOTES TO THE FINANCIAL STATEMENTS

	Rs. in Lacs	
	March 2013	March 2012
<b>1 SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
70,00,00,000 equity shares of Rs. 2/- each (March 2012: 14,00,00,000 equity shares of Rs. 10/- each)	14,000.00	14,000.00
50,00,000 Redeemable preference shares of Rs. 100/- each (March 2012: 50,00,000 Redeemable preference shares of Rs. 100/- each)	5,000.00	5,000.00
<b>Issued Capital</b>		
56,87,64,960 equity shares of Rs. 2/- each (March 2012: 10,40,02,735 equity shares of Rs. 10/- each)	11,375.30	10,400.27
<b>Subscribed and paid-up capital</b>		
56,87,64,960 equity shares of Rs. 2/- each fully paid up (March 2012: 10,40,02,735 equity shares of Rs. 10/- each)	11,375.30	10,400.27
Less: Shares issued to ESOS trust but not allotted to employees (57,44,785 equity shares of Rs. 2/- each (March 2012: 13,15,164 equity shares of Rs.10/- each))	114.90	131.52
<b>Total</b>	<b>11,260.40</b>	<b>10,268.75</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	March 2013		March 2012	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
<b>a) Reconciliation of number of equity shares</b>				
Balance at the beginning of the year (Equity shares of face value Rs. 10/- each)	10,40,02,735	10,400.27	10,40,02,735	10,400.27
<b>Add: Fresh allotment of shares / adjustment for sub-division of equity shares during the year:</b>				
1) Private placement to Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP) (Equity shares of face value Rs. 10/-each) (refer note no. 29)	97,50,257	975.03	-	-
2) Addition on account of sub-division of equity shares of Rs. 10/- face value into equity shares of Rs. 2/- face value (on 18th February, 2013)	45,50,11,968	-	-	-
<b>Balance at the end of the year</b> (Equity shares of face value Rs. 2/- each ; March 2012: Rs. 10/- each)	<b>56,87,64,960</b>	<b>11,375.30</b>	<b>10,40,02,735</b>	<b>10,400.27</b>
<b>b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates</b>				
Holding company: Mahindra & Mahindra Limited (Equity shares of face value of Rs. 2/- each ; March 2012: Equity shares of face value of Rs. 10/- each)	29,12,07,660	5,824.15	58,241,532	5,824.15
Percentage of holding (%)	51.20%	51.20%	56.00%	56.00%
<b>c) Shareholders holding more than 5 percent shares</b>				
Mahindra & Mahindra Limited (Equity shares of face value of Rs. 2/- each; March 2012: Equity shares of face value of Rs. 10/- each)	29,12,07,660	5,824.15	58,241,532	5,824.15
Percentage of holding (%)	51.20%	51.20%	56.00%	56.00%

### d) Sub-division of equity shares

Pursuant to recommendation of the Board of Directors of the Company at its meeting held on 21st December, 2012 and followed by approval of the members by way of postal ballot, each equity share of the face value of Rs. 10/- fully paid up was sub-divided into five Equity shares of Rs. 2/- each fully paid up in February, 2013. In accordance with the Accounting Standard 20 pertaining to Earnings Per Share, the Company has given effect to the above mentioned sub-division of shares in computing the Earnings Per Share for the applicable previous year.

### e) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 2/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event

of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### f) Shares issued to ESOS Trust

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. 114.90 Lacs (March 2012: Rs. 131.52 Lacs), Securities premium reserve by Rs. 112.70 Lacs (March 2012: Rs. 155.23 Lacs) in respect of 57,44,785 equity shares of face value of Rs. 2/- each (March 2012: 13,15,164 equity shares of face value of Rs. 10/- each) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>2 RESERVES AND SURPLUS</b>		
<b>Capital redemption reserve:</b>		
Balance as at the beginning of the year	5,000.00	5,000.00
Add: Transfers during the year	-	-
	5,000.00	5,000.00
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Securities premium reserve:</b>		
Balance as at the beginning of the year	<b>1,16,689.20</b>	<b>1,16,434.98</b>
Add: Additions during the year on account of -		
i) Exercise of employee stock options	444.18	254.22
ii) Fresh issue of shares	85,704.76	-
	2,02,838.14	1,16,689.20
Less: Deductions during the year in respect of share issue expenses	1,280.06	-
Balance as at the end of the year	2,01,558.08	1,16,689.20
Less: Premium on shares issued to ESOS trust but not allotted to employees	112.70	155.23
<b>Net balance</b>	<b>2,01,445.38</b>	<b>1,16,533.97</b>
<b>Statutory reserve:</b>		
Balance as at the beginning of the year	46,133.62	33,730.62
Add: Transfers from Surplus in the Statement of profit and loss	17,654.00	12,403.00
	63,787.62	46,133.62
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>63,787.62</b>	<b>46,133.62</b>
<b>General reserve:</b>		
Balance as at the beginning of the year	18,476.78	12,274.78
Add: Transfers from Surplus in the Statement of profit and loss	8,827.00	6,202.00
	27,303.78	18,476.78
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>27,303.78</b>	<b>18,476.78</b>
<b>Employees stock options outstanding:</b>		
<b>A) Employees stock options outstanding -</b>		
Balance as at the beginning of the year	1,804.70	1,803.51
Add: Fresh grant of options	-	278.19
	1,804.70	2,081.70
Less: Transfers / reversals during the year		
i) Transfers to Securities premium reserve on exercise of options	444.18	254.22
ii) Reversals for options lapsed	12.75	22.78
<b>Balance as at the end of the year</b>	<b>1,347.77</b>	<b>1,804.70</b>
<b>(A)</b>		

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>B) Deferred employee compensation-</b>		
Balance as at the beginning of the year	1,101.19	1,595.43
Add: Fresh grant of options	-	278.19
	1,101.19	1,873.62
Less: Amortisation during the year		
i) Transfers to employee compensation expenses	516.14	749.65
ii) Reversals for options lapsed	12.75	22.78
<b>Balance as at the end of the year (B)</b>	<b>572.30</b>	<b>1,101.19</b>
<b>Balance as at the end of the year (A-B)</b>	<b>775.47</b>	<b>703.51</b>
<b>Surplus in Statement of profit and loss:</b>		
Balance as at the beginning of the year	97,984.43	71,353.77
Add: Profit for the year transferred from the Statement of profit and loss	88,269.18	62,011.67
	<b>1,86,253.61</b>	<b>1,33,365.44</b>
<b>Less: Appropriations:</b>		
General reserve	8,827.00	6,202.00
Statutory reserve	17,654.00	12,403.00
Proposed dividend on equity shares	20,475.54	14,560.38
Corporate dividend tax on equity shares	3,411.84	2,255.80
Excess provision for corporate dividend tax on equity shares for earlier year	-	(40.17)
	50,368.38	35,381.01
<b>Balance as at the end of the year</b>	<b>1,35,885.23</b>	<b>97,984.43</b>
<b>Total</b>	<b>4,34,197.48</b>	<b>2,84,832.31</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>3 LONG-TERM BORROWINGS</b>		
<b>a) Secured - #</b>		
Non-convertible debentures (refer note no. 45 (i) (a) )	3,13,960.00	2,47,470.00
Term loans		
- from banks (refer note no. 45 (ii) (a) )	7,08,192.00	5,14,030.30
Foreign currency loans from banks (refer note no. 45 (iii) (a) )	27,142.50	9,800.00
<b>Total</b>	<b>10,49,294.50</b>	<b>7,71,300.30</b>
<b>b) Unsecured -</b>		
Unsecured bonds (Subordinate debts ) (refer note no.46 (i) (a) )	59,410.00	51,010.00
Fixed deposits (refer note no. 46 (iii) (b) )	1,92,053.19	1,06,413.65
Loans and advances from related parties (ICDs) (refer note no.46 (ii) (b) )	775.00	350.00
<b>Total</b>	<b>2,52,238.19</b>	<b>1,57,773.65</b>
<b>Total (a+b)</b>	<b>13,01,532.69</b>	<b>9,29,073.95</b>

# All secured loans / debentures are secured by paripassu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans / debentures.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>4 OTHER LONG-TERM LIABILITIES</b>		
Deposits / advances received against loan agreements (refer note no.35)	1,260.70	987.04
Interest accrued but not due on borrowings	15,983.12	3,887.14
Deferred subvention income	3,424.05	2,930.17
Unrealised gains on loan transfers under securitisation transactions (refer note no.38(d))	3,629.32	-
<b>Total</b>	<b>24,297.19</b>	<b>7,804.35</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>5 LONG-TERM PROVISIONS</b>		
Provision for employee benefits (refer note no. 36)	702.43	159.71
Provision for Non-performing assets (refer note no. 31 (a) )	9,552.06	13,123.41
Contingent provision for Standard assets (refer note no.31 (b))	5,220.00	2,334.00
Provision for estimated loss/expenses on assignments	15,564.46	19,754.12
<b>Total</b>	<b>31,038.95</b>	<b>35,371.24</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>6 SHORT TERM BORROWINGS</b>		
<b>a) Secured #</b>		
(refer note no. 47 (i))		
Term loans from banks	40,500.00	58,900.00
Cash credit facilities with banks	75,027.03	57,101.31
<b>Total</b>	<b>1,15,527.03</b>	<b>1,16,001.31</b>
<b>b) Unsecured</b>		
Loans from banks:		
- Term loans (refer note no.47 (ii) )	-	22,500.00
- Overdraft facilities	2,019.79	-
Loans and advances from related parties (ICDs) (refer note no.46 (ii) (a))	4,215.00	2,027.00
Fixed deposits (refer note no. 46 (iii) (a))	3,362.41	1,385.20
Commercial Papers (CPs) (refer note no. 47 (iii))	5,000.00	3,000.00
<b>Total</b>	<b>14,597.20</b>	<b>28,912.20</b>
<b>Total (a+b)</b>	<b>1,30,124.23</b>	<b>1,44,913.51</b>

# All secured loans are secured by paripassu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	March 2013	March 2012
	Rs. in Lacs	
<b>7 TRADE PAYABLES</b>		
Trade payables for finance	34,932.38	28,187.83
Trade payables for expenses	12,951.94	9,465.85
<b>Total</b>	<b>47,884.32</b>	<b>37,653.68</b>

	March 2013	March 2012
	Rs. in Lacs	
<b>8 OTHER CURRENT LIABILITIES</b>		
<b>Current maturities of long-term debt</b>		
<b>a) Secured #</b>		
Non-convertible debentures (refer note no.45 (i) (b))	1,67,840.00	51,815.00
Foreign currency loans from banks (refer note no. 45 (iii) (b))	10,809.57	10,000.00
Term loans from banks (refer note no.45 (ii) (b))	2,36,298.67	2,27,482.20
	4,14,948.24	2,89,297.20
<b>b) Unsecured</b>		
Unsecured bonds (subordinate debts) (refer note no. 46 (i) (b) )	3,100.00	3,140.00
Fixed deposits (refer note no. 46 (iii) (c))	37,377.62	29,688.54
Loans and advances from related parties (ICDs) (refer note no. 46 (ii) (c))	150.00	-
Interest accrued but not due on borrowings	40,627.62	32,828.54
Unclaimed dividends	14,227.10	15,497.78
Deposits / advances received against loan agreements (refer note no.35)	62.52	53.78
Amount received in advance from ESOS trust	1,728.60	1,642.99
Credit balances in current accounts with banks as per books	227.60	286.75
Deferred subvention income	9,430.67	9,597.77
Unrealised gains on loan transfers under securitisation transactions (refer note no.38(d))	1,855.43	1,743.41
Insurance premium payable	7,447.22	-
Payables under assignment / securitisation transactions	3,155.66	2,425.24
Taxes deducted at source (TDS)	7,590.56	5,093.90
Others	1,528.83	1,101.54
	891.41	490.78
<b>Total</b>	<b>5,03,721.46</b>	<b>3,60,059.68</b>

# All secured loans / debentures are secured by pari passu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans / debentures.

	March 2013	March 2012
	Rs. in Lacs	
<b>9 SHORT-TERM PROVISIONS</b>		
Provision for employee benefits (refer note no. 36)	3,493.65	4,219.61
Provision for estimated loss/expenses on assignments	4,189.65	3,193.08
Provision for Non-performing assets (refer note no. 31 (a))	29,319.30	19,933.48
Contingent provision for Standard assets (refer note no. 31 (b))	4,295.00	2,016.00
Proposed dividend on equity shares #	20,475.54	14,560.38
Corporate dividend tax #	3,411.84	2,255.80
<b>Total</b>	<b>65,184.98</b>	<b>46,178.35</b>

# The Board of Directors have recommended a dividend of Rs. 3.60 per share on equity shares of face value of Rs. 2/- each (March 2012: Rs. 14 per share on equity shares of face value Rs. 10/-each) for the current financial year. The dividend will absorb a sum of Rs. 23,887.38 Lacs (March 2012: Rs. 16,816.18 Lacs) including dividend distribution tax.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Rs. in Lacs

10 FIXED ASSETS	GROSS BLOCK AT COST			DEPRECIATION & AMORTISATION			NET BLOCK		
	As at 1st April 2012	Additions	Deductions / adjustments	As at 31st March 2013	As at 1st April 2012	Additions	Deductions / adjustments	As at 31st March 2013	As at 31st March 2012
<b>i) Tangible assets</b>									
Premises	108.92	-	-	108.92	14.04	1.78	-	15.82	94.88
Computers	4,075.59	462.03	7.96	4,529.66	2,189.88	513.19	7.75	2,695.32	1,885.71
Furniture and fixtures	4,645.46	1,101.63	12.89	5,734.20	1,353.51	466.70	7.39	1,812.82	3,291.95
Vehicles	3,659.88	544.44	153.34	4,050.98	1,268.63	568.26	107.38	1,729.51	2,391.25
Office equipment	3,365.44	868.97	9.71	4,224.70	1,414.76	579.49	9.04	1,985.21	1,950.68
<b>Total (i)</b>	<b>15,855.29</b>	<b>2,977.07</b>	<b>183.90</b>	<b>18,648.46</b>	<b>6,240.82</b>	<b>2,129.41</b>	<b>131.57</b>	<b>8,238.67</b>	<b>9,614.47</b>
31st March, 2012:	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
<b>ii) Intangible assets</b>									
Computer software	1,000.17	150.13	-	1,150.30	905.06	94.92	-	999.98	95.11
<b>Total (ii)</b>	<b>1,000.17</b>	<b>150.13</b>	<b>-</b>	<b>1,150.30</b>	<b>905.06</b>	<b>94.92</b>	<b>-</b>	<b>999.98</b>	<b>95.11</b>
31st March, 2012:	988.64	11.53	-	1,000.17	841.25	63.81	-	905.06	147.39
<b>Total (+ii)</b>	<b>16,855.46</b>	<b>3,127.20</b>	<b>183.90</b>	<b>19,798.76</b>	<b>7,145.88</b>	<b>2,224.33</b>	<b>131.57</b>	<b>9,238.64</b>	<b>9,709.58</b>
31st March, 2012:	12,589.53	4,524.42	258.49	16,855.46	5,414.67	1,956.32	225.10	7,145.89	7,174.86

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>11 NON-CURRENT INVESTMENTS</b>		
<b>A) Quoted (at cost ): Trade</b>		
Government securities (refer note no. 11(i))	24,168.13	14,725.65
<b>(A)</b>	24,168.13	14,725.65
<b>B) Unquoted (at cost ): Non-trade</b>		
<b>(a) Equity investment in subsidiary companies</b>		
Mahindra Insurance Brokers Limited (21,90,722 equity shares @ Rs. 10/- each fully paid up; March 2012: 25,00,000 equity shares of Rs. 10/- each fully paid up) (refer note no. 11(ii))	47.98	54.76
Mahindra Rural Housing Finance Limited (4,00,00,000 equity shares of Rs. 10/- each fully paid up; March 2012: 4,00,00,000 equity shares of Rs. 10/- each fully paid up)	4,000.00	4,000.00
Mahindra Business & Consulting Services Pvt. Ltd. (10,000 equity shares of Rs. 10/- each fully paid up; March 2012: 10,000 equity shares of Rs. 10/- each fully paid up)	1.00	1.00
<b>(B)</b>	4,048.98	4,055.76
<b>(b) Equity investment in Joint Venture</b>		
49% Ownership in Mahindra Finance USA, LLC (Joint venture entity with De Lage Landen Financial Services, Inc., in United States of America) (refer note no. 11(iii))	5,594.32	2,531.63
<b>(c) Investment in Bonds / Debentures</b>		
70 (March 2012: Nil) 11% Unsecured redeemable non-convertible subordinate debentures issued by Mahindra Rural Housing Finance Limited (Tenure: 5 years and 6 months ; Maturity: 28th September, 2018)	700.00	-
<b>(B)</b>	10,343.30	6,587.39
<b>Total (A + B)</b>	<b>34,511.43</b>	<b>21,313.04</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>Additional Information</b>		
<b>a) Aggregate amount of quoted investments and market value</b>		
i) Aggregate amount	24,168.13	14,725.65
ii) Market value	24,709.68	14,501.98
<b>b) Aggregate amount of unquoted investments</b>	10,343.30	6,587.39



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## (i) Details of quoted long-term investments in Government stock as on 31st March, 2013

	Face value (Rs.)	Units	Rs. in Lacs Amount
Govt stock 6.90%-13/07/2019	100	100000000	947.79
Govt stock 6.90%-13/07/2019	100	150000000	1,427.50
Govt stock 6.90%-13/07/2019	100	100000000	932.55
Govt stock 10.25%-30/05/2021	100	100000000	1,111.85
Govt stock 6.35%-02/01/2020	100	100000000	885.25
Govt stock 8.13%-21/09/2022	100	150000000	1,508.95
Govt stock 8.20%-15/02/2022	100	100000000	1,007.96
Govt stock 8.20%-15/02/2022	100	100000000	1,002.32
Govt stock 7.80%-03/05/2020	100	50000000	488.65
Govt stock 8.13%-21/09/2022	100	50000000	490.95
Govt stock 8.13%-21/09/2022	100	50000000	490.71
Govt stock 8.13%-21/09/2022	100	100000000	955.80
Govt stock 8.30%-02/07/2040	100	150000000	1,359.30
Govt stock 8.97%-05/12/2030	100	100000000	1,031.78
Govt stock 8.97%-05/12/2030	100	100000000	1,033.30
Govt stock 8.83%-12/12/2041	100	100000000	1,019.49
Govt stock 8.83%-12/12/2041	100	100000000	1,025.41
Govt stock 8.97%-05/12/2030	100	50000000	518.64
Govt stock 8.97%-05/12/2030	100	100000000	1,037.74
Govt stock 8.97%-05/12/2030	100	50000000	529.97
Govt stock 8.97%-05/12/2030	100	100000000	1,048.29
Govt stock 9.15%-14/11/2024	100	250000000	2,700.47
Govt stock 8.97%-05/12/2030	100	150000000	1,613.47
<b>Total</b>		<b>2400000000</b>	<b>24,168.13</b>

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

	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
<b>Total</b>		<b>15000000</b>	<b>14,725.65</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Quoted investments of Rs. 24,168.13 Lacs (March 2012: Rs. 14,725.65 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.

ii) During the year, the Company has sold 3,09,278 equity shares of face value of Rs. 10/- each representing 12.37% of holding in subsidiary company, Mahindra Insurance Brokers Ltd., at Rs. 2,080/- per share for a consideration aggregating Rs. 6,432.98 Lacs to Inclusion Resources Private Limited (IRPL), a Singapore-based subsidiary of LeapFrog Financial

Inclusion Fund (LFIF) vide corporate action dated 28th March, 2013 and issue of transfer instruction dated 30th March, 2013.

On account of a technical issue raised by the Depository Participant of IRPL, the actual transfer of 3,09,278 equity shares from the demat account of MMFSL, was recorded in the demat account of IRPL on 2nd April, 2013, being the next working day. The capital profit on this sale transaction amounting to Rs. 6,426.21 Lacs has been shown as an Exceptional item in the Statement of profit and loss.

iii) During the year, the Company has made an additional investment of Rs. 3,062.69 Lacs (USD 5.68 Million) in Mahindra Finance USA LLC, a 49% joint venture company formed jointly with De Lage Landen Financial Services, Inc., in United States.

		Rs. in Lacs	
		March 2013	March 2012
<b>12</b>	<b>DEFERRED TAX ASSETS (NET)</b>		
<b>a)</b>	<b>Deferred tax assets</b>		
	Provision for non performing assets / loss and expenses on assignments	19,926.80	18,125.67
	Provision for Standard assets	3,234.15	1,411.36
	Other disallowances	675.02	626.28
	(a)	23,835.97	20,163.31
<b>b)</b>	<b>Deferred tax liabilities</b>		
	Difference between written down value of books of account and Income Tax Act, 1961	15.25	42.28
	(b)	15.25	42.28
	<b>Net deferred tax assets</b>	<b>(a-b) 23,820.72</b>	<b>20,121.03</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>13</b>	<b>LONG-TERM LOANS AND ADVANCES</b>		
	<b>Unsecured, considered good unless otherwise stated</b>		
	Capital advances	133.27	102.66
	Deposits for office premises / others	1,411.54	1,035.77
	Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts India Ltd. and Loan to Mahindra Retail Pvt. Ltd.)	1,091.74	2,909.11
	Loans against assets (secured, including overdue loans) #	12,77,141.69	9,11,486.00
	Retained interest in Pass Through Certificates under securitisation transactions (refer note no. 38 (f))	2,041.02	-
	Interest Only Strip (I/O Strip) under securitisation transactions (refer note no. 38(d))	3,629.32	-
	Loans and advances (including overdue loans) @	4,793.76	5,523.38
	Inter corporate deposits	1,736.64	4,713.99
	# Includes non-performing assets of Rs. 16,158.20 Lacs (March 2012: Rs. 17,984.37 Lacs) (refer note no. 5, 9 and 31 (a))		
	@ Includes non-performing assets of Rs. 56.91 Lacs (March 2012: Rs. 150.15 Lacs) (refer note no. 5, 9 and 31 (a))		
	<b>Total</b>	<b>12,91,978.98</b>	<b>9,25,770.91</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	Rs. in Lacs
	March 2013
	March 2012
<b>14 OTHER NON-CURRENT ASSETS</b>	
Term deposits with banks with original maturity greater than 12 months	
- Free	5,000.00
- Under lien (refer note no. 17 (a))	11,777.00
Derivative contract receivables	279.50
<b>Total</b>	<b>17,056.50</b>

	Rs. in Lacs
	March 2013
	March 2012
<b>15 CURRENT INVESTMENTS</b>	
<b>i) Unquoted (at cost)</b>	
Certificate of deposits with banks #	19,585.34
Commercial Papers (400 CPs, face value of Rs. 5 Lacs each issued by Manappuram Finance Limited)	2,000.00
<b>Total</b>	<b>21,585.34</b>

	Rs. in Lacs
	March 2013
	March 2012
<b>Additional Information</b>	
Aggregate amount of unquoted investments	21,585.34
	28,937.55

## # Details of unquoted current investments in certificate of deposits as on 31st March 2013

Particulars	Face value (Rs.)	Units	Rs. in Lacs
			Amount
Indian Overseas Bank	1,00,000	20000	19,585.34
<b>Total</b>		<b>20000</b>	<b>19,585.34</b>

## # 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
<b>Total</b>		<b>30000</b>	<b>28,937.55</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

		Rs. in Lacs	
		March 2013	March 2012
<b>16</b>	<b>TRADE RECEIVABLES</b>		
<b>Secured, considered doubtful unless otherwise stated</b>			
	Trade receivables on hire purchase transactions # (outstanding for a period exceeding six months)	379.57	381.69
<b>Unsecured, considered good unless otherwise stated</b>			
	Debts outstanding for a period exceeding six months	35.85	44.25
	Debts outstanding for a period not exceeding six months	565.88	342.46
	# Includes non-performing assets of Rs. 379.57 Lacs (March 2012: Rs. 381.69 Lacs) (refer note no. 5, 9 and 31 (a))		
	<b>Total</b>	<b>981.30</b>	<b>768.40</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>17</b>	<b>CASH AND BANK BALANCE</b>		
<b>Cash and cash equivalents</b>			
	- Cash on hand	2,106.46	836.87
	- Cheques and drafts on hand	484.46	65.95
	- Balances with banks in current accounts	21,756.00	16,041.42
		24,346.92	16,944.24
<b>Other bank balances</b>			
	Earmarked balances with banks		
	- Unclaimed dividend accounts with banks	63.83	55.79
	Term deposits under lien (refer note no. 17 (a))	10,132.00	6,004.00
		10,195.83	6,059.79
	<b>Total</b>	<b>34,542.75</b>	<b>23,004.03</b>

		March 2013			March 2012		
		Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
<b>a)</b>	<b>Details of Term deposits</b>						
	(i) Term deposits for SLR	6,780.00	5,960.00	12,740.00	6,000.00	1,500.00	7,500.00
	(ii) Collateral deposits for securitisation transactions	3,349.00	5,800.00	9,149.00	0.00	0.00	0.00
	(iii) Legal deposits	3.00	17.00	20.00	4.00	17.00	21.00
	<b>Total</b>	<b>10,132.00</b>	<b>11,777.00</b>	<b>21,909.00</b>	<b>6,004.00</b>	<b>1,517.00</b>	<b>7,521.00</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

### # Term deposits with scheduled banks under lien include:

- i) Rs. 12,740 Lacs (March 2012: Rs. 7,500.00 Lacs) being the Term deposits kept with 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.
- ii) Rs. 9,149.00 Lacs (March 2012: Nil) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitisation transactions.
- iii) Rs. 20.00 Lacs (March 2012: Rs. 21.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.

	March 2013	March 2012
	Rs. in Lacs	
<b>18 SHORT-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good unless otherwise stated</b>		
Loans against assets (secured, including overdue loans) #	9,66,346.38	7,25,725.30
Retained interest in Pass Through Certificates (PTC) under securitisation transactions (refer note no. 38(f))	1,813.53	-
Interest Only Strip (I/O Strip) under securitisation transactions (refer note no. 38(d))	7,447.22	-
Loans and advances (including overdue loans) @	13,609.34	13,282.47
Bills of exchange	7,442.71	14,863.39
Trade Advances @	91,907.73	57,321.37
Inventory funding (secured, including overdue loans)	4,093.91	-
Inter corporate deposits given @	10,445.00	3,850.00
Other loans & advances:		
Loans and advances to related parties (portfolio purchased from Mahindra Holidays & Resorts India Ltd. and loan to Mahindra Retail Pvt. Ltd.)	1,817.37	3,168.41
Deposits for office premises / others	232.70	306.96
Advance payment of taxes (net of provisions)	6,162.91	5,447.85
Other short term advances	541.58	111.32
# Includes non-performing assets of Rs. 47,037.31 Lacs (March 2012: Rs. 25,786.04 Lacs) (refer note no. 5, 9 and 31 (a))		
@ Includes non-performing assets of Rs. 1,232.23 Lacs (March 2012: Rs. 950.70 Lacs) (refer note no. 5, 9 and 31 (a))		
<b>Total</b>	<b>11,11,860.38</b>	<b>8,24,077.07</b>

	March 2013	March 2012
	Rs. in Lacs	
<b>19 OTHER CURRENT ASSETS</b>		
Interest accrued on:		
Investments	505.57	241.60
Others deposits	711.48	512.89
Derivative contract receivables	1,009.57	-
<b>Total</b>	<b>2,226.62</b>	<b>754.49</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

		Rs. in Lacs	
		March 2013	March 2012
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
<b>a)</b>	<b>Interest</b>		
	Income from loans	3,40,079.74	2,44,286.16
	Income from hire purchase	53.30	166.09
	Interest on term deposits / Inter-corporate deposits / Bonds etc.	2,469.27	2,563.11
	Interest on retained interest in PTCs under securitisation transactions	26.92	-
	Interest on government securities:		
	- Long term	1,432.49	879.61
	(a)	3,44,061.72	2,47,894.97
<b>b)</b>	<b>Other financial services</b>		
	Service charges and other fees on loan transactions	18,609.94	17,142.34
	Income from hire purchase	0.58	2.68
	Income from bills	1,544.64	2,521.10
	Income from lease	0.34	0.47
	Income from assignment / securitisation transactions (refer note no.38)	21,454.93	9,249.49
	(b)	41,610.43	28,916.08
	<b>Total (a+b)</b>	<b>3,85,672.15</b>	<b>2,76,811.05</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>21</b>	<b>OTHER INCOME</b>		
	Dividend received from:		
	- Current investments in mutual fund units	10.62	47.21
	- Long-term investments in subsidiary companies	1,655.00	230.00
	Profit/premium on sale/redemption of:		
	- Current investments	231.18	734.43
	Profit on sale / retirement of owned assets (net)	8.70	30.21
	Income from shared services	1,607.28	1,193.08
	Others	284.97	413.40
	<b>Total</b>	<b>3,797.75</b>	<b>2,648.33</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>22</b>	<b>EMPLOYEE BENEFITS EXPENSE</b>		
	Salary, bonus and incentives	19,293.24	16,906.75
	Company's contribution to provident fund and other funds	1,401.58	1,258.11
	Employee compensation expense on account of ESOP Scheme (refer note no. 30 (e)) #	443.02	749.65
	Staff welfare expenses	1,202.36	1,062.56
	<b>Total</b>	<b>22,340.20</b>	<b>19,977.07</b>

# Inclusive of ESOP costs reimbursements (net) to the holding company Rs. 7.97 Lacs (March 2012: Rs. Nil) and net of recoveries from subsidiary company Rs. 81.07 Lacs (March 2012: Rs. Nil).

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>23 FINANCE COSTS</b>		
Interest expenses #	1,60,121.87	1,10,500.16
Other borrowing costs	1,754.63	1,532.19
<b>Total</b>	<b>1,61,876.50</b>	<b>1,12,032.35</b>

# includes interest costs of Rs. 3,114.65 Lacs (March 2012: Rs.886.63 Lacs) on FCNR(b) loans.

	Rs. in Lacs	
	March 2013	March 2012
<b>24 DEPRECIATION AND AMORTISATION EXPENSES</b>		
Depreciation on tangible assets	2,129.41	1,892.51
Amortisation of intangible assets	94.92	63.81
<b>Total</b>	<b>2,224.33</b>	<b>1,956.32</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>25 LOAN PROVISIONS AND WRITE OFFS</b>		
Bad debts and write offs (refer note no. 31 (c))	20,922.86	18,124.13
Provision for Non-performing assets (net) (refer note no.5,9 and 31 (a) )	5,814.48	(3,629.13)
General provision for Standard assets (refer note no.5,9 and 31 (b) )	1,597.00	1,207.00
<b>Total</b>	<b>28,334.34</b>	<b>15,702.00</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>26 OTHER EXPENSES</b>		
Electricity charges	1,085.59	762.68
Rent	3,971.19	3,381.65
Repairs and maintenance:		
- Buildings	746.57	1,191.23
- Others	71.73	31.33
Insurance	805.85	979.80
Rates and taxes, excluding taxes on income	236.42	76.30
Directors remuneration	110.34	98.34
Commission and brokerage	12,018.33	7,810.42
Legal and professional charges	4,150.39	3,257.89
Manpower outsourcing cost	13,823.84	9,574.63
Payments to the auditor:		
Audit fees	26.01	22.49
Taxation matters	6.39	-
Other services	39.98	18.89
Reimbursement of expenses	0.67	0.64
General and administrative expenses	12,539.56	10,059.75
<b>Total</b>	<b>49,632.86</b>	<b>37,266.04</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Above expenses includes following expenditure incurred in foreign currency

	March 2013	March 2012
Travelling expenses	30.35	21.48
Legal and professional fees	62.75	70.54
Other expenses	7.21	8.29

	March 2013	March 2012
<b>27 EXCEPTIONAL ITEMS (NET) – INCOME / (EXPENSE)</b>		
Profit on sale of investments in shares of subsidiary company (refer note no. 11 (ii))	6,426.21	-
Additional general provision for Standard assets (refer note no.31 (b))	(3,568.00)	-
<b>Total</b>	<b>2,858.21</b>	<b>-</b>

**28** 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

**i) Jointly controlled entity by the Company**

Name of the entity	Country of Incorporation	% Holding
Mahindra Finance USA, LLC	United States of America	49.00%

**ii) Interest in the assets, liabilities, income and expenses with respect to jointly controlled entity**

Particulars	March 2013	March 2012
<b>I. ASSETS</b>		
Long-term loans and advances	58,689.98	-
Cash and cash equivalents	224.14	573.49
Short-term loans and advances	16,844.83	38,058.66
<b>II. LIABILITIES</b>		
Long-term borrowings	24,756.47	30,637.02
Long term provisions	199.35	-
Short term borrowings	30,782.02	8.58
Other current liabilities	13,302.36	5,038.86
Short term provisions	57.30	-
<b>III. INCOME</b>		
Revenue from operations	2,774.21	999.77
Other income	86.88	8.93
<b>IV. EXPENSES</b>		
Finance costs	943.95	303.24
Other expenses	1,225.05	506.18
Provision for taxation	259.83	77.57

Above figures are based on unaudited financial statements.



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

**29** The Board of Directors of the Company at its meeting held on 9th October, 2012, and special resolution passed by the members at the Extraordinary General Meeting held on 6th November, 2012, had approved the infusion of share capital.

Pursuant to the passing of the above resolutions and in accordance with Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009, as amended, the Company allotted 97,50,257 equity shares of face value of Rs.10/- each at a

price of Rs. 889/- per equity share including a premium of Rs.879/- per equity share aggregating to Rs. 86,679.78 Lacs to Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP). This has resulted in an increase of equity share capital by Rs. 975.02 Lacs and securities premium reserve by Rs. 85,704.76 Lacs.

The share issue expenses amounting to Rs.1,280.06 Lacs is adjusted against the securities premium reserve in accordance with the provisions of the Companies Act, 1956.

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

	Rs. in Lacs
	<b>Amount</b>
<b>SOURCES OF FUNDS</b>	
QIP Proceeds	86,679.78
<b>UTILISATION OF FUNDS</b>	
QIP Issue Expenses	1,280.06
Disbursement of retail loans to customers	85,399.72
<b>Total</b>	<b>86,679.78</b>

### **30 EMPLOYEE STOCK OPTION PLAN**

**a)** The Company had allotted 1,34,32,750 equity shares (face value of Rs. 2/- each) on 6th December, 2005 and 48,45,025 Equity shares (face value of Rs. 2/- each) on 3rd February, 2011, to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company. The Trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the Compensation Committee. The trust had issued 1,25,32,990 equity shares (March 2012: 1,17,01,955 equity shares) up to 31st March, 2013 and 8,31,035 equity shares (March 2012: 11,73,035 equity shares) for the current year to the employees.

The details of Employees stock option schemes are as under:

	<b>Scheme 2005</b>	<b>Scheme 2010</b>
Type of arrangement	Employees share based payment plan administered through ESOS Trust	Employees share based payment plan administered through ESOS Trust
Contractual life	6 years from the date of grant	6 months from the date of grant
Method of settlement	By issue of shares at exercise price	By issue of shares at exercise price
Vesting conditions	35% on expiry of 12 months from the date of grant	20% on expiry of 12 months from the date of grant
	25% on expiry of 24 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 36 months from the date of grant
	10% on expiry of 48 months from the date of grant	20% on expiry of 48 months from the date of grant
	10% on expiry of 60 months from the date of grant	20% on expiry of 60 months from the date of grant

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## b) Summary of Stock Options:

Particulars	March 2013		March 2012	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	24,85,550	24.59	38,13,940	24.02
Options granted during the year	-	-	2,12,130	2.00
Options forfeited/lapsed during the year	9,840	7.11	367,485	10.38
Options exercised during the year	8,31,035	30.69	11,73,035	23.10
Options outstanding at the end of the year	16,44,675	21.61	24,85,550	24.59
Options vested but not exercised at the end of the year	6,04,090	45.81	8,05,605	43.93

## c) Information in respect of options outstanding:

Grant date / Exercise price	March 2013		March 2012	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
<b>Scheme 2005</b>				
24th July, 2007 at Rs. 42.20	82,985	12 months	60,792	15 months
25th March, 2008 at Rs. 60.80	1,99,915	11 months	63,947	23 months
18th September, 2008 at Rs. 46.60	3,84,680	17 months	1,12,636	29 months
(a)	6,67,580		2,37,375	
<b>Scheme 2010</b>				
7th February, 2011 at Rs. 2.00	7,90,985	27 months	2,17,988	34 months
25th January, 2012 at Rs. 2.00	1,86,110	31 months	41,747	40 months
(b)	9,77,095		2,59,735	
<b>Total (a + b)</b>	<b>16,44,675</b>		<b>4,97,110</b>	

## d) 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.)	Face value (Rs.)
9th May, 2012	663.86	10.00
1st June, 2012	636.96	10.00
2nd July, 2012	649.22	10.00
6th August, 2012	734.55	10.00
4th September, 2012	742.65	10.00
4th October, 2012	898.99	10.00
29th October, 2012	888.48	10.00
19th November, 2012	987.93	10.00
19th December, 2012	1,097.88	10.00
22nd January, 2013	1,052.77	10.00
1st February, 2013	1,067.11	10.00
19th February, 2013	216.48	2.00
20th February, 2013	215.03	2.00

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

### e) Method used for accounting for share based payment plan:

The Company has elected to use intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

### f) Fair value of options:

The fair value of options used to compute proforma net profit and earnings per share in note 30(g) have been estimated on the date of grant using The Black-Scholes Model. The key assumptions used in Black-Scholes Model for calculating fair value as on the date of grant are:

Variables	7th December 2005	24th July 2007	25th March 2008	18th September 2008	7th February 2011	25th January 2012
1) Risk free interest rate	5.8% to 6.6%	8.17%	7.31%	8.20%	7.73%	8.11%
2) Expected life	2.5 - 5 years	4.17 years	4.17 years	4.18 years	4.5 years	5.5 years
3) Expected volatility	0.50%	43.69%	43.61%	43.66%	42.38%	46.08%
4) Dividend yield	5%	1.59%	1.59%	1.64%	2.28%	2.11%
5) Price of the underlying share in the market at the time of option grant (Rs.)	65.53*	230.00	318.10	252.45	693.00	665.70

\* being fair value taken from an independent valuer as the Company was unlisted as on the date of grant of option.

### g) Earnings Per Share:

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 2013	March 2012	March 2013	March 2012
Net profit after tax (Rs. in Lacs)	88,269.18	62,011.67	88,308.57	62,062.70
Weighted average number of equity shares of Rs. 2/- each – Basic (refer note no. 1 (d))	53,19,49,491	51,27,90,825	53,19,49,491	51,27,90,825
Weighted Average number of equity shares of Rs. 2/- each – Diluted (refer note no. 1 (d))	53,81,78,537	52,00,13,675	53,81,78,537	52,00,13,675
Basic Earnings Per Share Rs.)	16.59	12.09	16.60	12.10
Diluted Earnings Per Share # (Rs.)	16.40	11.93	16.41	11.93

# Dilution in Earnings per share is on account of 57,44,785 equity shares of face value of Rs. 2/- each (March 2012: 65,75,820 equity shares of face value of Rs. 2/- each held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

\* Earnings Per Share under Fair value method is computed on proforma net profit after tax after adjusting for employee compensation costs under fair value method. Employee compensation cost under fair value method is Rs. 476.72 Lacs (March 2012: Rs. 698.62 Lacs).

## 31 LOAN PROVISIONS AND WRITE OFFS

a. 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, 2013 is Rs. 19,692.65 Lacs (March 2012: Rs. 13,178.47 Lacs)

b. 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. 5,165.00 Lacs on the Standard assets as on 31st March, 2013 (March 2012: Rs. 4,350.00 Lacs). With effect from the current year, the Company has on a prudent basis, decided to make additional / accelerated general provision on its Standard assets and has provided

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Rs. 3,568.00 Lacs on this account, which is reflected as “Exceptional Items” in the Statement of profit and loss. The total amount of provision on Standard assets of Rs. 9,515.00 Lacs is shown separately as “Contingent provision against Standard assets” under “Provisions” in the balance sheet.

c. Bad debts and 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.

**32** Commission and brokerage mainly represents amount incurred in respect of acquisition of customers and mobilisation of public deposits.

**33** The Company has single reportable segment “Financial services” for the purpose of Accounting Standard 17 on Segment reporting.

**34** In the opinion of the Board, Current assets, Loans and advances are approximately of the value stated if realised in the ordinary course of business.

**35** Deposits/advances received against loan agreements are on account of loan against assets, which are repayable / adjusted over the period of the contract.

		Gratuity (Funded)		Sick leave (Non funded)		Rs. in Lacs
		March 2013	March 2012	March 2013	March, 2012	Privilege Leave *
						March 2013
<b>36</b>	<b>EMPLOYEE BENEFITS</b>					
	<b>Defined benefit plans -as per actuarial valuation</b>					
I.	<b>Expense recognised in the Statement of Profit and Loss for the year ended 31st</b>					
	Current service cost	439.63	348.99	74.60	69.51	109.25
	Interest cost	58.79	41.98	8.58	6.32	-
	Expected return on plan assets	(52.14)	(37.97)	-	-	-
	Actuarial (gains)/losses	(180.59)	(123.12)	(77.62)	(43.54)	554.44
	<b>Total expense</b>	<b>265.68</b>	<b>229.89</b>	<b>5.56</b>	<b>32.29</b>	<b>663.68</b>
II.	<b>Net asset/(liability) recognised in the Balance Sheet as at 31st</b>					
	Present value of defined benefit obligation as at 31st	855.07	644.20	111.16	105.60	564.13
	Fair value of plan assets as at 31st	776.20	484.50	-	-	-
	Funded status (surplus/(deficit))	(78.87)	(159.71)	(111.16)	(105.60)	(564.13)
	<b>Net asset/(liability) as at 31st</b>	<b>(78.87)</b>	<b>(159.71)</b>	<b>(111.16)</b>	<b>(105.60)</b>	<b>(564.13)</b>
III.	<b>Change in the obligations during the year ended 31st</b>					
	Present value of defined benefit obligation at the beginning of the year	644.20	442.42	105.60	73.31	-
	Current service cost	439.63	348.99	74.60	69.51	109.25
	Interest cost	58.79	41.98	8.58	6.32	-
	Actuarial (gains)/losses	(220.18)	(161.08)	(77.62)	(43.54)	554.44
	Benefits paid	(67.37)	(28.10)	-	-	(99.55)
	<b>Present value of defined benefit obligation at the year ended 31st</b>	<b>855.07</b>	<b>644.20</b>	<b>111.16</b>	<b>105.60</b>	<b>564.13</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Rs. in Lacs

	Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave *
	March 2013	March 2012	March 2013	March, 2012	March 2013
<b>IV. Change in the fair value of plan assets during the year ended 31st</b>					
Fair value of plan assets at the beginning of the year	484.50	375.80	-	-	-
Expected return on plan assets	52.14	37.97	-	-	-
Contributions by employer	334.56	148.09	-	-	-
Excess contribution withdrawn from fund	0.00	(11.29)	-	-	-
Actuarial (gains)/losses	(27.63)	(37.97)	-	-	-
Actual benefits paid	(67.37)	(28.10)	-	-	-
<b>Fair value of plan assets at 31st</b>	<b>776.20</b>	<b>484.50</b>	-	-	-
The Company expects to contribute Rs. 206.36 Lacs to gratuity in the next year (2012: Rs. 334.56 Lacs)					
<b>V. Major category of plan assets as a percentage of total plan</b>					
Funded with LIC	100%	100%	100%	100%	100%
<b>VI. Actuarial Assumptions</b>					
Discount Rate	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.	8.00% p.a.
Expected rate of return on plan assets	8.00% p.a.	8.00% p.a.			
Rate of Salary increase	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.	5.00% p.a.
In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE
<b>VII. Experience Adjustments</b>	<b>Year ended 31st March</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Defined benefit obligation at end of the period	256.67	343.83	442.42	644.20	855.07
Plan assets at the end of period	208.08	305.50	375.80	484.50	776.20
Funded status surplus/ (deficit)	(48.59)	(38.33)	(66.61)	(159.71)	(78.87)
Experience adjustments on plan liabilities (gain)/ loss	(61.20)	(40.37)	(46.70)	(73.01)	(66.64)
Experience adjustments on plan assets gain/ (loss)	-	(6.22)	(7.89)	(9.94)	(16.07)

\* There are no previous year figures as the actuarial valuation is done with effect from current year.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

### 37 DISCLOSURE ON DERIVATIVES

#### Outstanding derivative instrument and un-hedged foreign currency exposures as on 31st March, 2013

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of USD 699.13 Lacs (March 2012: USD 199.13 Lacs and JPY 18,451.97 Lacs). The loan of USD 699.13 Lacs (March 2012: USD 199.13 Lacs and JPY 18,451.97 Lacs) and interest thereon has been fixed to INR liability using a cross currency swap. There is no un-hedged foreign currency exposure as on 31st March, 2013.

### 38 SECURITISATION / ASSIGNMENT TRANSACTIONS

- a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 54,374 contracts (March 2012: Nil contracts) amounting to Rs. 1,43,361.38 Lacs (March 2012: Rs. Nil) for a consideration of Rs. 1,43,361.38 Lacs (March 2012: Rs. Nil) and de-recognised the assets from the books.
- b) During the year, the Company has without recourse assigned loan receivables of Nil contracts (March 2012: 56,559 contracts) amounting to Rs. Nil (March 2012: Rs. 1,48,741.39 Lacs) for a consideration of Rs. Nil (March 2012: Rs.1,48,741.39 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.

- c) Income from assignment / securitisation includes write back of provision in respect of assignment transactions amounting to Rs. 3,193.08 Lacs (March 2012: Rs. 2,479.18 Lacs) considered no longer necessary.
- d) In terms of the accounting policy stated in 3 (iv), securitisation income is recognised as per RBI Guidelines dated 21st August, 2012. Accordingly, interest only strip representing present value of interest spread receivable has been recognised and reflected under loans and advances (refer note no. 13 and 18) and equivalent amount of unrealised gains has been recognised as liabilities (refer note no. 4 and 8).
- e) Excess interest spread redeemed during the year by the Special Purpose Vehicle Trust (SPV Trust) has been recognised as income and included in Income from assignment / securitisation amounting to Rs.106.98 Lacs (March 2012: Rs. Nil).
- f) Disclosures in the notes to the accounts in respect of securitisation transactions as required under revised guidelines on securitisation transactions issued by RBI vide circular no.DNBS.PD.No.301/3.10.01/2012-13 dated 21st August, 2012.

Applicable for transactions effected after the date of circular:

Sr. No.	Particulars	No. / Amount in Rs. Lacs
1	No of SPVs sponsored by the NBFC for securitisation transactions	5
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,41,347.26
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures	
	* First loss - Credit enhancement in the form of corporate undertaking (refer note no.42 (i) (c))	2,922.00
	* Others	-
	b) On-balance sheet exposure	
	* First loss - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	7,293.00
	* Others - Retained interest in Pass Through Certificates (refer note no.13 and 18)	3,844.37
4	Amount of exposures to securitisation transactions other than MRR	
	a) Off-balance sheet exposures	

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Sr. No.	Particulars	No. / Amount in Rs. Lacs
i)	Exposure to own securitisations	
*	First loss	-
*	Loss	-
ii)	Exposure to third party securitisations	
*	First loss	-
*	Others	-
b)	On-balance sheet exposures	
i)	Exposure to own securitisations	
*	First loss	-
*	Others - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	1,856.00
ii)	Exposure to third party securitisations	
*	First loss	-
*	Others	-

**39** There were 28 cases (March 2012: 22 cases) of frauds amounting to Rs. 450.31 Lacs (March 2012: Rs. 33.46 Lacs) reported during the year. The Company has recovered an amount of Rs. 31.53 Lacs (March 2012: Rs. 14.92 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.

**40** The gold loans outstanding as a percentage of total assets is at 0.05% (March 2012: 0.05%).

**41 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18**

**A) List of the related parties and nature of relationship which have transactions with our Company during the year:**

<b>Holding Company</b>	: Mahindra & Mahindra Limited
<b>Subsidiary Companies</b>	: Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Business and Consulting Services Private Limited
<b>Joint Ventures</b>	: Mahindra Finance USA, LLC
<b>Fellow subsidiary Companies</b>	: Mahindra Navistar Automotives Ltd. Mahindra USA, Inc. Mahindra Holidays and Resorts India Ltd. Mahindra Automobile Distributor Private Limited Mahindra Yueda (Yancheng) Tractor Co.Ltd. NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra Retail Pvt. Ltd. Mahindra Two Wheelers Ltd. Mahindra Logistics Ltd. Mahindra First Choice Services Ltd.
<b>Key Management Personnel</b>	: Mr. Ramesh Iyer (Managing Director)

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## B) Related party transactions are as under:

Sr. No.	Nature of transactions	Rs. in Lacs				
		Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Joint Ventures	Key Management Personnel
1	Income					
	Loan income	-	-	10.51	-	-
		-	-	(39.67)	-	-
	Subvention income	1,048.52	-	431.58	-	-
		(823.00)	-	(288.04)	-	-
	Other income	-	3,262.17	10.18	-	-
		-	(1,942.07)	(243.08)	-	-
2	Expenses					
	Interest	334.41	228.80	-	-	2.74
		(718.39)	(181.85)	(10.71)	-	(1.86)
	Other expenses	1,404.97	14,830.49	58.57	-	235.02
		(1,652.07)	(9,900.61)	(20.59)	-	(195.81)
3	Investment in share capital	-	-	-	3,062.69	-
		-	(1,400.00)	-	(249.36)	-
4	Purchase of fixed assets	173.73	2.97	-	-	-
		(166.55)	-	(23.79)	-	-
5	Sale of fixed assets	-	-	-	-	-
		-	(4.85)	-	-	-
6	Finance					
	Fixed deposits (including interest accrued but not due)	-	-	-	-	48.51
		-	-	-	-	(20.77)
	NCD held (including interest accrued but not due) (Purchased from secondary market)	-	-	-	-	-
		(2,645.73)	-	-	-	-
	Dividend paid – for previous year	8,153.81	-	-	-	15.11
		(5,824.15)	-	-	-	(4.85)
	Inter corporate deposits taken (including interest accrued but not due)	-	5,215.39	-	-	-
		-	(2,486.56)	-	-	-
	Inter corporate deposits given (including interest accrued but not due)	-	1,818.77	2,008.63	-	-
		-	(4,774.70)	-	-	-
	Loan given (including interest accrued but not due)	-	-	-	-	-
		-	-	(260.46)	-	-
	Subordinate debts held (including interest accrued but not due)	-	700.76	-	-	-
		-	-	-	-	-
7	Other transactions					
	Reimbursement to parties	-	-	-	-	-
		-	-	(17.87)	-	-
8	Outstandings					
	Receivables	174.60	74.56	3,289.26	-	-
		(295.01)	(45.88)	(5,895.04)	-	-
	Payables	126.19	754.42	66.33	-	-
		(235.70)	(662.51)	(8.67)	-	-

Figures in bracket represent corresponding figures of previous year.



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## C) The significant related party transactions are as under:

		Rs. in Lacs			
Nature of transactions		Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Key Management Personnel
<b>Income</b>					
<b>Revenue from operations</b>					
Subvention income					
	Mahindra & Mahindra Limited	1,048.52 (823.00)	- -	- -	- -
	Mahindra Navistar Automotives Limited	- -	- -	431.52 (287.87)	- -
<b>Other income</b>					
Interest income on inter corporate deposits / subordinate debt	Mahindra Rural Housing Finance Limited	- -	808.70 (1,273.59)	- -	- -
Dividend income	Mahindra Insurance Brokers Limited	- -	1,375.00 (100.00)	- -	- -
Income from shared services	Mahindra Rural Housing Finance Limited	- -	449.12 (268.23)	- -	- -
<b>Expenses</b>					
<b>Interest</b>					
Interest expense on inter corporate deposits and non-convertible debentures	Mahindra & Mahindra Limited	334.41 (718.39)	- -	- -	- -
	Mahindra Insurance Brokers Limited	- -	225.76 (181.85)	- -	- -
<b>Other expenses</b>					
Manpower outsourcing expenses	Mahindra Business & Consulting Services Private Limited	- -	14,010.96 (10,034.98)	- -	- -
<b>Purchase of fixed assets</b>					
	Mahindra & Mahindra Limited	173.73 (166.55)	- -	- -	- -

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Nature of transactions		Rs. in Lacs			
		Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Key Management Personnel
<b>Finance</b>					
Fixed deposits (including interest accrued but not due)	Mr. Ramesh Iyer	-	-	-	48.51 (20.77)
Dividend paid - for previous year	Mahindra & Mahindra Limited	8,153.81 (5,824.15)	-	-	-
Inter corporate deposits taken (including interest accrued but not due)	Mahindra Insurance Brokers Limited	-	5,215.39 (2,486.56)	-	-
	Mahindra Business & Consulting Services Private Limited	-	1,780.22 (1,375.49)	-	-
	Mahindra Two Wheelers Limited	-	-	2,008.63	-
Subordinate debt held (including interest accrued but not due)	Mahindra Rural Housing Finance Limited	-	700.76	-	-
<b>Outstanding</b>					
Receivables	Mahindra Holidays & Resorts India Limited	-	-	2,909.11 (5,834.89)	-
	Mahindra Navistar Automotives Limited	-	-	380.15 (60.07)	-
Payables	Mahindra Insurance Brokers Limited	-	316.75 (320.32)	-	-
	Mahindra Business & Consulting Services Private Limited	-	437.67 (342.19)	-	-

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

		Rs. in Lacs	
		March 2013	March 2012
<b>42</b>	<b>CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)</b>		
i) Contingent liabilities			
a)	Demand against the Company not acknowledged as debts on taxation matters (income tax)	5,472.52	4,629.06
b)	Corporate guarantees towards assignment transactions	71,572.12	86,274.38
c)	Credit enhancement in terms of corporate guarantee for securitisation transactions (refer note no. 38 (f))	2,922.00	-
d)	Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	2,031.55	2,067.45
		<b>81,998.19</b>	<b>92,970.89</b>
ii) Commitments			
	Estimated amount of contracts remaining to be executed on capital account	624.91	447.13
		624.91	447.13
<b>Total</b>		<b>82,623.10</b>	<b>93,418.02</b>

				Rs. in Lacs	
				As at	
		As at	Additional	Utilisations/	As at
		31st March 2012	Provisions	reversals	31st March 2013
<b>43</b>	<b>CHANGES IN PROVISIONS</b>				
	Provision for Standard assets	4,350.00	5,165.00	-	9,515.00
	Provision for Non-performing assets	33,056.88	20,844.30	15,029.82	38,871.36

**44** 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.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## 45 SECURED LONG-TERM BORROWINGS

### i) Secured non-convertible debentures:

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 5 years	9.34%-9.43%	7,350.00	-	7,350.00
b) Maturity between 3 years to 5 years	9.25%-9.45%	5,100.00	-	5,100.00
c) Maturity between 1 year to 3 years	9.23%-10.25%	2,62,510.00	-	2,62,510.00
d) Maturity within 1 year	8.30%-10.47%	-	1,51,770.00	1,51,770.00
<b>Total</b>		<b>2,74,960.00</b>	<b>1,51,770.00</b>	<b>4,26,730.00</b>
<b>2) Repayable in installments:</b>				
<b>Yearly installments</b>				
a) Maturity beyond 3 years	9.95%-13.00%	25,000.00	-	25,000.00
b) Maturity between 1 year to 3 years	9.95%	14,000.00	-	14,000.00
c) Maturity within 1 year	10.50%-13.00%	-	16,070.00	16,070.00
<b>Total</b>		<b>39,000.00</b>	<b>16,070.00</b>	<b>55,070.00</b>
<b>Total (1+2)</b>		<b>3,13,960.00</b>	<b>1,67,840.00</b>	<b>4,81,800.00</b>

As on 31st March, 2012

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity within 1 year	8.35% - 9.90%	-	36,100.00	36,100.00
b) Maturity between 1 year to 3 years	8.30% - 10.47%	1,92,400.00	-	1,92,400.00
<b>Total</b>		<b>1,92,400.00</b>	<b>36,100.00</b>	<b>2,28,500.00</b>
<b>2) Repayable in installments:</b>				
<b>Yearly Installments</b>				
a) Maturity within 1 year	10.50% - 13.00%	-	15,715.00	15,715.00
b) Maturity between 1 year to 3 years	9.95% - 13.00%	30,570.00	-	30,570.00
c) Maturity between 3 years to 5 years	9.95%	24,500.00	-	24,500.00
<b>Total</b>		<b>55,070.00</b>	<b>15,715.00</b>	<b>70,785.00</b>
<b>Total (1+2)</b>		<b>2,47,470.00</b>	<b>51,815.00</b>	<b>2,99,285.00</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## ii) Secured term loans from banks:

As on 31st March, 2013

Particulars	Rate range	(a)Non-current	(b)Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 3 years	10.15%-10.35%	27,500.00	-	27,500.00
b) Maturity between 1 year to 3 years	7.75%-10.35%	1,75,000.00	-	1,75,000.00
c) Maturity within 1 year	5.50%-10.35%	-	1,28,500.00	1,28,500.00
<b>Total</b>		<b>2,02,500.00</b>	<b>1,28,500.00</b>	<b>3,31,000.00</b>
<b>2) Repayable in installments:</b>				
<b>i) Quarterly</b>				
a) Maturity beyond 3 years	-	-	-	-
b) Maturity between 1 year to 3 years	10.15%-10.25%	55,692.00	-	55,692.00
c) Maturity within 1 year	10.15%-10.25%	-	23,632.00	23,632.00
<b>Total</b>		<b>55,692.00</b>	<b>23,632.00</b>	<b>79,324.00</b>
<b>ii) Half-yearly</b>				
a) Maturity beyond 3 years	10.25%	91,666.67	-	91,666.67
b) Maturity between 1 year to 3 years	10.20%-10.25%	2,68,333.33	-	2,68,333.33
c) Maturity within 1 year	7.90%-10.45%	-	44,166.67	44,166.67
<b>Total</b>		<b>3,60,000.00</b>	<b>44,166.67</b>	<b>4,04,166.67</b>
<b>iii) Yearly</b>				
a) Maturity beyond 3 years	-	-	-	-
b) Maturity between 1 year to 3 years	9.25%-10.25%	90,000.00	-	90,000.00
c) Maturity within 1 year	9.25%	-	40,000.00	40,000.00
<b>Total</b>		<b>90,000.00</b>	<b>40,000.00</b>	<b>1,30,000.00</b>
<b>Total for repayable in installments</b>		<b>5,05,692.00</b>	<b>1,07,798.67</b>	<b>6,13,490.67</b>
<b>Total (1+2)</b>		<b>7,08,192.00</b>	<b>2,36,298.67</b>	<b>9,44,490.67</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

As on 31st March, 2012

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs.in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity within 1 year	7.25%-10.75%	-	1,19,000.00	1,19,000.00
b) Maturity between 1 year to 3 years	5.50% - 10.80%	1,41,000.00	-	1,41,000.00
c) Maturity between 3 years to 5 years	10.70%- 10.75%	1,05,000.00	-	1,05,000.00
d) Maturity beyond 5 years	-	-	-	-
<b>Total</b>		<b>2,46,000.00</b>	<b>1,19,000.00</b>	<b>3,65,000.00</b>
<b>2) Repayable in installments:</b>				
<b>i) Quarterly</b>				
a) Maturity within 1 year	6.15% - 10.75%	-	61,448.86	61,448.86
b) Maturity between 1 year to 3 years	7.90% - 10.75%	73,863.64	-	73,863.64
c) Maturity between 3 years to 5 years	10.65%	2,500.00	-	2,500.00
<b>Total</b>		<b>76,363.64</b>	<b>61,448.86</b>	<b>1,37,812.50</b>
<b>ii) Half-Yearly</b>				
a) Maturity within 1 year	10.20% - 10.75%	-	6,666.67	6,666.67
b) Maturity between 1 year to 3 years	6.25% - 10.20%	1,01,666.66	-	1,01,666.66
<b>Total</b>		<b>1,01,666.66</b>	<b>6,666.67</b>	<b>1,08,333.33</b>
<b>iii) Yearly</b>				
a) Maturity within 1 year	9.25% - 10.25%	-	40,366.67	40,366.67
b) Maturity between 1 year to 3 years	9.25% - 10.75%	90,000.00	-	90,000.00
<b>Total</b>		<b>90,000.00</b>	<b>40,366.67</b>	<b>1,30,366.67</b>
<b>Total for repayable in installments</b>		<b>2,68,030.30</b>	<b>1,08,482.20</b>	<b>3,76,512.50</b>
<b>Total ( 1+2 )</b>		<b>5,14,030.30</b>	<b>2,27,482.20</b>	<b>7,41,512.50</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## iii) Foreign currency loans from banks:

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 3 years	-	-	-	-
b) Maturity between 1 year to 3 years	9.60%-11.65%	27,142.50	10,809.57	37,952.07
<b>Total</b>		<b>27,142.50</b>	<b>10,809.57</b>	<b>37,952.07</b>

As on 31st March, 2012

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

## 46 UNSECURED BORROWINGS

### i) Subordinated debts (long-term):

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 5 years	9.80%-11.75%	52,530.00	-	52,530.00
b) Maturity between 3 years to 5 years	10.50%-12.00%	6,880.00	-	6,880.00
c) Maturity between 1 year to 3 years	-	-	-	-
d) Maturity within 1 year	10.20%-10.40%	-	3,100.00	3,100.00
<b>Total</b>		<b>59,410.00</b>	<b>3,100.00</b>	<b>62,510.00</b>

As on 31st March, 2012

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

### ii) Inter-corporate deposits (ICDs):

As on 31st March, 2013

Particulars	Rate range	Long-term			Total
		(a) Short-Term	(b) Non-current	(c) Current maturity	
Rs. in Lacs					
<b>1) Repayable on maturity:</b>					
a) Maturity beyond 3 years	-	-	-	-	-
b) Maturity between 1 year to 3 years	9.40%-9.80%	-	775.00	-	775.00
c) Maturity within 1 year	8.50%-9.75%	4,215.00	-	150.00	4,365.00
<b>Total</b>		<b>4,215.00</b>	<b>775.00</b>	<b>150.00</b>	<b>5,140.00</b>

As on 31st March, 2012

Particulars	Rate range	Long-term			Total
		(a) Short-Term	(b) Non-current	(c) Current maturity	
Rs. in Lacs					
<b>1) Repayable on maturity:</b>					
a) Maturity within 1 year	9.00% - 10.00%	2,027.00	-	-	2,027.00
b) Maturity between 1 year to 3 years	8.50% - 9.80%	-	350.00	-	350.00
<b>Total</b>		<b>2,027.00</b>	<b>350.00</b>	<b>-</b>	<b>2,377.00</b>

### iii) Fixed deposits:

As on 31st March, 2013

Particulars	Rate range	Long-term			Total
		(a) Short-Term	(b) Non-current	(c) Current maturity	
Rs. in Lacs					
<b>1) Repayable on maturity:</b>					
a) Maturity beyond 3 years	8.65%-10.75%	-	11,6827.59	-	1,16,827.59
b) Maturity between 1 year to 3 years	8.65%-10.75%	-	75,225.60	-	75,225.60
c) Maturity within 1 year	8.65%-10.50%	3,362.41	-	37,377.62	40,740.03
<b>Total</b>		<b>3,362.41</b>	<b>1,92,053.19</b>	<b>37,377.62</b>	<b>2,32,793.22</b>

As on 31st March, 2012

Particulars	Rate range	Long-term			Total
		(a) Short-Term	(b) Non-current	(c) Current maturity	
Rs. in Lacs					
<b>1) Repayable on maturity:</b>					
a) Maturity within 1 year	8.15% - 10.25%	1,385.20	-	29,688.54	31,073.74
b) Maturity between 1 year to 3 years	8.15%-10.75%	-	99,450.81	-	99,450.81
c) Maturity between 3 years to 5 years	8.65%-10.25%	-	6,962.84	-	6,962.84
<b>Total</b>		<b>1,385.20</b>	<b>1,06,413.65</b>	<b>29,688.54</b>	<b>1,37,487.39</b>



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

## 47 SHORT - TERM BORROWINGS

### i) Secured term loans from banks and cash credit facilities:

As on 31st March, 2013

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
a) Maturity within 1 year	9.20%-13.65%	1,15,527.03
<b>Total</b>		<b>1,15,527.03</b>

As on 31st March, 2012

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
a) Maturity within 1 year	10.75% - 13.50%	1,16,001.33
<b>Total</b>		<b>1,16,001.33</b>

### ii) Unsecured term loans from banks:

As on 31st March, 2013: Nil

As on 31st March, 2012

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
a) Maturity within 1 year	11.50%	22,500.00
<b>Total</b>		<b>22,500.00</b>

### iii) Commercial papers:

As on 31st March, 2013

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
a) Maturity within 1 year	9.20%-9.35%	5,000.00
<b>Total</b>		<b>5,000.00</b>

As on 31st March, 2012

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
a) Maturity within 1 year	9.93%	3,000.00
<b>Total</b>		<b>3,000.00</b>

- 48** Managerial Remuneration paid to Directors included in the Statement of profit and loss is Rs. 289.26 Lacs (March 2012: Rs. 247.40 Lacs) includes Directors' Fees of Rs.10.24 Lacs (March 2012: Rs. 7.59 Lacs) and Perquisites Rs. 4.95 Lacs (March 2012: Rs. 2.21 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.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

**49** 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.

		March 2013		March 2012	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Rs. in Lacs				
	<b>LIABILITIES SIDE</b>				
<b>(1)</b>	<b>Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid</b>				
(a)	Debentures: Secured	4,96,997.56	-	3,08,901.85	-
	: Unsecured	-	-	-	-
	(other than falling within the meaning of public deposits)				
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans	9,85,276.37	-	8,23,022.13	-
(d)	Inter-corporate loans and Other Borrowings	5,215.39	-	2,486.56	-
(e)	Commercial Paper	5,000.00	-	3,000.00	-
(f)	Public Deposits	2,28,746.82	-	1,35,365.24	-
(g)	Fixed Deposits accepted from Corporates	15,880.11	-	9,359.73	-
(h)	FCNR Loans	38,092.45	-	19,843.67	-
(i)	Subordinate debt	65,183.50	-	56,410.13	-
(j)	Other Short Term Loans and credit facilities from banks	77,046.82	-	57,101.31	-
<b>(2)</b>	<b>Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)</b>				
(a)	In the form of Unsecured debentures	-	-	-	-
(b)	In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	-	-	-	-
(c)	Other public deposits	2,28,746.82	-	1,35,365.24	-
		<b>Amount Outstanding</b>		<b>Amount Outstanding</b>	
	<b>ASSET SIDE</b>				
<b>(3)</b>	<b>Break-up of Loans and Advances including bills receivable</b>				
	[other than those included in (4) below]:				
(a)	Secured		19,025.00		-
(b)	Unsecured		1,33,604.13		1,06,087.98
<b>(4)</b>	<b>Break-up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities</b>				
(i)	Lease assets including lease rentals under sundry debtors:				
(a)	Financial lease		-		-
(b)	Operating lease		-		-

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

Sr. No.	Particulars	Rs. in Lacs	
		March 2013	March 2012
		Amount Outstanding	Amount Outstanding
(ii)	Stock on hire including hire charges under sundry debtors:		
(a)	Assets on hire	-	-
(b)	Repossessed Assets	-	-
(iii)	Other loans counting towards AFC activities:		
(a)	Loans where assets have been repossessed	5,310.11	2,199.16
(b)	Loans other than (a) above	22,01,245.42	16,03,437.79
<b>(5)</b>	<b>Break-up of Investments</b>		
	<b>Current Investments:</b>		
<b>1.</b>	<b>Quoted:</b>		
(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	-	-
<b>2.</b>	<b>Unquoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of mutual funds	-	-
(iv)	Government Securities	-	-
(v)	Certificate of Deposits with Banks	19,585.34	28,937.55
(vi)	Commercial Papers	2,000.00	-
	<b>Long Term Investments:</b>		
<b>1.</b>	<b>Quoted:</b>		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(ii)	Units of mutual funds	-	-
(iv)	Government Securities	24,168.13	14,725.65
<b>2.</b>	<b>Unquoted:</b>		
(i)	Shares: (a) Equity	9,643.30	6,587.39
	(b) Preference	-	-
(ii)	Debentures and Bonds	700.00	-
(iii)	Units of mutual funds	-	-
(iv)	Government Securities	-	-

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Financial Statements for the year ended March 31, 2013

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

Category	March 2013 Amount net of provisions			March 2012 Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	-	1818.77	1818.77	-	4774.70	4774.70
(b) Companies in the same group	-	4917.74	4917.74	-	6117.46	6117.46
(c) Other related parties	-	-	-	-	-	-
2. Other than related parties	2225580.53	126867.62	2352448.15	1605636.95	95195.82	1700832.77
<b>Total</b>	<b>2225580.53</b>	<b>133604.13</b>	<b>2359184.66</b>	<b>1605636.95</b>	<b>106087.98</b>	<b>1711724.93</b>

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

Category	March 2013		March 2012	
	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries	4748.98	4748.98	4055.76	4055.76
(b) Companies in the same group	5594.32	5594.32	2531.63	2531.63
(c) Other related parties	-	-	-	-
2. Other than related parties	46295.02	45753.47	43439.53	43663.20
<b>Total</b>	<b>56,638.32</b>	<b>56,096.77</b>	<b>50,026.92</b>	<b>50,250.59</b>

## (8) Other information

Particulars	March 2013	March 2012
	Amount	Amount
(i) Gross Non-Performing Assets:		
(a) Related parties	-	-
(b) Other than related parties	76295.53	55433.65
(ii) Net Non-Performing Assets:		
(a) Related parties	-	-
(b) Other than related parties	25992.87	12196.07
(iii) Assets acquired in satisfaction of debt	-	-

**50** Previous year figures have been regrouped / reclassified wherever found necessary.

### Signatures to Significant accounting policies and Notes to the financial statements – I and II

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

**Uday Y. Phadke**  
Director

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Rama Bijapurkar**  
Director

**V. Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

Place: Mumbai  
Date: April 23, 2013

# 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			
	Equity	Extent of holding	For Current Financial Year		For Previous Financial Years	
	Nos.	%	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2013	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2013	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2013	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2013
			Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
Mahindra Insurance Brokers Ltd.	21,90,722	85%	-	2077.95	-	5995.09
Mahindra Rural Housing Finance Ltd.	4,00,00,000	87.5%	-	1497.81	-	1727.95
Mahindra Business & Consulting Services Pvt. Ltd.	10,000	100%	-	173.80	-	74.62

## Notes:

The financial year of the subsidiary companies ended on 31st March, 2013.

**Uday Y. Phadke**  
Director

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Rama Bijapurkar**  
Director

**V. Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

Place: Mumbai  
Date: April 23, 2013

**CONSOLIDATED**

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**FINANCIAL STATEMENTS**

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# INDEPENDENT AUDITORS' REPORT

## To the Board of Directors of Mahindra & Mahindra Financial Services Limited

1. We have audited the accompanying consolidated financial statements of **Mahindra & Mahindra Financial Services Limited** ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at 31st March, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 3. Auditors' Responsibility

3.1 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are

appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

3.3 We have relied on the unaudited financial statements of its joint venture which reflects the Group's share of total assets of Rs. 75,758.95 Lacs as at 31st March, 2013 and the Group's share of total revenue of Rs. 2,861.09 Lacs and net cash outflows of Rs. 171.19 Lacs for the year ended on that date considered in the consolidated financial statements. These financial statements have been approved by the management of the joint venture company. We have neither carried out an audit or review in respect of these financial statements.

3.4 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 4. Opinion

On the basis of information and explanations given to us, and on consideration of the separate audit reports on individual audited financial statements of Mahindra & Mahindra Financial Services Limited, its subsidiaries and unaudited financial statements of the joint venture referred in para 3.3. above, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

**Padmini Khare Kaicker**  
Partner  
M. No.44784

Place: Mumbai  
Date : 23rd April, 2013

**CONSOLIDATED BALANCE SHEET**

as at March 31, 2013

Rs. in Lacs

Particulars	Note no.	March 2013	March 2012
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share capital	1	11,260.40	10,268.75
b) Reserves and surplus	2	4,46,695.15	2,92,838.56
		<b>4,57,955.55</b>	<b>3,03,107.31</b>
<b>MINORITY INTEREST</b>			
		2,367.17	770.74
<b>2) Non-current liabilities</b>			
a) Long-term borrowings	3	13,81,540.40	9,91,100.74
b) Other long-term liabilities	4	24,297.19	7,804.35
c) Long-term provisions	5	31,838.91	35,787.58
		<b>14,37,676.50</b>	<b>10,34,692.67</b>
<b>3) Current liabilities</b>			
a) Short-term borrowings	6	1,58,191.25	1,43,895.09
b) Trade payables	7	48,934.04	38,168.40
c) Other current liabilities	8	5,35,330.50	3,74,095.32
d) Short-term provisions	9	66,624.09	47,294.43
		<b>8,09,079.88</b>	<b>6,03,453.24</b>
<b>Total</b>		<b>27,07,079.10</b>	<b>19,42,023.96</b>
<b>II. ASSETS</b>			
<b>1) Non-current assets</b>			
a) Fixed assets	10		
i) Tangible assets		11,077.90	9,997.01
ii) Intangible assets		154.37	99.87
iii) Capital work-in-progress		135.51	182.72
b) Non-current investments	11	24,168.13	14,725.65
c) Deferred tax assets (Net) (Refer Note 39)	12	24,208.08	20,331.14
d) Long-term loans and advances	13	14,16,620.51	9,63,837.87
e) Other non-current assets	14	17,106.50	1,577.00
		<b>14,93,471.00</b>	<b>10,10,751.26</b>
<b>2) Current assets</b>			
a) Current investments	15	21,585.34	28,937.55
b) Trade receivables	16	1,573.78	1,112.13
c) Cash and cash equivalents	17	36,796.59	25,596.87
d) Short-term loans and advances	18	11,51,383.74	8,74,872.25
e) Other current assets	19	2,268.65	753.90
		<b>12,13,608.10</b>	<b>9,31,272.70</b>
<b>Total</b>		<b>27,07,079.10</b>	<b>19,42,023.96</b>
<b>Summary of significant accounting policies and notes to the financial statements</b>	<b>I &amp; II</b>		

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**Uday Y. Phadke**  
Director**Dhananjay Mungale**  
Director**M. G. Bhide**  
Director**Padmini Khare Kaicker**  
Partner  
Membership No.44784**Ramesh Iyer**  
Managing Director**Piyush Mankad**  
Director**Rama Bijapurkar**  
Director**V. Ravi**  
Chief Financial Officer**Arnavaz Pardiwala**  
Company SecretaryPlace: Mumbai  
Date: 23rd April, 2013



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2013

Particulars	Note No.	Rs. in Lacs	
		March 2013	March 2012
<b>I.</b> Revenue from operations	20	4,09,498.79	2,88,937.88
<b>II.</b> Other income	21	1,797.35	2,094.27
<b>III. Total Revenue (I + II)</b>		<b>4,11,296.14</b>	<b>2,91,032.15</b>
<b>IV. Expenses:</b>			
Employee benefits expense	22	37,928.82	31,275.41
Finance costs	23	1,67,059.05	1,13,988.21
Depreciation and amortisation expenses	24	2,365.90	2,028.52
Provisions and write offs	25	28,815.02	15,998.94
Other expenses	26	42,913.81	31,611.28
<b>Total Expenses</b>		<b>2,79,082.60</b>	<b>1,94,902.36</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>1,32,213.54</b>	<b>96,129.79</b>
<b>VI.</b> Exceptional items (net) - income / (expense)	27	3,052.27	-
<b>VII. Profit before extraordinary items and tax (V - VI)</b>		<b>1,35,265.81</b>	<b>96,129.79</b>
<b>VIII.</b> Extraordinary Items		-	-
<b>IX Profit before tax (VII- VIII)</b>		<b>1,35,265.81</b>	<b>96,129.79</b>
<b>X Tax expense</b>			
Current tax		46,252.02	30,252.88
Deferred tax		(3,876.94)	1,424.80
<b>XI Profit (Loss) for the period from continuing operations (IX-X)</b>		<b>92,890.73</b>	<b>64,452.11</b>
<b>XII</b> Minority Interest		187.19	102.40
<b>XIII Profit (Loss) for the period (XI - XII)</b>		<b>92,703.54</b>	<b>64,349.71</b>
<b>XIV</b> Earnings per equity share (Rupees) (Face value - Rs. 2/- per share ; 2012: Rs.10/- per share)			
(1) Basic		17.43	12.55
(2) Diluted		17.23	12.37
<b>Summary of significant accounting policies and notes to the financial statements</b>	<b>I &amp; II</b>		

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

**Uday Y. Phadke**  
Director

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Rama Bijapurkar**  
Director

**V. Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

Place: Mumbai  
Date: 23rd April, 2013

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2013

		Rs. in Lacs
	<b>March 2013</b>	<b>March 2012</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies	1,32,213.54	96,129.79
Add/(Less):		
<b>Non Cash Expenses</b>		
Depreciation & Amortisation	2,365.90	2,028.52
Exchange Fluctuation	177.75	332.49
Impairment Charge	218.79	78.90
Provision for non-performing assets (net)	6,142.43	(3,465.58)
General provision for Standard Assets	1,730.40	1,339.60
Interest expenses	5,441.63	3,128.46
Employee Compensation Expense on account of ESOS	443.02	749.65
Add/(Less)	16,519.92	4,192.04
<b>Income considered separately</b>		
Income on investing activities	(2,235.48)	153.82
(Profit)/Loss on sale / retirement of assets	2.89	(26.19)
(Profit)/Loss on sale of Investments	(231.18)	(734.43)
Income from Assignment / Securitisation transactions	(21,461.02)	(9,247.54)
	(23,924.79)	(9,854.34)
Operating profit before working capital changes (I)	1,24,808.67	90,467.49
Less:		
(Increase)/Decrease in interest accrued on investment/others	23.35	69.92
(Increase)/Decrease in Trade receivables	(20,011.81)	(14,208.12)
(Increase)/Decrease in Loans & Advances	(8,40,405.77)	(6,92,852.52)
	(8,60,394.23)	(7,06,990.72)
Add: Increase in Current liabilities (II)	44,195.32	24,191.29
	(8,16,198.91)	(6,82,799.43)
Cash generated from operations (I+II)	(6,91,390.24)	(5,92,331.94)
Advance taxes paid	(47,379.41)	(32,559.35)
	(7,38,769.65)	(6,24,891.29)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>(7,38,769.65)</b>	<b>(6,24,891.29)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets / Software	(3,493.87)	(4,127.32)
Sale of fixed assets	69.15	77.85
Purchase of Investments	(34,790.51)	(35,952.92)
Investment in Term Deposit with banks	(19,388.00)	(3,700.00)
Sale of Investments	29,168.73	53,892.21
Maturity of Term Deposits with Banks	-	-
Income received on investments	3,617.45	(25.61)
Proceeds from sale of long-term investments in equity shares of Mahindra Insurance Brokers Limited	6,432.99	-
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(18,384.06)</b>	<b>10,164.21</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares (net of issue expenses)	90,191.91	1,955.70
Increase/(Decrease) in Bank borrowings (net)	2,00,175.75	2,42,648.54
Increase/(Decrease) in long term borrowings (net)	2,48,354.26	1,75,583.47
Increase/(Decrease) in short term borrowings (net)	(7,237.93)	(8,502.03)
Increase/(Decrease) in Fixed Deposits (net)	95,305.83	54,113.22
Proceeds from Assignment / Securitisation transactions	1,61,629.31	1,55,509.77
Interest paid	(5,417.57)	(3,089.70)
Dividend paid	(18,786.14)	(12,376.75)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>7,64,215.42</b>	<b>6,05,842.22</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>7,061.71</b>	<b>(8,884.86)</b>
<b>CASH AND CASH EQUIVALENTS AS AT:</b>		
<b>Beginning of the Year</b>	<b>19,652.87</b>	<b>28,537.73</b>
<b>End of the Year</b>	<b>26,714.58</b>	<b>19,652.87</b>

\* 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

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

Place: Mumbai  
Date: 23rd April, 2013

**Uday Y. Phadke**  
Director

**Ramesh Iyer**  
Managing Director

**V. Ravi**  
Chief Financial Officer

**Dhananjay Mungale**  
Director

**Piyush Mankad**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**M. G. Bhide**  
Director

**Rama Bijapurkar**  
Director

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1) The Consolidated Financial Statements relate to Mahindra & Mahindra Financial Services Limited, the Holding Company, its subsidiary companies namely Mahindra Insurance Brokers Limited, Mahindra Rural Housing Finance Limited and Mahindra Business & Consulting Services Private Limited and its Joint Venture entity, Mahindra Finance USA, LLC referred to as the "Company" or "Group". 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 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 (on a proportionate basis in case of joint venture) 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. Goodwill arising on consolidation is not amortised in the books of account.
- 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 for the same period as the Company.
- 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	85.00%
Mahindra Rural Housing Finance Limited (MRHFL)	India	87.50%
Mahindra Business & Consulting Services Pvt. Ltd. (MBCSPL)	India	100.00%
Mahindra Finance USA, LLC	USA	49.00%

## 2) Basis for preparation of financial statements:

The consolidated 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 and liabilities have been classified as current and non – current as per the Company's normal operating cycle and other criteria set out in the Revised 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 and non-current classification of assets and liabilities.

Further, the Company follows prudential norms for Income Recognition, assets classification and provisioning for Non-performing assets as well as contingency provision for standard assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies and by The National Housing Bank for Housing Finance Companies. The Company has a policy of making additional provision on a prudential basis (refer note no. 33 of notes to the financial statements).

## 3) 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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 4) 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 advances, which on account of uncertainty of ultimate collection are accounted on receipt basis. Further, 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 loans:

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 and documentation charges are booked at the commencement of the contract.

##### iv. Brokerage and handling charges income:

Brokerage, handling charges and broker retainer's fees are recognised on accrual basis when services are rendered and are net of service tax.

##### v. Interest and other income from housing loans:

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, service charges and fee based income which on account of uncertainty of ultimate collection are accounted on receipt basis. In accordance with the guidelines issued by The National Housing Bank for Housing Finance Companies, income on business assets classified as Non-Performing assets, is recognised on receipt basis.

##### 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 / securitisation transactions:

In assignment of receivables, the assets are de-recognised as all the rights, title, future receivables and 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 and incidental expenses related to the transaction is recognised as gain or loss arising on assignment. Such assignment transactions were executed prior to issuance of RBI guidelines dated 21st August, 2012 for accounting and disclosure of securitisation / assignment transactions.

The recently issued guidelines as mentioned above are applicable to transactions effected on or after that date. Accordingly, securitisation transactions effected post issuance of the said guidelines are accounted as under:

- a) Securitised receivables are de-recognised in the balance sheet when they are sold i.e. if they fully meet the true sale criteria.
- b) Gains arising on securitisation of assets are recognised over the tenure of securities issued by Special Purpose Vehicles Trust (SPV).
- c) Company's contractual rights to receive the share of future interest (i.e. interest spread) in the transferred assets from the SPV is capitalised at the present value as Interest Only (I/O) strip with a corresponding liability created for unrealised gains on loan transfer transactions. The excess interest spread on the securitisation transactions are recognised in the Statement of profit and loss only when it is redeemed in cash by the SPV. Losses, if any, are recognised upfront.

##### 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.

#### 5) Tangible and intangible assets:

##### a) Tangible assets:

Tangible assets are stated at cost of acquisition

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

(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.

**b) Intangible assets:**

Intangible assets comprising of computer software is initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

**6) Depreciation / Amortisation:**

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

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

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

iii. Computer software is amortised over the useful life. The maximum period for such amortisation is 36 months.

**7) Foreign exchange transactions:**

Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the Statement of profit and loss.

Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates and the resultant exchange differences are recognised in the Statement of profit and loss.

In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate on the date of inception of a forward

contract is recognised as income or expense and is amortised over the life of the contract. Such forward contracts outstanding at the year end are marked to market and gain or loss thereon is charged to Statement of profit or loss. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the period.

**8) 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. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income from investments. The book value of the investments is reduced to the extent of amount amortised during the relevant accounting period.

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

**9) Loans against assets:**

Loans against assets are stated at agreement value net of instalments received less unmatured finance charges.

**10) Employee benefits:**

**(a) Defined contribution plans -**

Company's contribution paid/payable during the year to provident fund and labour welfare fund are recognised in the Statement of profit and loss.

**(b) Gratuity -**

Liabilities with regard to the gratuity benefit payable in future are determined by actuarial valuation at each balance sheet date using the projected unit credit method and contributed to employee gratuity fund managed by Life Insurance Corporation of India. Actuarial gains and losses arising from changes in actuarial assumptions are recognised in the Statement of profit and loss in the period in which they arise.

**(c) Superannuation -**

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance Corporation of India. The Company has no obligation to the scheme beyond its monthly contributions.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

**(d) Leave encashment / compensated absences**

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The liabilities provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation.

Hitherto, the Company has determined liability on account of leave encashment on actual basis. With effect from the current year, the liability has been determined on actuarial basis. This change has no material impact on the financial statements of the Company.

**11) Borrowing costs:**

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.

**12) Taxes on income:**

Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961.

Deferred tax 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 is accounted for using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date. 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. Other deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

**13) Share issue expenses:**

Expenses incurred in connection with fresh issue of Share Capital are adjusted against Securities Premium reserve in the year in which they are incurred.

**14) 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.

**15) Provisions and 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.

**16) 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 (ESOS)) 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 (i.e. excess of market value of shares over the exercise price of the option at the date of grant). Compensation expense is amortised over the vesting period of the option on a straight line basis.

**17) Lease:**

Payments under operating lease arrangements are recognised as per the terms of the lease.

**18) Earnings Per Share:**

Basic Earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, sub-division of shares, etc. that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

## II. NOTES TO THE FINANCIAL STATEMENTS

	Rs. in Lacs	
	March 2013	March 2012
<b>1 SHARE CAPITAL</b>		
<b>Authorised Capital:</b>		
70,00,00,000 equity shares of Rs. 2/- each (March 2012: 14,00,00,000 equity shares of Rs.10/- each)	14,000.00	14,000.00
50,00,000 Redeemable preference shares of Rs.100/- each (March 2012: 50,00,000 Redeemable preference shares of Rs.100/- each)	5,000.00	5,000.00
<b>Issued Capital:</b>		
56,87,64,960 Equity shares of Rs. 2/- each (March 2012: 10,40,02,735 equity shares of Rs.10/- each)	11,375.30	10,400.27
<b>Subscribed and paid-up capital:</b>		
56,87,64,960 Equity shares of Rs. 2/- each (March 2012: 10,40,02,735 equity shares of Rs.10/- each)	11,375.30	10,400.27
Less: Shares issued to ESOS trust but not allotted to employees (57,44,785 equity shares of Rs. 2/- each (March 2012: 13,15,164 equity shares of Rs.10/- each))	114.90	131.52
<b>Total</b>	<b>11,260.40</b>	<b>10,268.75</b>

	March 2013		March 2012	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
<b>a) Reconciliation of number of equity shares:</b>				
Balance at the beginning of the year (Equity shares of face value Rs.10/- each)	10,40,02,735	10,400.27	10,40,02,735	10,400.27
Add: Fresh allotment of shares / adjustment for sub-division of equity shares during the year:				
1) Private placement to Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP) (Equity shares of face value Rs.10/-each) (refer note no.31)	97,50,257	975.03	-	-
2) Addition on account of sub-division of equity shares of Rs.10/- face value into equity shares of Rs. 2/- face value (on 18th February, 2013)	45,50,11,968	-	-	-
<b>Balance at the end of the year</b> (Equity shares of face value Rs. 2/- each ; 2012: Rs.10/- each)	<b>56,87,64,960</b>	<b>11,375.30</b>	<b>10,40,02,735</b>	<b>10,400.27</b>
<b>b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates:</b>				
Holding company: Mahindra & Mahindra Limited (Equity shares of face value of Rs. 2/- each ; 2012: Equity shares of face value of Rs.10/- each)	29,12,07,660	5,824.15	5,82,41,532	5,824.15
Percentage of holding (%)	51.20%	51.20%	56.00%	56.00%
<b>c) Shareholders holding more than 5 percent shares:</b>				
<b>Mahindra &amp; Mahindra Limited</b> (Equity shares of face value of Rs. 2/- each ; 2012: Equity shares of face value of Rs.10/- each)	29,12,07,660	5,824.15	5,82,41,532	5,824.15
Percentage of holding (%)	51.20%	51.20%	56.00%	56.00%



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

### d) Sub-division of equity shares:

Pursuant to recommendation of the Board of Directors of the Company at its meeting held on 21st December, 2012 and followed by approval of the members by way of postal ballot, each equity share of the face value of Rs.10/- fully paid up was sub-divided into five Equity shares of Rs. 2/- each fully paid up in February, 2013. In accordance with the Accounting Standard 20 pertaining to Earnings Per Share, the Company has given effect to the above mentioned sub-division of shares in computing the Earnings Per Share for the applicable previous year.

### e) Terms / rights attached to equity shares:

The Company has only one class of equity shares having a par value of Rs. 2/- per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the board of directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Company, the holders of equity shares

will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### f) Shares issued to ESOS trust:

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. 114.90 Lacs (March 2012: Rs. 131.52 Lacs), Securities premium reserve by Rs. 112.70 Lacs (March 2012: Rs. 155.23 Lacs) in respect of 57,44,785 equity shares of face value of Rs. 2/- each (March 2012: 13,15,164 equity shares of face value of Rs. 10/- each) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.

	March 2013	March 2012
Rs. in Lacs		
<b>2 RESERVES AND SURPLUS</b>		
<b>Capital redemption reserve:</b>		
Balance as at the beginning of the year	5,000.00	5,000.00
Add: Transfer during the year	-	-
	5,000.00	5,000.00
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Securities premium reserve:</b>		
<b>Balance as at the beginning of the year</b>	1,16,689.20	1,16,434.98
Add: Additions during the year on account of -		
i) Exercise of employee stock options	444.18	254.22
ii) Fresh issue of shares	85,704.76	0.00
	2,02,838.14	1,16,689.20
Less: Deductions during the year in respect of share issue expenses	1,280.06	-
<b>Balance as at the end of the year</b>	<b>2,01,558.08</b>	<b>1,16,689.20</b>
Less: Shares issued to ESOP trust but not allotted to employees	112.70	155.23
<b>Net Balance</b>	<b>2,01,445.38</b>	<b>1,16,533.97</b>
<b>Statutory reserve:</b>		
Balance as at the beginning of the year	46,828.55	34,064.19
Add: Transfers from Surplus in the Statement of profit and loss	18,057.13	12,764.36
	64,885.68	46,828.55
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>64,885.68</b>	<b>46,828.55</b>
<b>General reserve:</b>		
Balance as at the beginning of the year	19,151.60	12,813.60
Add: Transfers from Surplus in the Statement of profit and loss	9,177.00	6,338.00

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>2 RESERVES AND SURPLUS</b>		
	<b>28,328.60</b>	<b>19,151.60</b>
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>28,328.60</b>	<b>19,151.60</b>
<b>Foreign exchange fluctuation reserve:</b>		
Balance as at the beginning of the year	294.82	(37.66)
Add: Additions during the year	218.80	332.48
	513.62	294.82
Less: Deductions during the year	-	-
<b>Balance as at the end of the year</b>	<b>513.62</b>	<b>294.82</b>
<b>Employees stock options outstanding:</b>		
A) Employee Stock Option Outstanding -		
Balance as at the beginning of the year	1,804.70	1,803.51
Add: Fresh grant of options	-	278.19
	1,804.70	2,081.70
Less: Transfers / reversals during the year		
i) Transfers to securities premium reserve	444.18	254.22
ii) Reversals for options lapsed	12.75	22.78
Balance as at the end of the year	(A) <b>1,347.77</b>	<b>1,804.70</b>
Less:		
B) Deferred Employee Compensation		
Balance as at the beginning of the year	1101.19	1,595.43
Add: Fresh grant of options	-	278.19
	1101.19	1,873.62
Less: Amortisation during the year		
i) Transfer to employee compensation expenses	516.14	749.65
ii) Reversals for options lapsed	12.75	22.78
Balance as at the end of the year	(B) <b>572.30</b>	<b>1,101.19</b>
<b>Balance as at the end of the year</b>	<b>(A-B) 775.47</b>	<b>703.51</b>
<b>Surplus in Statement of profit and loss:</b>		
Balance as at the beginning of the year	1,04,326.11	76,007.43
Add: Profit for the year transferred from the Statement of profit and loss	92,703.54	64,349.71
	<b>1,97,029.65</b>	<b>1,40,357.14</b>
<b>Less: Appropriations:</b>		
General reserve	9,177.00	6,338.00
Statutory reserve	18,057.13	12,764.36
Interim dividend on equity shares	-	-
Corporate tax on interim dividend on equity shares	162.31	-
Proposed dividend on equity shares	20,475.54	14,600.38
Corporate dividend tax on equity shares	3,411.84	2,368.46
Excess provision for corporate dividend tax on equity shares for earlier year	(0.57)	(40.17)
	51,283.25	36,031.03
<b>Balance as at the end of the year</b>	<b>1,45,746.40</b>	<b>1,04,326.11</b>
<b>Total</b>	<b>4,46,695.15</b>	<b>2,92,838.56</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>3 LONG-TERM BORROWINGS</b>		
<b>a) Secured - #</b>		
Non-convertible debentures (refer note no. 49(i))	3,13,960.00	2,47,470.00
Term loans		
- from banks (refer note no. 49(ii))	7,45,443.75	5,31,890.83
- from others (refer note no. 49(iii))	18,774.49	13,879.24
Foreign currency loans		
- from banks (refer note no. 49(iv))	27,142.50	9,800.00
- from others (refer note no. 49(v))	24,756.47	30,637.02
<b>Total</b>	<b>11,30,077.21</b>	<b>8,33,677.09</b>
<b>b) Unsecured -</b>		
Unsecured bonds (Subordinate debts) (refer note no. 50(i))	59,410.00	51,010.00
Fixed deposits (refer note no. 50(ii))	1,92,053.19	1,06,413.65
<b>Total</b>	<b>2,51,463.19</b>	<b>1,57,423.65</b>
<b>Total (a+b)</b>	<b>13,81,540.40</b>	<b>9,91,100.74</b>

# All secured loans / debentures are secured by pari passu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans / debentures.

	Rs. in Lacs	
	March 2013	March 2012
<b>4 OTHER LONG-TERM LIABILITIES</b>		
Deposits/advances received against loan agreements (refer note no. 40)	1,260.70	987.04
Interest accrued but not due on borrowings	15,983.12	3,887.14
Deferred subvention income	3,424.05	2,930.17
Unrealised gains on loan transfers under securitisation transactions	3,629.32	-
<b>Total</b>	<b>24,297.19</b>	<b>7,804.35</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>5 LONG-TERM PROVISIONS</b>		
Provision for employee benefits (refer note no. 41)	742.64	252.76
Provision for Non-performing assets (refer note no. 33(a), 34 and 35)	10,046.85	13,278.95
Contingent provisions for standard assets (refer note no. 33(b) & 34)	5,484.96	2,501.75
Provision for estimated loss/expenses on assignments	15,564.46	19,754.12
<b>Total</b>	<b>31,838.91</b>	<b>35,787.58</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>6 SHORT TERM BORROWINGS</b>		
<b>a) Secured- #</b>		
Term loans from banks (refer note no. 51(i))	42,000.00	59,900.00
Cash credit facilities with banks (refer note no. 51(i))	75,027.03	57,101.31
Foreign currency loans (refer note no. 51(ii))	30,782.02	-
<b>Total</b>	<b>1,47,809.05</b>	<b>1,17,001.31</b>
<b>b) Unsecured -</b>		
Loans from banks:		
- Term Loans (refer note no. 51(iii))	-	22,500.00
- Overdraft facilities	2,019.79	-
Foreign currency loans from banks	-	8.58
Fixed deposits (refer note no. 50(ii))	3,362.41	1,385.20
Commercial Papers (CPs) (refer note no. 51(iv))	5,000.00	3,000.00
<b>Total</b>	<b>10,382.20</b>	<b>26,893.78</b>
<b>Total (a+b)</b>	<b>1,58,191.25</b>	<b>1,43,895.09</b>

# All secured loans / debentures are secured by pari passu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans / debentures.

	Rs. in Lacs	
	March 2013	March 2012
<b>7 TRADE PAYABLES</b>		
Trade payables for finance	35,714.53	28,617.55
Trade payables for expenses	13,219.51	9,550.85
<b>Total</b>	<b>48,934.04</b>	<b>38,168.40</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>8 OTHER CURRENT LIABILITIES</b>		
<b>Current maturities of long-term debt</b>		
<b>a) Secured - #</b>		
Non-convertible debentures (refer note no. 49(i))	1,67,840.00	51,815.00
Foreign currency loans from banks (refer note no. 49(iv))	10,809.57	10,000.00
Term loans		
- from banks (refer note no. 49(ii))	2,41,744.28	2,31,996.67
- from others (refer note no. 49(iii))	4,487.68	3,006.16
Foreign currency loans - others (refer note no. 49(v))	10,158.60	-
	<b>4,35,040.13</b>	<b>2,96,817.83</b>
<b>b) Unsecured -</b>		
Unsecured bonds (subordinate debts ) (refer note no. 50(i))	3,100.00	3,140.00
Fixed deposits (refer note no. 50(ii))	37,377.62	29,688.54
	<b>40,477.62</b>	<b>32,828.54</b>
Interest accrued but not due on borrowings	14,929.38	15,902.46
Unclaimed dividends	62.52	53.78
Deposits / advances received against loan agreements (refer note no. 40)	1,728.60	1,642.99
Amount Received in advance from ESOS Trust	227.60	286.75
Credit balances in current accounts with banks as per books	16,906.56	10,363.84
Deferred subvention income	1,855.43	1,743.41
Unrealised gains on loan transfers under securitisation transactions	7,447.22	-
Insurance premium payable	3,155.66	2,425.24
Payables under assignment / securitisation transactions	7,590.56	5,093.90
Taxes deducted at Source	1,621.95	1,156.04
Others	4,287.27	5,780.54
<b>Total</b>	<b>5,35,330.50</b>	<b>3,74,095.32</b>

# All secured loans / debentures are secured by pari passu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured loans / debentures.

	Rs. in Lacs	
	March 2013	March 2012
<b>9 SHORT-TERM PROVISIONS</b>		
Provision for employee benefits (refer note no. 41)	4,509.99	5,041.23
Provision for estimated loss/expenses on assignments	4,189.65	3,193.08
Provision for Non-performing assets (refer note no. 33(a), 34 and 35)	29,663.34	20,032.17
Contingent provisions for standard assets (refer note no. 33(b) & 34)	4,373.73	2,058.54
Proposed dividend on equity shares #	20,475.54	14,600.38
Corporate dividend tax #	3,411.84	2,369.03
<b>Total</b>	<b>66,624.09</b>	<b>47,294.43</b>

# The Board of Directors have recommended a dividend of Rs. 3.60 per share (March 2012: Rs.14 per share on equity share of face value Rs.10/- each) on equity share of Rs.2/- each for the current financial year. The dividend will absorb a sum of Rs. 23,887.38 Lacs (March 2012: Rs. 16,816.18 Lacs) including dividend distribution tax.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

Rs. in Lacs

10	FIXED ASSETS	GROSS BLOCK AT COST			DEPRECIATION & AMORTISATION			NET BLOCK			
		As at 1st April 2012	Additions	Deductions / adjustments	As at 31st March 2013	As at 1st April 2012	Additions	Deductions / adjustments	As at 31st March 2013	As at 31st March 2012	
<b>i) Tangible assets</b>											
	Premises	108.92	-	-	108.92	14.05	1.77	-	15.82	93.10	94.87
	Computers	4,280.66	571.57	12.48	4,839.75	2,250.90	552.40	9.79	2,793.51	2,046.24	2,029.76
	Furniture and Fixtures	4,699.00	1,147.71	17.94	5,828.77	1,367.81	496.88	8.48	1,856.21	3,972.56	3,331.19
	Vehicles	3,810.28	701.74	171.94	4,340.08	1,301.85	608.87	114.93	1,795.79	2,544.29	2,508.43
	Office Equipment	3,472.82	1,002.91	13.10	4,462.63	1,440.06	611.06	10.20	2,040.92	2,421.71	2,032.76
	<b>Total (i)</b>	<b>16,371.68</b>	<b>3,423.93</b>	<b>215.46</b>	<b>19,580.15</b>	<b>6,374.67</b>	<b>2,270.98</b>	<b>143.40</b>	<b>8,502.25</b>	<b>11,077.90</b>	<b>9,997.01</b>
	31st March, 2012	11,886.29	4,773.80	288.41	16,371.68	4,646.73	1,964.71	236.77	6,374.67	9,997.01	7,239.56
<b>ii) Intangible assets</b>											
	Computer software	1,000.17	150.13	-	1,150.30	905.06	94.92	-	999.98	150.32	95.11
	Goodwill*	4.76	-	0.71	4.05	-	-	-	-	4.05	4.76
	<b>Total (ii)</b>	<b>1,004.93</b>	<b>150.13</b>	<b>0.71</b>	<b>1,154.35</b>	<b>905.06</b>	<b>94.92</b>	<b>-</b>	<b>999.98</b>	<b>154.37</b>	<b>99.87</b>
	31st March, 2012	993.40	11.53	-	1,004.93	841.25	63.81	-	905.06	99.87	152.15
	<b>Total (i+ii)</b>	<b>17,376.61</b>	<b>3,574.06</b>	<b>216.17</b>	<b>20,734.50</b>	<b>7,279.73</b>	<b>2,365.90</b>	<b>143.40</b>	<b>9,502.23</b>	<b>11,232.27</b>	<b>10,096.88</b>
	31st March, 2012	12,879.69	4,785.33	288.41	17,376.61	5,487.98	2,028.52	236.77	7,279.73	10,096.88	7,391.71

\* - Goodwill arising on consolidation

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

		Rs. in Lacs	
		March 2013	March 2012
<b>11</b>	<b>NON-CURRENT INVESTMENTS</b>		
<b>i)</b>	<b>Quoted (at cost ): Trade</b>		
	Government securities (refer note no.11 (i))	24,168.13	14,725.65
	<b>Total</b>	<b>24,168.13</b>	<b>14,725.65</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>Additional Information</b>			
<b>Aggregate amount of quoted investments and market value</b>			
	i) Aggregate amount	24,168.13	14,725.65
	ii) Market value	24,709.68	14,501.98

**(i) Details of quoted long-term investments in Government stock as on 31st March, 2013**

			Rs. In Lacs
	Face value (Rs.)	Units	Amount
Govt stock 6.90%-13/07/2019	100	100000000	947.79
Govt stock 6.90%-13/07/2019	100	150000000	1,427.50
Govt stock 6.90%-13/07/2019	100	100000000	932.55
Govt stock 10.25%-30/05/2021	100	100000000	1,111.85
Govt stock 6.35%-02/01/2020	100	100000000	885.25
Govt stock 8.13%-21/09/2022	100	150000000	1,508.95
Govt stock 8.20%-15/02/2022	100	100000000	1,007.96
Govt stock 8.20%-15/02/2022	100	100000000	1,002.32
Govt stock 7.80%-03/05/2020	100	50000000	488.65
Govt stock 8.13%-21/09/2022	100	50000000	490.95
Govt stock 8.13%-21/09/2022	100	50000000	490.71
Govt stock 8.13%-21/09/2022	100	100000000	955.80
Govt stock 8.30%-02/07/2040	100	150000000	1,359.30
Govt stock 8.97%-05/12/2030	100	100000000	1,031.78
Govt stock 8.97%-05/12/2030	100	100000000	1,033.30
Govt stock 8.83%-12/12/2041	100	100000000	1,019.49
Govt stock 8.83%-12/12/2041	100	100000000	1,025.41
Govt stock 8.97%-05/12/2030	100	50000000	518.64
Govt stock 8.97%-05/12/2030	100	100000000	1,037.74
Govt stock 8.97%-05/12/2030	100	50000000	529.97
Govt stock 8.97%-05/12/2030	100	100000000	1,048.29
Govt stock 9.15%-14/11/2024	100	250000000	2,700.47
Govt stock 8.97%-05/12/2030	100	150000000	1,613.47
<b>Total</b>		<b>2400000000</b>	<b>24,168.13</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

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

	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
<b>Total</b>		<b>15000000</b>	<b>14,725.65</b>

Quoted investments of Rs. 24,168.13 Lacs (March 2012: Rs. 14,725.65 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.

- (ii) During the year, the Company has made an additional investment of Rs. 3,062.69 Lacs (USD5.68 Million) in Mahindra Finance USA LLC, a 49% joint venture company formed jointly with De Lage Landen Financial Services Inc. in United States.
- (iii) During the year, the Company has sold 3,09,278 equity shares of face value of Rs.10/- each representing 12.37% of

holding in subsidiary company, Mahindra Insurance Brokers Ltd., at Rs. 2,080/- per share for a consideration aggregating Rs. 6,432.98 Lacs to Inclusion Resources Private Limited (IRPL), a Singapore-based subsidiary of LeapFrog Financial Inclusion Fund (LFIF) vide corporate action dated 28th March 2013 and issue of transfer instruction dated 30th March, 2013.

On account of a technical issue raised by the Depository Participant of IRPL, the actual transfer of 3,09,278 equity shares from the demat account of MMFSL, was recorded in the demat account of IRPL on 2nd April, 2013, being the next working day. The capital profit on this sale transaction amounting to Rs.6,426.21 Lacs has been shown as an exceptional item in the Statement of profit and loss.

	March 2013	Rs. in Lacs March 2012
<b>12 DEFERRED TAX ASSETS (NET)</b>		
<b>a) Deferred tax assets</b>		
Provision for non performing assets / loss and expenses on assignments	20,124.68	18,208.15
Provision for Standard assets	3,350.97	1,479.04
Other disallowances	775.52	710.48
(a)	<b>24,251.17</b>	<b>20,397.67</b>
<b>b) Deferred tax liabilities</b>		
Difference between written down value of books of account and Income Tax Act, 1961	43.09	66.54
(b)	<b>43.09</b>	<b>66.54</b>
<b>Net deferred tax assets</b>	<b>(a-b) 24,208.08</b>	<b>20,331.13</b>



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>13 LONG-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good unless otherwise stated</b>		
Capital advances	137.09	170.08
Deposits for office premises / others	1,453.47	1,048.05
Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts India Ltd. and Loan to Mahindra Retail Pvt. Ltd.)	1,091.74	2,909.11
Other loans and advances	61.94	41.56
Loans against assets (secured, including overdue loans) #	14,03,412.17	9,54,145.69
Retained interest in Pass Through Certificates under securitisation transactions (refer note no. 43(f))	2,041.02	-
Interest Only Strip (I/O Strip) under securitisation transactions (refer note no. 43(d))	3,629.32	-
Loans and advances (including overdue loans) @	4,793.76	5,523.38
# Includes non-performing assets of Rs.17,507.79 Lacs (March 2012: Rs.18715.39 Lacs) (refer note no. 5, 9 and 33(a))		
@ Includes non-performing assets of Rs.,56.91 Lacs (March 2012: Rs.150.15 Lacs) (refer note no. 5, 9 and 33(a))		
<b>Total</b>	<b>14,16,620.51</b>	<b>9,63,837.87</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>14 OTHER NON-CURRENT ASSETS</b>		
Term deposits with banks with original maturity greater than 12 months		
- Free	5,000.00	-
- Under lien (refer note no. 17 (a))	11,827.00	1,577.00
Derivative contract receivables	279.50	-
<b>Total</b>	<b>17,106.50</b>	<b>1,577.00</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>15 CURRENT INVESTMENTS</b>		
<b>i) Unquoted (at cost)</b>		
Certificate of deposits with banks #	19,585.34	28,937.55
Commercial Papers (CPs)	2,000.00	-
400 CPs, face value of Rs. 5.00 Lacs each issued by Manappuram Finance Limited		
<b>Total</b>	<b>21,585.34</b>	<b>28,937.55</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs
	March 2013
	March 2012
<b>Additional Information</b>	
Aggregate amount of unquoted investments	21,585.34
	28,937.55

## # Details of unquoted current investments in certificate of deposits as on 31st March, 2013

	Rs. in Lacs		
Particulars	Face value (Rs.)	Units	Amount
Indian Overseas Bank	1,00,000	20000	19,585.34
<b>Total</b>		<b>20000</b>	<b>19,585.34</b>

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

	Rs. in Lacs		
Particulars	Face value (Rs.)	Units	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
<b>Total</b>		<b>30000</b>	<b>28,937.55</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>16 TRADE RECEIVABLES</b>		
<b>Secured, considered doubtful</b>		
Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	379.57	381.69
<b>Unsecured, considered good unless otherwise stated</b>		
Outstanding for a period exceeding six months #	53.62	58.01
Outstanding for a period not exceeding six months #	1,140.59	672.43
# Includes non-performing assets of Rs. 391.92 Lacs (March 2012: Rs. 392.19 Lacs) (refer note no. 5, 9 and 33(a))		
<b>Total</b>	<b>1,573.78</b>	<b>1,112.13</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs
	March 2013
	March 2012
<b>17 CASH AND BANK BALANCE</b>	
<b>Cash and cash equivalents</b>	
Cash on hand	2,216.70
Cheques and drafts on hand	487.75
Bank balance in current accounts	22,696.31
<b>Other bank balances</b>	
Earmarked balances with banks -	
- Unclaimed dividend accounts with banks	63.83
<b>Term deposits</b>	
Free	1,190.00
Under lien	10,142.00
<b>Total</b>	<b>36,796.59</b>
	<b>25,596.87</b>

	Rs. in Lacs					
	March 2013			March 2012		
	Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
<b>a) Details of Term deposits</b>						
(i) Term deposits for SLR	6,780.00	5,960.00	12,740.00	6,000.00	1,500.00	7,500.00
(ii) Collateral deposits for securitisation transactions	3,349.00	5,800.00	9,149.00	-	-	-
(iii) Legal deposits	3.00	17.00	20.00	4.00	17.00	21.00
(iv) Under lien with IRDA for broking license	10.00	50.00	60.00	-	60.00	60.00
<b>Total</b>	<b>10,142.00</b>	<b>11,827.00</b>	<b>21,969.00</b>	<b>6,004.00</b>	<b>1,577.00</b>	<b>7,581.00</b>

## # Term deposits with scheduled banks under lien include

- i) Rs.12,740 Lacs (March 2012: Rs. 7,500.00 Lacs) being the Term deposits kept with 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.
- ii) Rs.9,149.00 Lacs (March 2012: Nil) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitisation transactions.
- iii) Rs.,20.00 Lacs (March 2012: Rs. 21.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.
- iv) Term deposit with IRDA for broking licence Rs. 50.00 Lacs (March 2012: 60.00 Lacs).

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>18 SHORT-TERM LOANS AND ADVANCES</b>		
<b>Unsecured, considered good unless otherwise stated</b>		
Loans against assets (secured, including overdue loans) #	10,03,335.55	7,74,611.92
Retained interest in Pass Through Certificates (PTC) under securitisation transactions (refer note no.43(f))	1,813.53	-
Interest Only Strip (I/O Strip) under securitisation transactions (refer note no. 43(d))	7,447.22	-
Loans and advances (including overdue loans) @	13,609.34	13,282.47
Bills of Exchange	7,442.71	14,863.39
Trade Advances @	91,907.73	57,321.37
Inventory funding (secured, including overdue loans)	4,093.91	-
Inter corporate deposits given @	10,445.00	3,850.00
Other loans and advances:		
Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts India Ltd. and Loan to Mahindra Retail Pvt. Ltd.)	1,817.37	3,168.41
Deposits for office premises / others	266.65	327.35
Advance payment of taxes (net of provisions)	8,288.16	7,160.75
Other Short term advances	916.57	286.59
# Includes non-performing assets of Rs. 47,738.90 Lacs (March 2012: Rs. 26,027.83 Lacs) (refer note no.5, 9, 33(a))		
@ Includes non-performing assets of Rs.1,232.23 Lacs (March 2012: Rs. 950.70 Lacs) (refer note no.5, 9, 33(a))		
<b>Total</b>	<b>11,51,383.74</b>	<b>8,74,872.25</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>19 OTHER CURRENT ASSETS</b>		
Interest accrued on -		
a) Investments	505.57	241.60
b) Others deposits	753.51	512.30
c) Derivative contract receivables	1,009.57	-
<b>Total</b>	<b>2,268.65</b>	<b>753.90</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

		Rs. in Lacs	
		March 2013	March 2012
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
<b>a)</b>	<b>Interest</b>		
	Income from loans	3,55,401.38	2,53,130.39
	Income from hire purchase	53.30	166.09
	Interest on term deposits / Inter-corporate deposits / Bonds etc.	1,624.45	1,252.30
	Interest on retained interest in PTCs under securitisation transactions	26.92	-
	Interest on government securities:		
	- Long term	1,432.49	879.61
	Income from insurance business / services	7,886.96	3,868.10
	(a)	<b>3,66,425.50</b>	<b>2,59,296.49</b>
<b>b)</b>	<b>Other financial services</b>		
	Service charges and other fees on loan transactions	20,072.80	17,867.65
	Income from hire purchase	0.58	2.68
	Income from bills	1,544.64	2,521.10
	Income from lease	0.34	0.47
	Income from assignment / securitisation transactions (refer note no. 43)	21,454.93	9,249.49
	(b)	<b>43,073.29</b>	<b>29,641.39</b>
	<b>Total (a+b)</b>	<b>4,09,498.79</b>	<b>2,88,937.88</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>21</b>	<b>OTHER INCOME</b>		
	Dividend received from:		
	- Current investments in mutual fund units	10.62	47.21
	Profit/premium on sale/redemption of:		
	- Current investments	231.18	734.43
	Profit on sale / retirement of owned assets (net)	-	26.19
	Income from shared services	1,123.88	845.49
	Others	431.67	440.95
	<b>Total</b>	<b>1,797.35</b>	<b>2,094.27</b>

		Rs. in Lacs	
		March 2013	March 2012
<b>22</b>	<b>EMPLOYEES BENEFITS EXPENSE</b>		
	Salary, bonus and incentives	33,566.51	27,331.69
	Company's contribution to provident funds and other funds	2,504.38	2,079.44
	Employee compensation expense on account of ESOPs # (refer note no.32(e))	524.09	749.65
	Staff welfare expenses	1,333.84	1,114.63
	<b>Total</b>	<b>37,928.82</b>	<b>31,275.41</b>

# Above is inclusive of ESOP costs reimbursement (net) to the holding company Rs. 7.97 Lacs (March 2012: Rs. Nil).

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	Rs. in Lacs	
	March 2013	March 2012
<b>23 FINANCE COSTS</b>		
Interest expense #	1,65,207.20	1,12,395.38
Other borrowing costs	1,851.85	1,592.83
<b>Total</b>	<b>1,67,059.05</b>	<b>1,13,988.21</b>

# includes interest costs of Rs. 3,114.65 Lacs (March 2012: Rs. 886.63 Lacs) on FCNR(b) loans.

	Rs. in Lacs	
	March 2013	March 2012
<b>24 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation on tangible assets	2,270.98	1,964.71
Amortisation of intangible assets	94.92	63.81
<b>Total</b>	<b>2,365.90</b>	<b>2,028.52</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>25 LOAN PROVISIONS AND WRITE OFFS</b>		
Bad debts and write offs (refer note no. 37)	20,942.19	18,124.92
Provision for Non performing assets (Net) (refer note no. 33 and 35)	6,142.43	(3,465.58)
General provision for standard assets (refer note no. 34)	1,730.40	1,339.60
<b>Total</b>	<b>28,815.02</b>	<b>15,998.94</b>

	Rs. in Lacs	
	March 2013	March 2012
<b>26 OTHER EXPENSES</b>		
Electricity charges	1,132.51	770.75
Rent	4,219.89	3,552.34
Repairs and maintenance -		
- Buildings	757.48	1,195.84
- Others	79.80	34.22
Insurance	1,066.54	1,145.41
Rates and taxes, excluding taxes on income	260.47	82.95
Directors remuneration	110.34	98.34
Commission and brokerage	12,024.69	7,815.19
Legal and professional charges	5,983.79	3,498.31
Loss on sale / retirement of owned assets (net)	2.89	-
Payments to the auditor -		
Audit fees	59.53	43.22
Taxation matters	6.39	-
Other services	45.80	21.88
Reimbursement of expenses	0.67	0.64
General and administrative expenses	17,163.02	13,352.19
<b>Total</b>	<b>42,913.81</b>	<b>31,611.28</b>

Above expenses includes following expenditure incurred in foreign currency:

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

	March 2013	March 2012
Travelling expenses	30.94	36.29
Legal and professional fees	62.75	70.54
Other expenses	38.35	26.57

	March 2013	March 2012
<b>27 EXCEPTIONAL ITEMS (NET) – INCOME / (EXPENSE)</b>		
Profit on sale of investments in shares of subsidiary company # (refer note no. 11(iii))	6,620.27	-
Additional general provision for standard assets * (refer note no. 33(b))	(3,568.00)	-
<b>Total</b>	<b>3,052.27</b>	<b>-</b>

# Profit of Rs. 6,426.21 Lacs on sale of 3,09,278 equity shares of face value of Rs.10/- each representing 12.37% of holding in subsidiary company, Mahindra Insurance Brokers Ltd., at Rs. 2,080/- per share for a consideration aggregating Rs. 6,432.98 Lacs to Inclusion Resources Private Limited (IRPL), Singapore.

\* Additional general provision for standard assets amounting to Rs. 3,568.00 Lacs, which the Company has decided to create on a prudent basis from the current quarter/year.

**28** 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.

**29** The subsidiary company, MIBL, earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. MIBL does not expect any significant variation in the book balances.

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

**31** The Board of Directors of the Company at its meeting held on 9th October, 2012, and special resolution passed by the members by way of show of hands at the Extraordinary General Meeting held on 6th November, 2012, had approved the infusion of share capital.

Pursuant to the passing of the above resolutions and in accordance with Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009, as amended, the Company allotted 97,50,257 equity shares of face value of Rs.10/- each at price of Rs.889/- per equity share including a premium of Rs. 879/- per equity share aggregating to Rs.86,679.78 Lacs to Qualified Institutional Buyers (QIBs) through Qualified Institutional Placement (QIP). This has resulted in an increase of equity share capital by Rs. 975.02 Lacs and securities premium reserve by Rs. 85,704.76 Lacs.

The share issue expenses amounting to Rs.1,280.06 Lacs is adjusted against the securities premium reserve in accordance with the provisions of the Companies Act, 1956.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

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

	Rs. in Lacs
	<b>Amount</b>
<b>SOURCES OF FUNDS:</b>	
QIP Proceeds	86,679.78
<b>UTILISATION OF FUNDS:</b>	
QIP Issue Expenses	1,280.06
Disbursement of retail loans to customers	85,399.72
<b>Total</b>	<b>86,679.78</b>

## 32 EMPLOYEE STOCK OPTION PLAN

- a) The Company had allotted 1,34,32,750 equity shares (face value of Rs. 2/- each) on 6th December, 2005 and 48,45,025 Equity shares (face value of Rs.2/- each) on 3rd February, 2011, to Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company. The Trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the Compensation Committee. The trust had issued 1,25,32,990 equity shares (March 2012: 1,17,01,955 equity shares) up to 31st March, 2013 and 8,31,035 equity shares (March 2012: 11,73,035 equity shares) for the current year to the employees.

The details of Employees stock option schemes are as under:

	<b>Scheme 2005</b>	<b>Scheme 2010</b>
Type of arrangement	Employees share based payment plan administered through ESOS Trust	Employees share based payment plan administered through ESOS Trust
Contractual life	6 years from the date of grant	6 months from the date of grant
Method of settlement	By issue of shares at exercise price	By issue of shares at exercise price
Vesting conditions	35% on expiry of 12 months from the date of grant	20% on expiry of 12 months from the date of grant
	25% on expiry of 24 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 36 months from the date of grant
	10% on expiry of 48 months from the date of grant	20% on expiry of 48 months from the date of grant
	10% on expiry of 60 months from the date of grant	20% on expiry of 60 months from the date of grant



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

### b) Summary of Stock Options:

Particulars	March 2013		March 2012	
	No. of stock options	Weighted average exercise price (Rs.)	No. of stock options	Weighted average exercise price (Rs.)
Options outstanding at the beginning of the year	24,85,550	24.59	38,13,940	24.02
Options granted during the year	-	-	2,12,130	2.00
Options forfeited/lapsed during the year	9,840	7.11	3,67,485	10.38
Options exercised during the year	8,31,035	30.69	11,73,035	23.10
Options outstanding at the end of the year	16,44,675	21.61	24,85,550	24.59
Options vested but not exercised at the end of the year	6,04,090	45.81	8,05,605	43.93

### c) Information in respect of options outstanding:

Grant date / Exercise price	March 2013		March 2012	
	No. of stock options	Weighted average remaining life	No. of stock options	Weighted average remaining life
<b>Scheme 2005:</b>				
24th July, 2007 at Rs. 42.20	82,985	12 months	3,03,960	15 months
25th March, 2008 at Rs. 60.80	1,99,915	11 months	3,19,735	23 months
18th September, 2008 at Rs. 46.60	3,84,680	17 months	5,63,180	29 months
<b>(a)</b>	<b>6,67,580</b>	<b>-</b>	<b>11,86,875</b>	<b>-</b>
<b>Scheme 2010:</b>				
7th February, 2011 at Rs. 2.00	7,90,985	27 months	10,89,940	34 months
25th January, 2012 at Rs. 2.00	1,86,110	31 months	2,08,735	40 months
<b>(b)</b>	<b>9,77,095</b>	<b>-</b>	<b>12,98,675</b>	<b>-</b>
<b>Total (a + b)</b>	<b>16,44,675</b>		<b>24,85,550</b>	

### d) 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.)	Face value (Rs.)
9th May, 2012	663.86	10.00
1st June, 2012	636.96	10.00
2nd July, 2012	649.22	10.00
6th August, 2012	734.55	10.00
4th September, 2012	742.65	10.00
4th October, 2012	898.99	10.00
29th October, 2012	888.48	10.00
19th November, 2012	987.93	10.00
19th December, 2012	1,097.88	10.00
22nd January, 2013	1,052.77	10.00
1st February, 2013	1,067.11	10.00
19th February, 2013	216.48	2.00
20th February, 2013	215.03	2.00

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

### e) Method used for accounting for share based payment plan

The Company has elected to use Intrinsic value method to account for the compensation cost of stock options to employees of the Company. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option.

### f) Fair value of options

The fair value of options used to compute proforma net profit and earnings per share in note 32(c) have been estimated on the date of grant using the black-scholes model. The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

Variables	7th December, 2005	24th July, 2007	25th March, 2008	18th September, 2008	7th February, 2011	25th January, 2012
1) Risk free interest rate	5.8% to 6.6%	8.17%	7.31%	8.20%	7.73%	8.11%
2) Expected life	2.5 - 5 years	4.17 years	4.17 years	4.18 years	4.5 years	5.5 years
3) Expected volatility	0.50%	43.69%	43.61%	43.66%	42.38%	46.08%
4) Dividend yield	5%	1.59%	1.59%	1.64%	2.28%	2.11%
5) Price of the underlying share in the market at the time of option grant (Rs.)	65.53*	230.00	318.10	252.45	693.00	665.70

\* being fair value taken from an independent valuer as the Company was unlisted as on the date of grant of option.

### g) Earnings Per Share

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 2013	March 2012	March 2013	March 2012
Net profit after tax (Rs. in Lacs)	88,269.18	62,011.67	88,308.57	62,062.70
Weighted average number of equity shares of Rs. 2/- each – Basic (refer note no. 1(d))	53,19,49,491	51,27,90,825	53,19,49,491	51,27,90,825
Weighted Average number of equity shares of Rs. 2/- each – Diluted (refer note no. 1(d))	53,81,78,537	52,00,13,675	53,81,78,537	52,00,13,675
Basic Earnings Per Share (Rs.)	16.59	12.09	16.60	12.10
Diluted Earnings Per Share # (Rs.)	16.40	11.93	16.41	11.93

# Dilution in Earnings per share is on account of 57,44,785 equity shares of face value of Rs.2/- each (March 2012: 65,75,820 equity shares of face value of Rs. 2/- each held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

\* Earnings Per Share under Fair value method is computed on proforma net profit after tax after adjusting for employee compensation costs under fair value method. Employee compensation cost under fair value method is Rs. 476.72 Lacs (March 2012: Rs.698.62 Lacs).

### 33 LOAN PROVISIONS AND WRITE OFFS

- a. 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. 19,692.65 Lacs (March 2012: Rs. 13,178.47 Lacs).
- b. 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. 5,165.00 Lacs on the standard assets as on 31st March, 2013 (March 2012: Rs. 4,350.00 Lacs). With effect from the current year, the Company has on a prudent

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

basis, decided to make additional / accelerated general provision for its standard assets and has provided Rs. 3,568.00 Lacs on this account, which is reflected as "Exceptional Item" in the Statement of profit and loss. The total amount of provision for standard assets of Rs. 9,515.00 Lacs is shown separately as "Contingent provision for standard assets" under "Provisions" in the balance sheet.

**34** MRHFL has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognising

Non-performing assets in preparation of accounts and has made adequate provision for Non-performing assets as prescribed under Housing Finance Companies (NHB) Directions, 2010.

In line with notification no. NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank, MRHFL has made a provision of Rs. 343.69 Lacs (March 2012: Rs. 210.29 Lacs) @ 0.40% on outstanding Standard assets.

### Classification of loans are given below:

Particulars	Standard assets	Sub standard assets	Bad and doubtful assets	Rs in Lacs
				Total
<b>As at 31st March, 2013</b>				
Housing loans	85,895.40	1131.02	920.16	87,946.58
Other loans	21.85	-	-	21.85
Percentage to total loans	97.67%	1.29%	1.05%	100.00%
<b>As at 31st March, 2012</b>				
Housing loans	52,550.46	630.89	341.96	53,523.31
Other loans	19.21	-	-	19.21
Percentage to total loans	98.18%	1.18%	0.64%	100.00%

Loan receivable includes Rs. 2,343.51 Lacs outstanding towards financing of insurance as of 31st March, 2013 and Rs. 1,485.57 Lacs as of 31st March, 2012.

**35** The total provision carried by MRHFL in terms of the Housing Finance Companies (NHB) Directions, 2010 in respect of loans is as follows:

Particulars	Standard assets	Sub standard assets	Bad and doubtful assets	Rs in Lacs
				Total
<b>Provisions made:</b>				
<b>As at 31st March, 2013</b>				
Housing loans	343.60	171.41	194.88	203.54
Other loans	0.09	-	-	-
<b>As at 31st March, 2012</b>				
Housing loans	210.21	94.63	76.83	72.46
Other loans	0.08	-	-	-

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

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- 36** As per section 29C (i) of the National Housing Bank Act, 1987, MRHFL is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by MRHFL under Section 36(1)(viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. MRHFL has transferred an amount of Rs. 5,55,00,000/- (March 2012: Rs. 36,136,184/-) to Special Reserve in terms of 36(1)(viii) of the Income Tax Act, 1961 and section 29C of the National Housing Bank Act, 1987, as amended. MRHFL does not anticipate any withdrawal from Special Reserve in foreseeable future.
- 37** Bad debts and 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.
- 38** Commission and brokerage mainly represents amount incurred in respect of acquisition of customers and mobilisation of public deposits.
- 39** In the opinion of the Board, Current assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of business.
- 40** Deposits/Advances received against loan agreements are on account of loan against assets, which are repayable / adjusted over the period of the contract.

Rs. in Lacs

March 2013

March 2012

## 41 EMPLOYEE BENEFITS

### Leave Benefits \*

#### Defined Benefit Plans -As per actuarial valuation on 31st March, 2013

#### I. Expense recognised in the Statement of Profit and Loss for the year ended 31st March

Current service cost	538.77	298.45
Interest cost	20.76	11.89
Expected return on plan assets	-	-
Actuarial (Gains)/Losses	258.93	(189.32)
Total expense	<b>818.46</b>	<b>121.02</b>

#### II. Net asset/(liability) recognised in the Balance Sheet as at 31st March

Present Value of Defined Benefit obligation as at 31st March	950.53	241.18
Fair value of plan assets as at 31st March	-	-
Funded status (Surplus/(Deficit))	(950.53)	(241.18)
Net asset/(liability) as at 31st March	<b>(950.53)</b>	<b>(241.18)</b>

#### III. Change in the obligations during the year ended 31st March

Present Value of Defined Benefit obligation at the beginning of the year	241.18	120.17
Current service cost	538.77	298.45
Interest cost	20.76	11.89
Actuarial (Gains)/Losses	258.93	(189.32)
Benefits paid	(109.11)	-
Present Value of Defined Benefit obligation at the end of the period	<b>950.53</b>	<b>241.19</b>

#### IV. Change in the fair value of plan assets during the year ended 31st March

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions by employer	-	-
Actuarial (Gains)/Losses	-	-
Actual Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

#### V. Major category of plan assets as a percentage of total plan

Funded with LIC	100%	100%
Others	-	-

#### VI. Actuarial Assumptions

Discount Rate	8% p.a.	8% p.a.
Rate of Salary increase	5% p.a	5% p.a
In-service Mortality	LIC (1994-96)	LIC (1994-96)
	ULTIMATE	ULTIMATE

\* - There are no previous year figures in respect of privilege leave, as the actuarial valuation is done with effect from current year.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

Rs. in Lacs

	March 2013	March 2012
<b>Gratuity</b>		
Defined Benefit Plans -As per actuarial valuation on 31st March, 2013		
<b>I. Expense recognised in the Statement of Profit and Loss Account for the year ended 31st March</b>		
Current service cost	666.65	466.99
Interest cost	70.44	47.47
Expected return on plan assets	(64.23)	(41.96)
Actuarial (Gains)/Losses	(337.09)	(171.47)
<b>Total expense</b>	<b>335.77</b>	<b>301.03</b>
<b>II. Net asset/(liability) recognised in the Balance Sheet as at 31st March</b>		
Present Value of Defined Benefit obligation as at 31st March	1,046.46	764.36
Fair value of plan assets as at 31st March	967.88	563.54
Funded status (Surplus/(Deficit))	(78.58)	(200.82)
<b>Net asset/(liability) as at 31st March</b>	<b>(78.58)</b>	<b>(200.82)</b>
<b>III. Change in the obligations during the year ended 31st March</b>		
Present Value of Defined Benefit obligation at the beginning of the year	764.35	489.26
Current service cost	666.65	466.99
Interest cost	70.44	47.47
Actuarial (Gains)/Losses	(382.33)	(209.92)
Benefits paid	(72.65)	(29.44)
<b>Present Value of Defined Benefit obligation at the end of the period</b>	<b>1,046.46</b>	<b>764.36</b>
<b>IV. Change in the fair value of plan assets during the year ended 31st March</b>		
Fair value of plan assets at the beginning of the year	564.89	428.44
Expected return on plan assets	64.23	43.31
Contributions by employer	444.41	162.39
Actuarial (Gains)/Losses	(33.00)	(39.81)
Actual Benefits paid	(72.65)	(29.44)
<b>Fair value of plan assets at the end of the year</b>	<b>967.88</b>	<b>564.89</b>
<b>V. Major category of plan assets as a percentage of total plan</b>		
Funded with LIC	100%	100%
Others	-	-
<b>VI. Actuarial Assumptions</b>		
Discount Rate	8% p.a.	8% p.a.
Rate of Salary increase	5% p.a	5% p.a
In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

## Experience Adjustments

Rs. in Lacs

	Year ending				
	31st March, 2009	31st March, 2010	31st March, 2011	31st March, 2012	31st March, 2013
Defined Benefit obligation at the end of the year	272.36	374.27	489.26	764.35	1,046.46
Plan assets at the end of the year	231.63	342.02	428.44	564.89	967.89
Funded status Surplus / (Deficit)	(40.73)	(32.25)	(60.82)	(199.46)	(78.57)
Experience adjustments on plan liabilities (gain) / loss	(66.01)	(43.39)	(56.66)	(112.32)	(111.33)
Experience adjustments on plan assets gain / (loss)	0.44	(6.69)	(8.53)	(10.77)	(18.89)

## 42 DISCLOSURE ON DERIVATIVES

### Outstanding derivative instrument and un-hedged foreign currency exposures as on 31st March, 2013

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of USD699.13 Lacs (March 2012: USD199.13 Lacs and JPY 18,451.97 Lacs). The loan of USD699.13 Lacs (March 2012: USD199.13 Lacs and JPY 18,451.97 Lacs) and interest thereon has been fixed to INR liability using a cross currency swap. There is no un-hedged foreign currency exposure as on 31st March, 2013.

## 43 SECURITISATION / ASSIGNMENT TRANSACTIONS

- a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 54,374 contracts (March 2012: 56,559 contracts) amounting to Rs. 1,43,361.38 Lacs (March 2012: Rs. 1,48,741.39 Lacs, including future interest receivable) for a consideration of Rs. 1,43,361.38 Lacs (March 2012: Rs. 1,48,741.39 Lacs) and de-recognised the assets from the books.
- b) During the year, the Company has without recourse assigned loan receivables of Nil contracts (March 2012: 56,559 contracts) amounting to Rs. Nil (March 2012: Rs.1,48,741.39 Lacs) for a consideration of Rs. Nil (March 2012: Rs.1,48,741.39 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.

- c) Income from assignment / securitisation includes write back of provision in respect of assignment transactions amounting to Rs. 3,193.08 Lacs (March 2012: Rs. 2,479.18 Lacs) considered no longer necessary.
- d) In terms of the accounting policy stated in 3 (iv), securitisation income is recognised as per RBI Guidelines dated 21st August, 2012. Accordingly, interest only strip representing present value of interest spread receivable has been recognised and reflected under loans and advances (refer note no. 13 and 18) and equivalent amount of unrealised gains has been recognised as liabilities (refer note no. 4 and 8).
- e) Excess interest spread redeemed during the year by the Special Purpose Vehicle Trust (SPV Trust) has been recognised as income and included in Income from assignment / securitisation amounting to Rs.106.98 Lacs (March 2012: Rs. Nil).
- f) Disclosures in the notes to the accounts in respect of securitisation transactions as required under revised guidelines on securitisation transactions issued by RBI vide circular no.DNBS.PD.No.301/3.10.01/2012-13 dated 21st August, 2012

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

(applicable for transactions effected after the date of circular)

Sr. No.	Particulars	No. / Amount in Rs. Lacs
1	No of SPVs sponsored by the NBFC for securitisation transactions	5
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,41,347.26
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures	
	* First loss - Credit enhancement in the form of corporate undertaking (refer note no.42 (i) (c))	2,922.00
	* Others	-
	b) On-balance sheet exposure	
	* First loss - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	7,293.00
	* Others- Retained interest in Pass Through Certificates (refer note no.13 and 18)	3,844.37
4	Amount of exposures to securitisation transactions other than MRR	
	a) Off-balance sheet exposures	
	i) Exposure to own securitisations	
	* First loss	-
	* Loss	-
	ii) Exposure to third party securitisations	
	* First loss	-
	* Others	-
	b) On-balance sheet exposures	
	i) Exposure to own securitisations	
	* First loss	-
	* Others- Cash collateral term deposits with banks (refer note no.17 (a) (ii))	1,856.00
	ii) Exposure to third party securitisations	
	* First loss	-
	* Others	-

**44** There were 28 cases (March 2012: 22 cases) of frauds amounting to Rs. 450.31 Lacs (March 2012: Rs 33.46 Lacs) reported during the year. The Company has recovered an amount of Rs.31.53 Lacs (March 2012: Rs. 14.92 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.

**45** The Gold Loans outstanding as a percentage of total assets is at 0.05% (March 2012: 0.05%).

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

## 46 Related Party Disclosure as per Accounting Standard 18:

### A) List of the related parties and nature of relationship which have transactions with our Company during the year:

<b>Holding Company</b>	: Mahindra & Mahindra Limited
<b>Fellow subsidiary Companies</b>	: Mahindra Navistar Automotives Ltd. Mahindra USA, Inc. Mahindra Holidays and Resorts India Ltd. Mahindra Automobile Distributor Pvt. Ltd. Mahindra Yueda (Yancheng) Tractor Co.Ltd. NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra Retail Pvt. Ltd. Mahindra Two Wheelers Ltd. Mahindra Logistics Ltd. Mahindra First Choice Services Ltd.
<b>Key Management Personnel</b>	: Mr. Ramesh Iyer (Managing Director) Dr. Jaideep Devare (Managing Director) Mr. Anuj Mehra (Managing Director)

### B) Related party transactions are as under:

Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	Rs. in Lacs
				Key Management Personnel
1	Income			
	Loan income	-	10.51	-
		-	(39.67)	-
	Subvention income	1,048.52	431.58	-
2	Other income	(823.00)	(288.04)	-
		691.66	10.18	-
		-	(243.08)	-
3	Expenses			
	Interest	334.41	-	2.74
		(718.39)	(10.71)	(1.86)
	Other Expenses	1,422.08	58.66	385.44
4		(1,668.88)	(21.06)	(331.98)
	Purchase of Vehicles	213.36	-	-
5		(231.14)	(34.67)	-
	Finance			
	Fixed deposits held (including interest accrued but not due)	-	-	48.51
		-	-	(20.77)
	NCD held (including interest accrued but not due)	-	-	-
		(2,645.73)	-	-
	Dividend paid – for previous year	8,153.81	-	15.11
		(5,824.15)	-	(4.85)
	Inter Corporate Deposits given (including interest accrued but not due)	-	2,008.63	-
		-	-	-
Loan given (including interest accrued but not due)	-	-	-	
	-	(260.46)	-	
5	Other transactions			
	Reimbursement to parties	-	-	-
		-	(17.87)	-



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	Rs. in Lacs
				Key Management Personnel
6	Outstanding Receivables	234.60 (295.01)	3,289.26 (5,895.04)	- -
	Payables	132.76 (242.49)	66.33 (8.75)	- -

Figures in bracket represent corresponding figures of previous year.

## C) The significant related party transactions are as under:

Nature of transactions		Holding Company	Fellow subsidiary Companies	Rs. in Lacs
				Key Management Personnel
<b>Income</b>				
<b>Revenue from operations</b>				
Subvention income				
	Mahindra & Mahindra Limited	1,048.52 (823.00)	- -	- -
	Mahindra Navistar Automotives Limited	-	431.52 (287.87)	- -
<b>Expenses</b>				
<b>Interest</b>				
Interest expense on inter corporate deposits and nonconvertible debentures	Mahindra & Mahindra Limited	334.41 (718.39)	- -	- -
<b>Purchase of fixed assets</b>				
	Mahindra & Mahindra Limited	173.73 (166.55)	- -	- -
<b>Finance</b>				
Fixed deposits (including interest accrued but not due)	Mr. Ramesh Iyer	-	-	48.51 (20.77)
Dividend paid - for previous year	Mahindra & Mahindra Limited	8,153.81 (5,824.15)	- -	- -
Inter corporate deposits taken (including interest accrued but not due)	Mahindra Two Wheelers Limited	-	2,008.63 -	- -
<b>Outstanding</b>				
Receivables	Mahindra Holidays & Resorts India Limited	-	2,909.11 (5,834.89)	- -
	Mahindra Navistar Automotives Limited	-	380.15 (60.07)	- -

Figures in bracket represent corresponding figures of previous year.

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

		Rs. in Lacs	
		March 2013	March 2012
<b>47</b>	<b>CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)</b>		
<b>i) Contingent liabilities</b>			
a)	Demand against the Company not acknowledged as debts on taxation matters (income tax)	5,472.52	4,629.06
b)	Corporate guarantees towards assignment transactions in favor of purchaser	71,572.12	86,274.38
c)	Credit enhancement in terms of corporate guarantee for securitisation transactions (refer note no. 43 (f))	2,922.00	-
d)	Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	2,036.07	2,081.50
		<b>82,002.71</b>	<b>92,984.95</b>
<b>ii) Commitments</b>			
a)	Estimated amount of contracts remaining to be executed on capital account	624.91	447.13
		<b>624.91</b>	<b>447.13</b>
<b>Total</b>		<b>82,627.62</b>	<b>93,432.08</b>

				Rs. in Lacs	
				As at	
		As at	Additional	Utilisations/	As at
		March 31, 2012	Provisions	reversals	March 31, 2013
<b>48</b>	<b>CHANGES IN PROVISIONS</b>				
	Provision for Standard assets	4,560.29	5,298.40	-	9,858.69
	Provision for Non-performing assets	33,311.10	21,524.34	15,125.26	39,710.18

## 49 SECURED LONG-TERM BORROWINGS

### i) Secured non-convertible debentures

As on 31st March, 2013

					Rs. in Lacs
Particulars	Rate range	(a) Non-current	(b) Current maturity	Total	
<b>1) Repayable on maturity:</b>					
a)	Maturity beyond 5 years	9.34%-9.43%	7,350.00	-	7,350.00
b)	Maturity between 3 years to 5 years	9.25%-9.45%	5,100.00	-	5,100.00
c)	Maturity between 1 year to 3 years	9.23%-10.25%	2,62,510.00	-	2,62,510.00
d)	Maturity within 1 year	8.30%-10.47%	-	1,51,770.00	1,51,770.00
<b>Total</b>			<b>2,74,960.00</b>	<b>1,51,770.00</b>	<b>4,26,730.00</b>
<b>2) Repayable in installments:</b>					
<b>Yearly installments</b>					
a)	Maturity beyond 3 years	9.95%-13.00%	25,000.00	-	25,000.00
b)	Maturity between 1 year to 3 years	9.95%	14,000.00	-	14,000.00
c)	Maturity within 1 year	10.50%-13.00%	-	16,070.00	16,070.00
<b>Total</b>			<b>39,000.00</b>	<b>16,070.00</b>	<b>55,070.00</b>
<b>Total (1+2)</b>			<b>3,13,960.00</b>	<b>1,67,840.00</b>	<b>4,81,800.00</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

As on 31st March, 2012

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity within 1 year	8.35% - 9.90%	-	36,100.00	36,100.00
b) Maturity between 1 year to 3 years	8.30% - 10.47%	1,92,400.00	-	1,92,400.00
<b>Total</b>		<b>1,92,400.00</b>	<b>36,100.00</b>	<b>2,28,500.00</b>
<b>2) Repayable in installments:</b>				
<b>Yearly Installments</b>				
a) Maturity within 1 year	10.50% - 13.00%	-	15,715.00	15,715.00
b) Maturity between 1 year to 3 years	9.95% - 13.00%	30,570.00	-	30,570.00
c) Maturity between 3 years to 5 years	9.95%	24,500.00	-	24,500.00
<b>Total</b>		<b>55,070.00</b>	<b>15,715.00</b>	<b>70,785.00</b>
<b>Total (1+2)</b>		<b>2,47,470.00</b>	<b>51,815.00</b>	<b>2,99,285.00</b>

## ii) Secured term loans from banks:

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 3 years	10.15%-10.35%	49,000.00	-	49,000.00
b) Maturity between 1 year to 3 years	7.75%-10.35%	1,75,000.00	-	1,75,000.00
c) Maturity within 1 year	5.50%-10.35%	-	1,28,500.00	1,28,500.00
<b>Total</b>		<b>2,24,000.00</b>	<b>1,28,500.00</b>	<b>3,52,500.00</b>
<b>2) Repayable in installments:</b>				
<b>i) Quarterly</b>				
a) Maturity beyond 3 years	7% - 10.30%	2,710.53	-	2,710.53
b) Maturity between 1 year to 3 years	6% - 10.30%	62,933.22	-	62,933.22
c) Maturity within 1 year	6% - 10.30%	-	27,877.61	27,877.61
<b>Total</b>		<b>65,643.75</b>	<b>27,877.61</b>	<b>93,521.36</b>
<b>ii) Half-yearly</b>				
a) Maturity beyond 3 years	10.25%	94,400.00	-	94,400.00
b) Maturity between 1 year to 3 years	10.20%-10.25%	2,71,400.00	-	2,71,400.00
c) Maturity within 1 year	7.90%-10.45%	-	45,366.67	45,366.67
<b>Total</b>		<b>3,65,800.00</b>	<b>45,366.67</b>	<b>4,11,166.67</b>
<b>iii) Yearly</b>				
a) Maturity beyond 3 years	-	-	-	-
b) Maturity between 1 year to 3 years	9.25%-10.25%	90,000.00	-	90,000.00
c) Maturity within 1 year	9.25%	-	40,000.00	40,000.00
<b>Total</b>		<b>90,000.00</b>	<b>40,000.00</b>	<b>1,30,000.00</b>
<b>Total</b>		<b>5,21,443.75</b>	<b>1,13,244.28</b>	<b>6,346,88.03</b>
<b>Total (1+2)</b>		<b>7,45,443.75</b>	<b>2,41,744.28</b>	<b>9,87,188.03</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

As on 31st March, 2012

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 3 years	10.70%-10.75%	1,05,000.00	-	1,05,000.00
b) Maturity between 1 year to 3 years	5.50%-10.80%	1,41,000.00	-	1,41,000.00
c) Maturity within 1 year	7.25%-10.75%	-	1,19,000.00	1,19,000.00
<b>Total</b>		<b>2,46,000.00</b>	<b>1,19,000.00</b>	<b>3,65,000.00</b>
<b>2) Repayable in installments:</b>				
<b>i) Quarterly</b>				
a) Maturity beyond 3 years	10.41% - 10.70%	7,105.26	-	7,105.26
b) Maturity between 1 year to 3 years	7.90%-10.75%	82,718.91	-	82,718.91
c) Maturity within 1 year	6.15%-10.75%	-	65,363.33	65,363.33
<b>Total</b>		<b>89,824.17</b>	<b>65,363.33</b>	<b>1,55,187.50</b>
<b>ii) Half yearly</b>				
a) Maturity beyond 3 years	-	800.00	-	800.00
b) Maturity between 1 year to 3 years	6.25%-10.20%	1,05,266.66	-	1,05,266.66
c) Maturity within 1 year	10.20%-10.75%	-	7,266.67	7,266.67
<b>Total</b>		<b>1,06,066.66</b>	<b>7,266.67</b>	<b>1,13,333.33</b>
<b>iii) Yearly</b>				
a) Maturity beyond 3 years	-	-	-	-
b) Maturity between 1 year to 3 years	9.25%-10.75%	90,000.00	-	90,000.00
c) Maturity within 1 year	9.25%-10.25%	-	40,366.67	40,366.67
<b>Total</b>		<b>90,000.00</b>	<b>40,366.67</b>	<b>1,30,366.67</b>
<b>Total</b>		<b>2,85,890.83</b>	<b>1,12,996.67</b>	<b>3,98,887.50</b>
<b>Total ( 1+2 )</b>		<b>5,31,890.83</b>	<b>2,31,996.67</b>	<b>7,63,887.50</b>

### iii) Secured term loans from others:

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable in installments:</b>				
a) Maturity beyond 3 years	7.00% - 10.30%	9,881.26	-	9,881.26
b) Maturity between 1 year to 3 years	6.00% - 10.30%	8,893.23	-	8,893.23
c) Maturity within 1 year	6.00% - 10.30%	-	4,487.68	4,487.68
<b>Total</b>		<b>18,774.49</b>	<b>4,487.68</b>	<b>23,262.17</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

As on 31st March, 2012

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable in installments:</b>				
a) Maturity beyond 3 years	6% - 10.30%	4,942.89	-	4,942.89
b) Maturity between 1 year to 3 years	6% - 10.30%	8,936.35	-	8,936.35
c) Maturity within 1 year	6% - 10.30%	-	3,006.16	3,006.16
<b>Total</b>		<b>13,879.24</b>	<b>3,006.16</b>	<b>16,885.40</b>

## iv) Foreign currency loans from banks:

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 3 years	-	-	-	-
b) Maturity between 1 year to 3 years	9.60%-11.65%	27,142.50	10,809.57	37,952.07
c) Maturity within 1 year	-	-	-	-
<b>Total</b>		<b>27,142.50</b>	<b>10,809.57</b>	<b>37,952.07</b>

As on 31st March, 2012

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

## v) Foreign currency loans from others:

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 5 years	2.07% - 3.17%	1,200.37	-	1,200.37
b) Maturity between 3 years to 5 years	2.07% - 3.17%	7,579.31	-	7,579.31
c) Maturity between 1 year to 3 years	2.07% - 3.17%	15,976.80	-	15,976.80
d) Maturity within 1 year	2.07% - 3.17%	-	10,158.60	10,158.60
<b>Total</b>		<b>24,756.47</b>	<b>10,158.60</b>	<b>34,915.07</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

As on 31st March, 2012

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 5 years	2.14% - 3.17%	300.59	-	300.59
b) Maturity between 3 years to 5 years	2.14% - 3.17%	3,530.88	-	3,530.88
c) Maturity between 1 year to 3 years	2.14% - 3.17%	26,805.55	-	26,805.55
<b>Total</b>		<b>30,637.02</b>	<b>-</b>	<b>30,637.02</b>

## 50 UNSECURED BORROWINGS

### i) Subordinated debts (long-term):

As on 31st March, 2013

Particulars	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>1) Repayable on maturity:</b>				
a) Maturity beyond 5 years	9.80%-11.75%	52,530.00	-	52,530.00
b) Maturity between 3 years to 5 years	10.50%-12.00%	6,880.00	-	6,880.00
c) Maturity between 1 year to 3 years	-	-	-	-
d) Maturity within 1 year	10.20%-10.40%	-	3,100.00	3,100.00
<b>Total</b>		<b>59,410.00</b>	<b>3,100.00</b>	<b>62,510.00</b>

As on 31st March, 2012

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

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

## ii) Fixed deposits:

As on 31st March, 2013

Rs. in Lacs

Particulars	Rate range	Long-term			Total
		(a) Short-Term	(b) Non-current	(c) Current maturity	
a) Maturity beyond 3 years	8.65%-10.75%	-	1,16,827.59	-	1,16,827.59
b) Maturity between 1 year to 3 years	8.65%-10.75%	-	75,225.60	-	75,225.60
c) Maturity within 1 year	8.65%-10.50%	3,362.41	-	37,377.62	40,740.03
<b>Total</b>		<b>3,362.41</b>	<b>1,92,053.19</b>	<b>37,377.62</b>	<b>2,32,793.22</b>

As on 31st March, 2012

Rs. in Lacs

Particulars	Rate range	Long-term			Total
		(a) Short-Term	(b) Non-current	(c) Current maturity	
<b>1) Repayable on maturity:</b>					
a) Maturity within 1 year	8.15% -10.25%	1,385.20	-	29,688.54	31,073.74
b) Maturity between 1 year to 3 years	8.15%-10.75%	-	99,450.81	-	99,450.81
c) Maturity between 3 years to 5 years	8.65%-10.25%	-	6,962.84	-	6,962.84
d) Maturity beyond 5 years	-	-	-	-	-
<b>Total</b>		<b>1,385.20</b>	<b>1,06,413.65</b>	<b>29,688.54</b>	<b>1,37,487.39</b>

## 51 SHORT - TERM BORROWINGS

### i) Secured term loans from banks and cash credit facilities:

As on 31st March, 2013

Rs. in Lacs

Particulars	Rate range	Total
<b>1) Repayable on maturity:</b>		
Maturity within 1 year	9.20%-13.65%	1,17,027.03
<b>Total</b>		<b>1,17,027.03</b>

As on 31st March, 2012

Rs. in Lacs

Particulars	Rate range	Total
<b>1) Repayable on maturity:</b>		
Maturity within 1 year	10.75% - 13.50%	1,17,001.31
<b>Total</b>		<b>1,17,001.31</b>

### ii) Foreign currency loans from others:

As on 31st March, 2013

Rs. in Lacs

Particulars	Rate range	Total
<b>1) Repayable on maturity:</b>		
Maturity within 1 year	0.71%	30,782.02
<b>Total</b>		<b>30,782.02</b>

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

As on 31st March, 2012: Nil

### iii) Unsecured term loans from banks:

As on 31st March, 2013: Nil

As on 31st March, 2012

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
Maturity within 1 year	11.50%	22,500.00
<b>Total</b>		<b>22,500.00</b>

### iv) Commercial papers:

As on 31st March, 2013

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
Maturity within 1 year	9.20%-9.35%	5,000.00
<b>Total</b>		<b>5,000.00</b>

As on 31st March, 2012

Particulars	Rate range	Rs. in Lacs
		Total
<b>1) Repayable on maturity:</b>		
Maturity within 1 year	9.93%	3,000.00
<b>Total</b>		<b>3,000.00</b>

## 52 SEGMENT INFORMATION AS PER ACCOUNTING STANDARD 17

The Company has only one significant reportable segment viz., financing segment. Income from insurance broking and manpower supply activities constitutes less than 10% of the total revenue / assets / capital employed. The amounts included in "Others" represents amounts in respect of these activities and are given for reconciling with the total consolidated revenue, profits, assets and liabilities.



# SIGNIFICANT ACCOUNTING POLICIES AND NOTES

to the Consolidated Financial Statements for the year ended March 31, 2013

Segment Report for the year ended 31st March, 2013

(Rs. in Lacs)

	Year ended March 31, 2013			Year ended March 31, 2012		
	Financing activities	Other reconciling items	Total	Financing activities	Other reconciling items	Total
External revenue	4,03,237.91	8,058.23	4,11,296.14	2,87,098.87	3,933.28	2,91,032.15
Inter segment revenue	3,124.40	14,770.11	17,894.51	1,942.07	10,780.22	12,722.29
<b>Total revenue</b>	<b>4,06,362.31</b>	<b>22,828.34</b>	<b>4,29,190.65</b>	<b>2,89,040.94</b>	<b>14,713.50</b>	<b>3,03,754.44</b>
Segment results (Profit before tax and after interest on financing segment)	1,29,891.57	5,548.50	1,35,440.07	94,108.36	2,112.32	96,220.68
Less: Interest on unallocated reconciling items	-	174.26	174.26	-	90.89	90.89
Net Profit before tax	1,29,891.57	5,374.24	1,35,265.81	94,108.36	2,021.43	96,129.79
Less: Income taxes	-	-	42,375.08	-	-	31,677.68
Net profit	-	-	92,890.73	-	-	64,452.11
<b>Other information</b>						
Segment assets	26,71,894.34	2,688.26	26,74,582.60	19,13,080.25	1,451.82	19,14,532.07
Unallocated corporate assets	-	-	32,496.24	-	-	27,491.89
<b>Total assets</b>	<b>26,71,894.34</b>	<b>2,688.26</b>	<b>27,07,078.84</b>	<b>19,13,080.25</b>	<b>1,451.82</b>	<b>19,42,023.96</b>
Segment liabilities	22,21,201.47	1,667.53	22,22,869.00	16,36,766.14	1,379.77	16,38,145.91
Unallocated corporate liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>22,21,201.47</b>	<b>1,667.53</b>	<b>22,22,869.00</b>	<b>16,36,766.14</b>	<b>1,379.77</b>	<b>16,38,145.91</b>
Capital expenditure	3,501.15	72.91	3,574.06	4,691.64	93.71	4,785.35
Depreciation / amortisation	2,332.59	33.31	2,365.90	2,003.62	24.90	2,028.52
Non cash expenditure other than depreciation	11,911.24	2.05	11,913.29	(1,376.63)	0.30	(1,376.33)

**53** Previous year figures have been regrouped / reclassified wherever found necessary.

Signatures to Significant accounting policies and Notes to the financial statements – I and II

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

**Uday Y. Phadke**  
Director

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Rama Bijapurkar**  
Director

**V. Ravi**  
Chief Financial Officer

**Arnavez Pardiwala**  
Company Secretary

Place: Mumbai  
Date: 23rd April, 2013

## DETAILS OF SUBSIDIARY COMPANIES

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

(Rs. in lacs)

Sr. No.	Particulars	MIBL	MRHFL	MBCSPL
a	Capital	257.73	4,571.43	1.00
b	Reserves	9,137.21	3,092.02	248.30
c	Total Assets	10,195.32	89,506.60	3,015.04
d	Total Liabilities	10,195.32	89,506.60	3,015.04
e	Details of Investments (except in case of investment in subsidiaries)	-	-	-
f	Turnover	8,629.95	14,040.02	14,198.39
g	Profit before taxation	5,119.28	2,740.54	254.96
h	Provision for taxation	1,674.63	708.76	81.16
i	Profit after taxation	3,444.65	2,031.78	173.80
j	Proposed dividend & tax thereon	-	534.26	0.12

*The Mahindra & Mahindra Financial Services Limited  
Annual Report 2011 has won 3 awards at the prestigious  
“LACP 2011 Vision Awards’, USA.*

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Gold Award - Best in the Financial - Diversified Services category  
Ranked No. 34, among the Top 50 Annual Reports APAC region  
Among the Top 10 Indian Reports

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## **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](http://www.mahindrafinance.com)

## FORM A

**Covering letter of the Annual Audit Report for the Financial Year 2012-13 to be filed with the Stock Exchange pursuant to Clause 31(a) of the Listing Agreement**

1	<b>Name of the Company</b>	<b>Mahindra &amp; Mahindra Financial Services Limited</b>
2	<b>Annual financial statements for the year ended</b>	<b>31<sup>st</sup> March, 2013</b>
3	<b>Type of Audit observation</b>	<b>Un-qualified</b>
4	<b>Frequency of observation</b>	<b>Repetitive</b>

**For Mahindra & Mahindra Financial Services Limited**



**Dhananjay Mungale**  
Audit Committee Chairman



**Ramesh Iyer**  
Managing Director



**V. Ravi**  
Chief Financial Officer

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



**Padmini Khare Kaicker**  
Partner

**M. No. 44784**

**Date: 23<sup>rd</sup> April, 2013**