

# Mahindra FINANCE

## MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

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

Corporate Identity Number : L65921MH1991PLC059642

Tel: +91 22 66526000; Fax: +91 22 24984170

Website: www.mahindrafinance.com; email: investorhelpline\_mmfsi@mahindra.com

## Notice

THE TWENTY-FOURTH ANNUAL GENERAL MEETING OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED will be held at Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai-400 021 on Thursday, the 24th day of July, 2014, at 3.30 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements of the Company for the financial year ended 31st March, 2014 including the audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.

2. To declare a dividend on Equity Shares.

3. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED that** Dr. Pawan Kumar Goenka (DIN: 00254502), a Director liable to retire by rotation, who does not seek re-appointment, be not re-appointed a Director of the Company.

**FURTHER RESOLVED that** the vacancy so created on the Board of Directors of the Company, be not filled."

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED that** pursuant to sections 139, 142 and such other applicable provisions of the Companies Act, 2013, 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."

### SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED that** pursuant to the provisions of sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Piyush Mankad (DIN: 00005001), who was appointed as Director of the Company liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under section 160 of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years commencing from 24th July, 2014, not liable to retire by rotation."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED that** pursuant to the provisions of sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. M. G. Bhide (DIN: 00001826), Director of the Company, whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under section 160 of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years commencing from 24th July, 2014, not liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED that** pursuant to the provisions of sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Qualification of Directors)

Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Dhananjay Mungale (DIN: 00007563), Director of the Company, whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under section 160 of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years commencing from 24th July, 2014, not liable to retire by rotation.”

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution: **“RESOLVED that** pursuant to the provisions of sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 (‘the Act’) and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Ms. Rama Bijapurkar (DIN: 00001835), Director of the Company, whose period of office is liable to determination by retirement of directors by rotation and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director under section 160 of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years commencing from 24th July, 2014, not liable to retire by rotation.”
9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution: **“RESOLVED that** in partial modification of the Special Resolution passed at the 21st Annual General Meeting of the Company held on 29th July, 2011 and pursuant to the provisions of sections 197, 198 and all other applicable provisions of the Companies Act, 2013 (‘the Act’), read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and such other rules as may be applicable, and subject to the approval of the Central Government, if necessary, and such other approvals, permissions and sanctions, as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the revised remuneration payable to Mr. Ramesh Iyer, as Managing Director of the Company with effect from 1st August, 2014 for the remainder of his term of office, i.e. upto 29th April, 2016, on the following revised terms and conditions:

**Salary :** In the scale of Rs. 4,00,000 per month to Rs. 8,00,000 per month.

**Perquisites:**

1. In addition to the salary, the Managing Director shall also be entitled to perquisites (including allowances) which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, performance award, club fees, use of Company cars, medical and personal accident insurance and other benefits, amenities and facilities in accordance with the Rules of the Company.
2. The value of the perquisites would be evaluated as per Income-tax Rules, 1962 wherever applicable and at cost in the absence of any such Rule.
3. Contribution to Provident Fund, Superannuation Fund, Annuity Fund and Gratuity would not be included in the computation of ceiling on remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
4. Encashment of earned leave at the end of the tenure as per Rules of the Company shall not be included in the computation of ceiling on remuneration.
5. Provision of car for use on Company's business, telephone and other communication facilities at residence would not be considered as perquisites.

**Commission:**

In addition to the salary and perquisites, the Managing Director would be entitled to such commission based on the net profits of the Company in any financial year not exceeding one-fourth per cent of such profits as the Nomination and Remuneration Committee shall decide, having regard to the performance of the Company.

Provided that the remuneration payable to the Managing Director (including salary, commission, perquisites, allowances, benefits and amenities) shall not exceed the limits laid down in sections 197 and 198 of the Act read with the Rules framed thereunder including any statutory modifications or re-enactment thereof.

**FURTHER RESOLVED that** the approval of the Company be accorded to Board of Directors [which term shall also include the ‘Nomination and Remuneration Committee’] to revise the terms of the said remuneration within the limits as mentioned above.

**FURTHER RESOLVED** that where in any Financial Year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the Managing Director the above remuneration as the minimum remuneration by way of salary, perquisites and other allowances and benefits as specified above subject to receipt of the requisite approvals, if any.

**FURTHER RESOLVED** that for the purpose of giving effect to this Resolution, the Board be authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard.”

**Notes:**

1. The Explanatory Statement pursuant to section 102(1) of the Companies Act, 2013, in respect of Item Nos. 5 to 9 is annexed hereto.
2. **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.**
3. A person can act as a proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than ten per cent of the total share capital of the Company carrying voting rights. A Member holding more than ten per cent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. 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.
5. 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.
6. The Register of Members and Transfer Books of the Company will be closed from Saturday, 5th July, 2014 to Thursday, 24th July, 2014 (both days inclusive).
7. The dividend, if declared at the Annual General Meeting, will be credited/dispatched between 25th July, 2014 and 1st August, 2014 to those persons or their mandates:
  - (a) whose names appear as Beneficial Owners as at the end of the business hours on 4th July, 2014 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 4th July, 2014.
8. Under the Companies Act, 1956, dividends 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 Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the Company has transferred an amount of Rs. 3,38,310 in August, 2013 to the IEPF, being the unclaimed dividend for the Financial Year 2005-06 and no claim lies against the Company in respect thereof. An amount of Rs. 1,41,722 towards unclaimed interim dividend for the Financial Year 2006-07 is due for transfer to the IEPF on or before 29th April, 2014.
9. Due dates of transferring unclaimed and unpaid dividends declared by the Company for the Financial Year 2006-07 and thereafter to the IEPF:

Financial Year ended	Date of declaration of Dividend	Last date for claiming unpaid/unclaimed Dividend
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
31st March, 2013	25th July, 2013	24th August, 2020

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.

10. 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 25th July, 2013 (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.

11. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 72 of the Companies Act, 2013 read with Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014. Members desiring to avail of this facility may send their nomination in the prescribed Form No. SH. 13 duly filled in to Karvy Computershare Private Limited having their office at Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081.
12. 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.
13. Members are requested to:
- 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;
  - 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;
  - quote their folio numbers/Client ID/DP ID in all correspondence;
  - consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
14. Pursuant to the Circulars issued by the Ministry of Corporate Affairs (MCA) regarding the Green Initiative, the Annual Report for the year 2013 -14, 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/Depository Participant and who have not opted to receive the same in physical form.

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).

15. Members may also note that the Notice of the 24th Annual General Meeting and the Annual Report for 2013 -14 will also be available on the Company's website <http://www.mahindrafinance.com/annual-reports.aspx> for their download. Even after registering for e-communication, Members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: [investorhelpline\\_mmfs1@mahindra.com](mailto:investorhelpline_mmfs1@mahindra.com).
16. Relevant documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.30 a.m. to 5.30 p.m.) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

**17. Appointment of Directors**

Mr. Piyush Mankad, Mr. M. G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar, each hold 50,000 Equity 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 appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

**18. Voting through electronic means**

In compliance with the provisions of section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to its Members the facility to exercise their right to vote at the 24th Annual General Meeting (AGM) by electronic means and any or all of the businesses specified in the accompanied notice may be transacted through e-Voting Services provided by Karvy Computershare Private Limited (Karvy).

- (a) Date and time of commencement of voting through electronic means : 18th July, 2014 at 10.00 a.m.
- (b) Date and time of end of voting through electronic means beyond which voting will not be allowed: 20th July, 2014 at 6.00 p.m.
- (c) Details of Website: <https://evoting.karvy.com>
- (d) Details of persons to be contacted for issues relating to e-voting: Karvy Computershare Private Limited  
Unit : Mahindra & Mahindra Financial Services Limited  
Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081.  
Tel. No.: +91 40 44655000; Toll Free No.: 18003454001  
Fax No. : +91 40 23420814; E-mail : [evoting@karvy.com](mailto:evoting@karvy.com).
- (e) Details of Scrutinizer: Mr. S. N. Ananthasubramanian, Practising Company Secretary, or failing him, Ms. Malati Kumar, Practising Company Secretary.

**The instructions for e-voting are as under :**

- 1. A. In case of Members receiving an email from Karvy [for members whose emails are registered with the Company/Depository Participant] :**
  - i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
  - ii. Enter the login credentials (i.e. User ID and password mentioned in the email). Your Folio No./DP ID - Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
  - iii. After entering these details appropriately, click on "LOGIN".
  - iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc., on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. **It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.**
  - v. You need to login again with the new credentials.
  - vi. On successful login, the system will prompt you to select the E-Voting Event Number for Mahindra & Mahindra Financial Services Limited.
  - vii. On the voting page enter the number of shares (which represents the number of votes) as on the cut-off date i.e. 4th July, 2014 under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head.

- viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each of the folios/demat accounts.
  - ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
  - x. You may then cast your vote by selecting an appropriate option and click on "Submit".
  - xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. **During the voting period, Members can login any number of times till they have voted on the Resolution(s).**
  - xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRIs, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at e-mail ID: **scrutinizer@snaco.net** with a copy to **evoting@karvy.com**. They may also upload the same in the e-voting module in their login. The scanned image of the above mentioned documents should be in the naming format "Corporate Name\_EVENT NO."
- B. In case of Members receiving physical copy of the Notice of AGM and Attendance Slip [for members whose emails are not registered with the Company/Depository Participant or requesting physical copy] :**
- i. Launch internet browser by typing the URL: **https://evoting.karvy.com**
  - ii. Initial Password is provided in the Attendance Slip.
  - iii. Please follow all the steps from (iii) to (xii) as mentioned in (A) above, to cast your vote.
2. Once the vote on a resolution is cast by a Member, the Member shall not be allowed to change it subsequently. Further, the Members who have cast their vote electronically shall not be allowed to vote again at the Meeting.
  3. In case of any query pertaining to e-voting, please visit Help & FAQ's section available at Karvy's website **https://evoting.karvy.com**.
  4. The voting rights of the Members shall be in proportion to the paid-up value of their shares in the equity capital of the Company as on the cut-off date, being Friday, 4th July, 2014.
  5. Mr. S. N. Ananthasubramanian, Practising Company Secretary, or failing him, Ms. Malati Kumar, Practising Company Secretary have been appointed as Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
  6. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
  7. The Results on resolutions shall be declared on or after the AGM of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the resolutions.
  8. The Results declared along with the Scrutinizer's Report will be available on the website of the Company (**www.mahindrafinance.com**) and on Karvy's website (**https://evoting.karvy.com**) within two (2) days of passing of the resolutions and shall also be communicated to BSE Limited and the National Stock Exchange of India Limited.

**By Order of the Board**

**Arnavaz M. Pardiwala**  
Company Secretary

**Registered Office :**

Gateway Building,  
Apollo Bunder,  
Mumbai - 400 001.  
23rd April, 2014



## **EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013**

### **ITEM NOS. 5 TO 8:**

Pursuant to the provisions of section 149 of the Companies Act, 2013 ('the Act'), the Board of Directors of the Company should have at least one-third of the total number of Directors as Independent Directors. The tenure of the Independent Directors will be for a period of five years and the provisions relating to retirement of Directors by rotation shall not be applicable to Independent Directors.

Pursuant to Clause 49(I)(A) of the Listing Agreement, if the Chairman of the Company is a Non-Executive Director, at least one-third of the Board shall comprise of Independent Directors.

The Board recommends the appointment of Mr. Piyush Mankad, Mr. M. G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar, as Independent Directors, in accordance with the provisions of section 149 read with Schedule IV to the Act, to hold office for a term upto five consecutive years on the Board of Directors of the Company with effect from the date of the Annual General Meeting.

The Company has received Notices in writing from Members along with the requisite deposit in accordance with section 160 of the Act, proposing the candidature of Mr. Piyush Mankad, Mr. M. G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar respectively, as Independent Directors.

The Company has also received the declarations from the abovementioned Independent Directors to the effect that they meet with the criteria of independence as prescribed both under sub-section (6) of section 149 of the Act and Clause 49 of the Listing Agreement.

In the opinion of the Board, each of these Directors fulfill the conditions specified in the Act read with the relevant Rules and the Listing Agreement, for their respective appointment as Independent Director and they are independent of management.

Brief Profile of the Independent Directors to be appointed, the nature of their expertise in specific functional areas, names of companies in which they hold directorships and membership/chairmanship of Board Committees, shareholding in the Company, etc., as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the Corporate Governance Report forming part of the Annual Report.

The Board considers that the expertise and knowledge of the abovementioned Directors would be of immense benefit and value to the Company and it is desirable to continue to avail their services as Independent Directors. Accordingly, the Board recommends the Ordinary Resolutions in relation to appointment of Mr. Piyush Mankad, Mr. M. G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar as Independent Directors, for approval by the shareholders of the Company.

All the Independent Directors being appointees may be deemed to be interested in the Resolutions for their respective appointments as set out in Item Nos.5 to 8 of the Notice. The relatives of Mr. Piyush Mankad, Mr. M. G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar may be deemed to be interested in the Resolutions set out respectively, at Item Nos. 5 to 8 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Except as provided above, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the Resolution set out at Item Nos. 5 to 8 of the Notice. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

### **ITEM NO. 9:**

Mr. Ramesh Iyer was re-appointed as the Managing Director of the Company by the Board of Directors at its Meeting held on 25th April, 2011 for a period of five years with effect from 30th April, 2011. The Shareholders at the Annual General Meeting of the Company held on 29th July, 2011 had approved the said re-appointment and remuneration payable to Mr. Ramesh Iyer as the Managing Director of the Company.

The Board of Directors of the Company at its Meeting held on 23rd April, 2014, has pursuant to the approval of the Nomination and Remuneration Committee and subject to the approval of the Shareholders, approved the revision in the remuneration payable to Mr. Ramesh Iyer as Managing Director of the Company with effect from 1st August, 2014 till the remainder of his term of office.

The business activities of the Company are increasing along with growth and opportunities in the Financial Services Sector. The Company is continuously expanding its financial services portfolio which now also includes personal loan, mutual fund distribution, financing commercial vehicles, construction equipments, SME financing and Invoice discounting. In view of the growing business activities of the Company, responsibilities of the Managing Director have considerably increased.

Considering the performance of the Company, the Managing Director's contribution towards the growth, his increasing responsibilities and trend in the industry, it is proposed to increase the remuneration payable to Mr. Ramesh Iyer, with effect from 1st August, 2014 for the remainder of his term of office i.e. upto 29th April, 2016.

The Memorandum setting out the terms of the revised remuneration of Mr. Ramesh Iyer as required under section 190 of the Companies Act, 2013 ('the Act') shall be open for inspection by the Members at the Registered Office of the Company during normal business hours (9.30 a.m. to 5.30 p.m.) on all working days except Saturdays.

Pursuant to section 197 and Schedule V to the Act pertaining to Managerial Remuneration, the revision in the remuneration payable to Mr. Ramesh Iyer as Managing Director of the Company is now being placed before the Shareholders in the Annual General Meeting for their approval by way of a Special Resolution.

Your Directors recommend this resolution as a Special Resolution for approval of the Shareholders.

None of the Directors or Key Managerial Personnel of the Company and their relatives except Mr. Ramesh Iyer to whom the Resolution relates, is concerned or interested, financially or otherwise, in the resolution set out at Item No.9.

The following additional information as required by Schedule V to the Companies Act, 2013 is given below :

#### I. GENERAL INFORMATION :

- i) Nature of Industry :  
The Company is a Non-Banking Financial Company engaged in providing finance for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles.
- ii) Date or expected date of commencement of commercial production :  
The Company was incorporated on 1st January, 1991 and commenced business operations on 19th February, 1991.
- iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not applicable
- iv) Financial performance based on given indicators – as per audited financial results for the year ended 31st March, 2014:

Particulars	Rupees (in crores)
Turnover and Other Income	4,953
Net Profit as per Statement of Profit and Loss (after Tax)	887
Profit as computed under section 309(5) read with section 198 of the Companies Act, 1956	1,574
Net Worth	5,094

- v) Foreign Investments or collaborations, if any :  
The Company has made a cumulative investment of Rs. 78 crores as on 31st March, 2014 in Mahindra Finance USA LLC, a joint venture between De Lage Landen Financial Services Inc., and the Company.

#### II. INFORMATION ABOUT THE APPOINTEE :

- i) Background details  
Mr. Ramesh Iyer has been the Managing Director of the Company with effect from 30th April 2001 and has been associated with the Company since inception. He comes with a wealth of experience in matters relating to business development, finance and marketing with a total work experience of 34 years. He holds a Bachelor's Degree in Commerce and a Master's Degree in Business Administration.

Mr. Ramesh Iyer is also a member of the Group Executive Board of Mahindra & Mahindra Limited, the holding Company, and is on the Board of the following Companies :

Mahindra Insurance Brokers Limited  
 Mahindra Rural Housing Finance Limited - (Chairman)  
 Mahindra Business & Consulting Services Private Limited - (Chairman)  
 Mahindra Asset Management Company Private Limited - (Chairman)  
 Mahindra First Choice Services Limited  
 Mahindra First Choice Wheels Limited  
 NBS International Limited  
 Mahindra & Mahindra South Africa (Pty.) Ltd.  
 Mahindra Finance USA, LLC.



Mr. Iyer is a Chairman/Member of the following Committees :

Audit Committee	Mahindra Insurance Brokers Limited
	Mahindra Rural Housing Finance Limited - (Chairman)
	Mahindra First Choice Wheels Limited - (Chairman)
	Mahindra First Choice Services Limited - (Chairman)
Stakeholders Relationship Committee (earlier known as 'Share Transfer & Shareholders/ Investors Grievance Committee')	Mahindra & Mahindra Financial Services Limited
Nomination and Remuneration Committee (earlier known as 'Remuneration/ Compensation Committee')	Mahindra Insurance Brokers Limited
	Mahindra Rural Housing Finance Limited
	Mahindra First Choice Wheels Limited
	Mahindra First Choice Services Limited
Corporate Social Responsibility Committee	Mahindra & Mahindra Financial Services Limited
	Mahindra Insurance Brokers Limited
	Mahindra Rural Housing Finance Limited

Mr. Iyer holds membership in various committees in the industry like Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Bombay Chamber of Commerce and Industry (BCCI), Finance Industry Development Council (FIDC) and Committee on Comprehensive Financial Services (CCFS).

Mr. Iyer has successfully completed Senior Executive programmes conducted by leading national and international education institutes like IMD, Switzerland; ISB, Hyderabad; IIM, Bangalore; Michigan Business School, USA and Harvard Business School, Boston.

Mr. Iyer has had an illustrious career marked by numerous awards and accolades. He has received an award as one of the finalists for "The Outstanding CEO Category" by CEO India Magazine, Delhi in the year 2014. He has also received an award – "Hall of Fame : 2014 IMM – JJ Awards for Excellence: Best CEO" by the Institute of Marketing & Management (IMM), Delhi in the year 2014. He has also won as one of the 16 finalists for the prestigious 15th EY Entrepreneur of the Year (EOY) Awards 2013. He has won the Indian Achievers Award for Corporate Leadership by Indian Achievers Forum. He was also conferred the Business Leadership Award by the Institute of Economic Studies, New Delhi. His leadership was lauded with the 'CEO with HR Orientation' Award by Employer Branding Institute, CMO Asia, with their Strategic Partner CMO Council. In addition, he has also received the Udyog Rattan Award by the Institute of Economic Studies, New Delhi; the Rashtriya Udyog Pratibha Award by the Council for Economic Growth & Research, Pune; and the Bhartiya Udyog Ratna Award by the National Education & Human Resource Development Organisation, Mumbai. Mr. Ramesh Iyer has also featured in Business World's special report on India's Most 'Valuable' CEOs. He's ranked no. 5 out of 65 in the list of Mid-Sized Companies (Revenues: Rs. 1,000 – Rs.3,000 cr.) category and at no. 6 out of 65 in the same category, based on its One-Year Performance. He is also ranked no. 20 out of 100, based on the Company's Five Year Performance and no. 3 out of 12, based on the rankings in the Financial Sector.

ii) Past remuneration during the financial year ended 31st March, 2014 :  
Rs. 2.75 crores.

iii) Recognition or Awards :  
The information is already covered in the section "Background details".

iv) Job Profile and his suitability :

Mr. Ramesh Iyer has been the Managing Director of the Company since 30th April, 2001 and has been associated with the Company since its inception. The turnover and profits of the Company have been increasing consistently over the years. The growth in the Company's operations can to a very large extent be attributable to the dynamism and relentless efforts set by Mr. Ramesh Iyer, Managing Director. Several new initiatives have been and are being taken to further the growth and the profitability of the Company. Taking into consideration his qualifications and expertise, Mr. Ramesh Iyer is best suited for the responsibilities currently assigned to him by the Board of Directors of the Company.

v) Remuneration Proposed :

Salary in the scale of Rs. 4,00,000 per month to Rs. 8,00,000 per month with effect from 1st August, 2014 and other perquisites, allowances and commission as fully set out in Item No. 9 of the Notice.

vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) :

Taking into consideration the size of the Company, the profile of the appointee, his responsibilities, the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies in the industry.

vii) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :

Besides the remuneration proposed to be paid to him, the Managing Director does not have any other pecuniary relationship with the Company or relationship with the managerial personnel.

**III. OTHER INFORMATION :**

i) Reasons of loss or inadequate profits :

Not applicable as the Company has posted a net profit after tax of Rs. 887 crores for the year ended 31st March, 2014.

ii) Steps taken or proposed to be taken for improvement and

iii) Expected increase in productivity and profits in measurable terms :

Not applicable as the Company has adequate profits. The Company posted a profit before tax of Rs. 1,346 crores for the year ended 31st March, 2014.

**IV. DISCLOSURES :**

The information and disclosures of the remuneration package of the managerial personnel have been mentioned in the Annual Report in the Corporate Governance Report Section under the Heading "Details of Remuneration paid to Directors for Financial Year 2013-14".

**By Order of the Board**

**Arnavaz M. Pardiwala**

Company Secretary

**Registered Office :**

Gateway Building,

Apollo Bunder,

Mumbai - 400 001.

23rd April, 2014

# Mahindra FINANCE

## MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Corporate Identity Number : L65921MH1991PLC059642

Tel: +91 22 66526000; Fax: +91 22 24984170

Website: www.mahindrafinance.com; email: investorhelpline\_mmfsf@mahindra.com

### 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 14<sup>th</sup> July, 2014.

Name & Registered Address:  
of the Shareholder

Folio No. :

DP ID. :

Client ID :

No. of Shares :

I hereby record my presence at the **TWENTY-FOURTH ANNUAL GENERAL MEETING** of the Company being held at Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021 on Thursday, the **24th day of July, 2014 at 3.30 p.m.**

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

**NOTE:** You are requested to bring your copy of the Annual Report to the Meeting.

### ELECTRONIC VOTING PARTICULARS

Shareholders may please note the user id and password given below for the purpose of e-voting in terms of Section 108 of the Companies Act, 2013, read with rule 20 of the Companies (Management and Administration), Rules, 2014. Detailed instructions for e-voting are given in Note No. 18 of the AGM Notice.

EVEN (E-Voting Event Number)	USER ID	PASSWORD

# Mahindra FINANCE

## MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Corporate Identity Number : L65921MH1991PLC059642

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

Tel: +91 22 66526000; Fax: +91 22 24984170

Website: www.mahindrafinance.com; email: investorhelpline\_mmfsf@mahindra.com

### PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) : .....

Registered Address of the Member: .....

.....

E-mail id: ..... Folio No. / Client ID: ..... DP ID: .....

I/We, being the members of MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED holding \_\_\_\_\_ Equity Shares hereby appoint :

1. Name: ..... E-mail Id: .....

Address: .....

..... Signature: .....

or failing him

2. Name: ..... E-mail Id: .....

Address: .....

..... Signature: .....

or failing him

3. Name: ..... E-mail Id: .....

Address: .....

..... Signature: .....

as my/our Proxy to attend and vote (on a Poll) for me/us and on my/our behalf at the **Twenty-Fourth Annual General Meeting** of the Company to be held on Thursday, 24<sup>th</sup> July, 2014 at 3.30 p.m. at Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021 and at any adjournment thereof in respect of such resolutions as are indicated below :

Sr. No.	Resolutions
1.	Consider and adopt the Audited Financial Statements for the year ended 31st March, 2014 together with the Reports of the Board of Directors and Auditors thereon.
2.	Declaration of Dividend on Equity Shares.
3.	Resolved not to fill the vacancy caused by the retirement of Dr. Pawan Kumar Goenka, Director, who retires by rotation and does not seek re-appointment.
4.	Re-appointment of Auditors and fixing their remuneration.
5.	Appointment of Mr. Piyush Mankad as an Independent Director.
6.	Appointment of Mr. M. G. Bhide as an Independent Director.
7.	Appointment of Mr. Dhananjay Mungale as an Independent Director.
8.	Appointment of Ms. Rama Bijapurkar as an Independent Director.
9.	Revision in the remuneration of Mr. Ramesh Iyer, Managing Director of the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\_\_\_\_\_  
Signature of Shareholder

Affix a  
15 paise  
Revenue  
Stamp

Signature of Proxy holder(s) : \_\_\_\_\_

#### NOTES:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. A person can act as proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights; provided that a Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.



# WHAT YOU SEE

AUM OF ₹ 34,100 CR+

DISBURSEMENTS ₹ 25,400 CR+

BORROWINGS OF ₹ 23,900 CR+

NO. OF OFFICES 890+



# WHAT YOU DON'T

**3 MN+** CUSTOMER BASE

**15+** OEM RELATIONSHIPS

**40+** BANKING RELATIONSHIPS

**1 OF 3** INDIAN VILLAGES COVERED



₹3,600 CR +

FIXED DEPOSIT BASE

What you are holding in your hand is our annual report. If one goes strictly by definition, it is a document that gives out quantitative progress a business has made in the previous year. In our case too, it is meant to tell you about our performance. How much did we disburse? What did we earn? How much did we spend in doing so? What was left over, and how much of it did we share?

15,000 +

TRAINED EMPLOYEES

That is, if we go only by definition.

WHAT

YOU

Asset Finance Company

SEE

High Credit Rating

Our Subsidiaries & Joint Ventures

—  
**2LACS +**

RETAIL DEPOSIT HOLDERS

---

—  
**IN-HOUSE TRAINING  
ACADEMIES**

ACROSS INDIA

---

At Mahindra Finance, our story goes beyond numbers. Which is why, we put this report together, to bring to light certain perspectives that are otherwise not obvious. You will see a strong business that has stood the test of time. You will see the strong foundation upon which we have built an organisation that is resilient even in the most testing of times, such as the year just gone by. You will see the transformative role we have played in the lives of millions. And, you will see how we are building for the future, one, which is ripe with opportunity and hope.

You see all of this, through facts that you normally don't.  
Happy reading.

WHAT

YOU

DON'T

Diversified product  
& customer base

Alliances with NHB,  
Rabobank Group\* &  
Leap Frog

De-risked  
business  
model

\* Mahindra Finance USA LLC is our joint venture with De Lage Landen Financial Services Inc., a wholly-owned subsidiary of the RaboBank Group.

# 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.  
CIN: L65921MH1991PLC059642  
Website: www.mahindrafinance.com  
E-mail: investorhelpline\_mmfsi@mahindra.com

## Corporate Office

Mahindra Towers,  
4th Floor, Dr. G M. Bhosale Marg,  
P. K. Kurne Chowk, Worli,  
Mumbai - 400 018.  
Tel: +91 22 66526000  
Fax: +91 22 24984170/71

## Committees of the Board

### Audit Committee

Dhananjay Mungale - Chairman  
Uday Y. Phadke  
M. G. Bhide  
Rama Bijapurkar  
Piyush Mankad

### Nomination and Remuneration Committee

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

### Stakeholders Relationship 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

## Corporate Social Responsibility Committee

Bharat Doshi - Chairman  
Piyush Mankad  
Uday Y. Phadke  
Ramesh Iyer

## Auditors

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

## Solicitors

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

## Debenture Trustee

Axis Trustee Services Limited  
Axis House, 2nd Floor,  
Bombay Dyeing Mills Compound,  
Worli,  
Mumbai - 400 025.  
Phone: (022) 24255202  
Fax: (022) 24254200  
E-mail: debenturetrustee@axistrustee.com

## Registrar and Share Transfer Agents

Karvy Computershare Pvt. Ltd.  
Plot No. 17-24,  
Vittalrao Nagar, Madhapur,  
Hyderabad - 500 081.  
Tel.: + 91 40 23420818  
Fax: + 91 40 23420814  
Website : www.karvy.com  
E-mail : support@karvy.com;  
einward.ris@karvy.com

## Bankers

Abu Dhabi Commercial Bank  
Allahabad Bank  
Axis Bank Limited  
Bank of America  
Bank of Bahrain & Kuwait B.S.C.  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Barclays Bank PLC  
Canara Bank  
Central Bank of India  
Citibank N.A.  
Corporation Bank  
Credit Suisse AG  
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.  
Industrial & Commercial Bank of China Ltd.  
ING Vysya Bank Ltd.  
Kotak Mahindra Bank Ltd.  
Punjab National Bank  
Punjab & Sind 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  
Union Bank of India  
United Bank of India  
United Overseas Bank  
Vijaya Bank  
Yes Bank Ltd.



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# About Mahindra Finance

**Mahindra & Mahindra Financial Services Limited (MMFSL)** is a non-banking finance company, operating across the length and breadth of India. It has been operating for nearly 2 decades, having touched the lives of over 3 million people directly and many more indirectly. MMFSL has a wide range of financial services, principally asset finance. Mahindra Finance is a facilitator of ambition and true financial inclusion in India. It is part of the **~US\$ 16.7 billion** Mahindra Group.

## VISION

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

## MISSION

Transform rural lives and drive positive change in the communities.



## 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**.



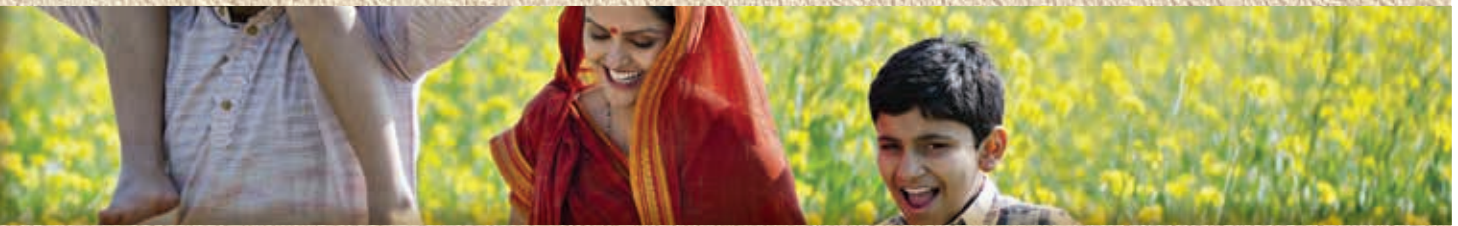


## Brand Pillars

- ❖ Accepting No Limits
- ❖ Alternative Thinking
- ❖ Driving Positive Change

## Core Values

- ❖ Professionalism
- ❖ Good Corporate Citizenship
- ❖ Customer First
- ❖ Quality Focus
- ❖ Dignity of the Individual



## Brand Mahindra & Values

Mahindra Group chose 'Rise' as a brand positioning with sense of meaning and purpose. It instills an **ambition** and **attitude** that we can achieve whatever we set our minds to. It declares who we are, how we operate, what we believe in and **our collective aspiration to be a globally admired brand.**







₹887 CR

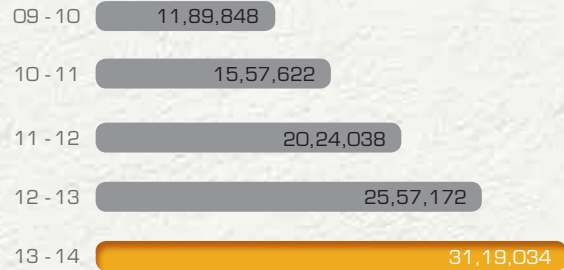
PROFIT AFTER TAX FOR 2013-14

190%

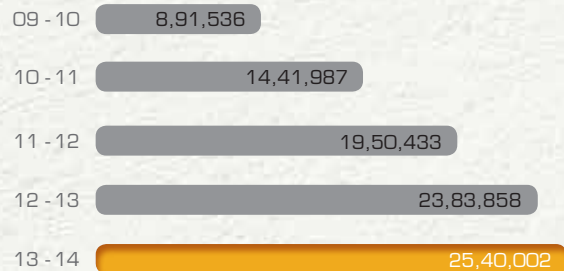
DIVIDEND FOR 2013-14

## Operational Highlights

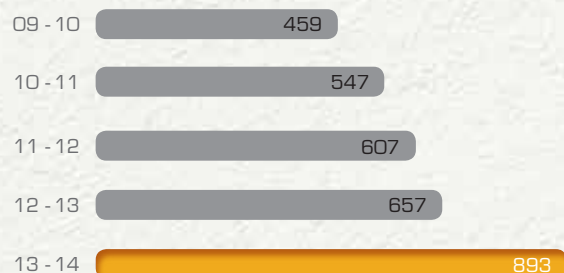
### Number of Contracts



### Estimated Value of Assets Financed (Rs. in lacs)



### Number of Offices



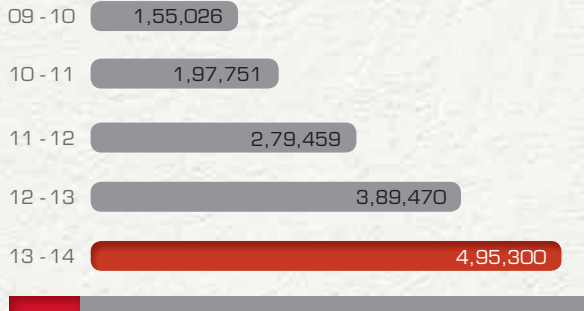
### Number of Employees Engaged



# Financial Highlights

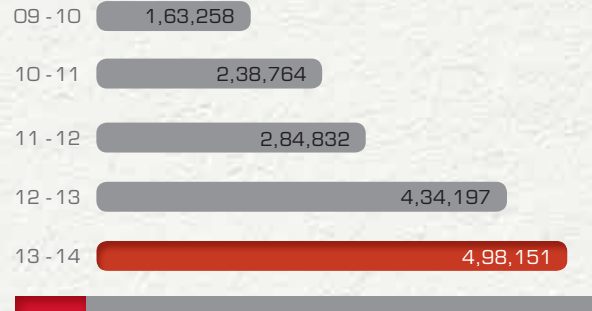
## Total Income

(Rs. in lacs)



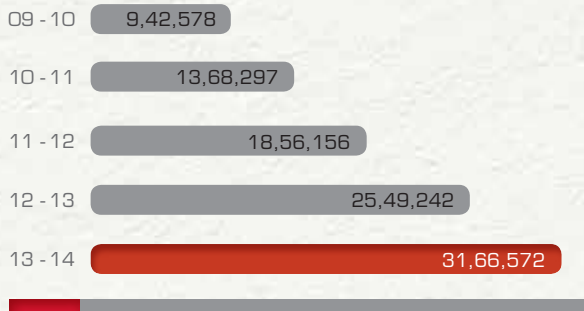
## Reserves and Surplus

(Rs. in lacs)



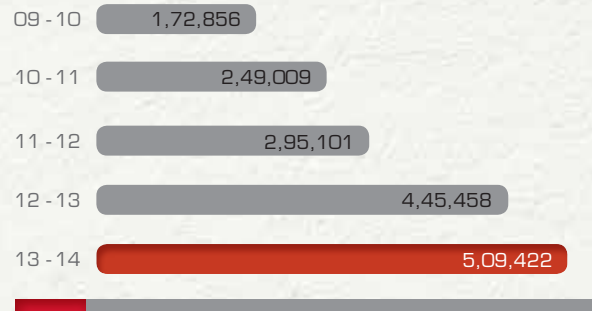
## Total Assets

(Rs. in lacs)



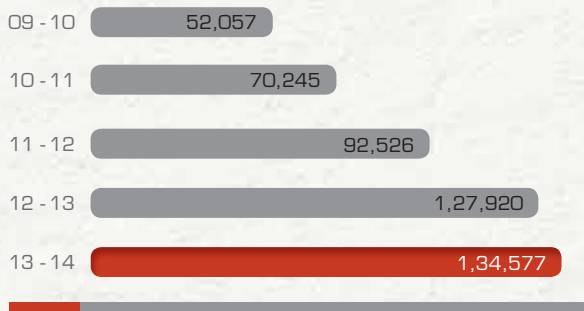
## Networth

(Rs. in lacs)



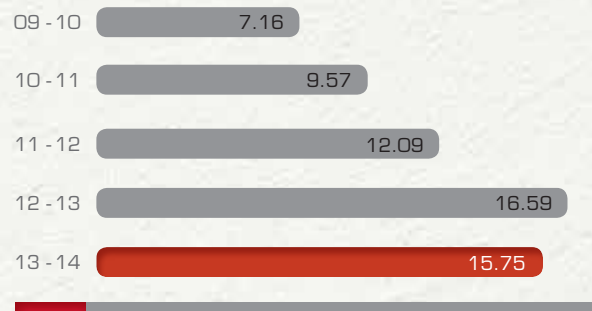
## Profit Before Tax

(Rs. in lacs)



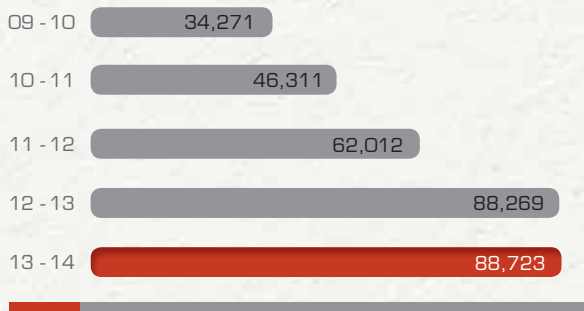
## Earnings Per Share (Basic)

(Rs.)



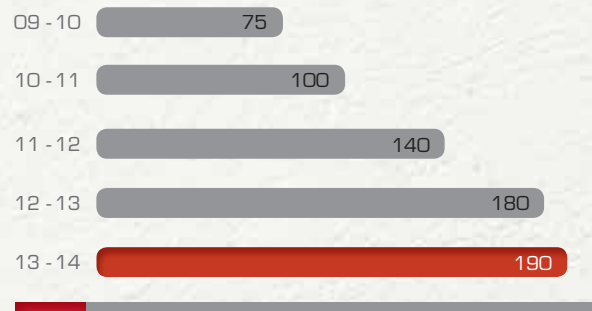
## Profit After Tax

(Rs. in lacs)



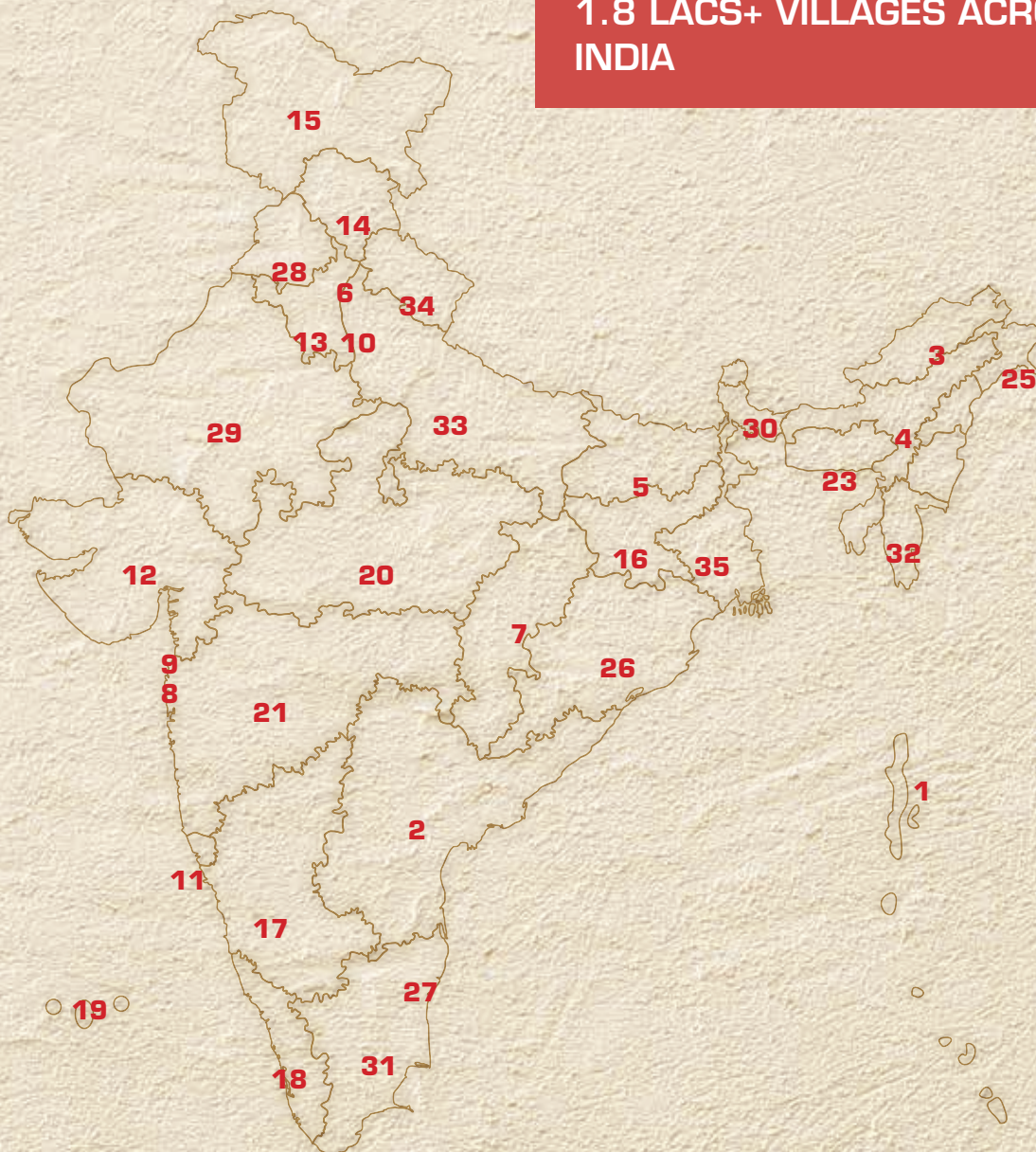
## Dividend

(%)





# Geographic Presence



**OUR EXTENSIVE REACH ACROSS  
1.8 LACS+ VILLAGES ACROSS  
INDIA**

Note: Numbers in the map above correspond to the name of the respective state in the table on the adjoining page.

	States	Number of Villages	
		TOTAL	MMFSL Presence
1	Andaman & Nicobar Islands	550	238
2	Andhra Pradesh*	28,358	12,619
3	Arunachal Pradesh	4,082	95
4	Assam	26,465	3,852
5	Bihar	45,224	12,289
6	Chandigarh	27	20
7	Chhattisgarh	20,406	7,101
8	Dadra and Nagar Haveli	72	56
9	Daman and Diu	25	23
10	Delhi	249	393
11	Goa	403	14
12	Gujarat	18,802	9,343
13	Haryana	7,089	7,690
14	Himachal Pradesh	20,478	5,748
15	Jammu and Kashmir	6,727	1,203
16	Jharkhand	32,765	3,937
17	Karnataka	29,986	11,328
18	Kerala	1,523	1,665
19	Lakshadweep	27	1
20	Madhya Pradesh	56,718	18,322
21	Maharashtra	44,128	14,934
22	Manipur	2,428	3
23	Meghalaya	6,045	1,051
24	Mizoram	839	31
25	Nagaland	1,326	1
26	Odisha	52,029	7,064
27	Puducherry	98	75
28	Punjab	12,865	5,002
29	Rajasthan	42,014	12,408
30	Sikkim	461	109
31	Tamil Nadu	17,739	9,037
32	Tripura	894	227
33	Uttar Pradesh	1,08,233	23,762
34	Uttarakhand	16,912	1,557
35	West Bengal	41,170	11,066
	<b>Total</b>	<b>6,47,157</b>	<b>1,82,264</b>

\*including Telangana

## Group Structure

**Mahindra & Mahindra Limited**

Mahindra & Mahindra Financial Services Limited (51.2%)

Mahindra Insurance Brokers Ltd. (85%)

Mahindra Rural Housing Finance Ltd. (87.5%)

Mahindra Finance USA LLC (49% Joint Venture with RaboBank Group Subsidiary)

Mahindra Business & Consulting Services Private Ltd. (100%)

Mahindra Asset Management Company Pvt. Ltd. (99.99%)

Mahindra Trustee Company Pvt. Ltd. (99.99%)



# Product Portfolio

At Mahindra Finance, we are evolving constantly by introducing new products, entering new markets and expanding our business segment. Our product portfolio comprises of:

## VEHICLE FINANCING

- ❖ Auto and Utility Vehicles
- ❖ Tractors
- ❖ Cars
- ❖ Commercial Vehicles
- ❖ Construction Equipment



## HOUSING FINANCE\*

- ❖ New house
- ❖ House renovation and improvements

\*through our subsidiary Mahindra Rural Housing Finance Limited



## PERSONAL LOANS

- ❖ Wedding
- ❖ Children's Education
- ❖ Medical Treatment
- ❖ Working Capital



### PRE-OWNED VEHICLE FINANCING

- ❖ Cars
- ❖ Multi-utility Vehicles
- ❖ Tractors
- ❖ Commercial Vehicles



### SME FINANCING

- ❖ Project Finance
- ❖ Equipment Finance
- ❖ Working Capital Finance



### INSURANCE BROKING \*

- ❖ Retail Customers
- ❖ Corporates

\*Through our subsidiary Mahindra Insurance Brokers Limited



### INVESTMENTS & ADVISORY

- ❖ Investment Products
  - Fixed deposits
- ❖ Advisory Services
  - Investment planning (under the brand Mahindra Finance Finsmart)





What  
you see  
is a  
balance  
sheet  
size of  
₹31,600  
CR+

—  
5.6 LACS+

NEW CUSTOMER  
RELATIONSHIPS IN 2013-14

---

—  
27.17%

GROWTH IN TOTAL INCOME  
IN 2013-14

---

—  
3000+

DEALER RELATIONSHIPS

---

—  
1/4

VEHICLES SOLD IN INDIA  
FINANCED BY MAHINDRA  
FINANCE

---

WHAT YOU  
DON'T SEE  
IS THE  
**DEPTH  
AND BREADTH  
OF OUR  
BUSINESS**



₹ **5,090** CR+

NET WORTH AS ON 31ST MARCH, 2014

## Diverse asset portfolio

Our business is built around the objective of rural transformation. We not just finance vehicles, but create livelihoods and help improve the quality of life of our customers. As they grow, we grow with them. We also partner their aspirations through a variety of other products, such as housing loans, investment products as well as security of assets through insurance broking.

## Presence across OEMs

Our industry leadership is also validated by the depth of our relationships and breadth of our reach with OEMs. We finance vehicles manufactured by virtually every OEM in the country, and are associated with over 3,000 dealers across India. While we have expanded the range of vehicles financed, we continue to maintain our leadership with major OEMs. This is not just a de-risking measure, but a facilitator of scale.

## Strong business fundamentals

Yes, in absolute terms we are clearly one of the largest asset financing NBFCs in India today, with an overall AUM of ₹ 34,100 CR+. What this number does not tell you is that one of every four vehicles sold in India is financed by Mahindra Finance.

:: Empowering entrepreneurship in the remotest corners of India.





What is  
apparent  
is  
borrowings  
of ₹23,900  
CR+ to fund  
our  
business

–  
4.7:1

DEBT EQUITY RATIO

---

–  
4.8%

NET SPREAD BEFORE TAX

---

–  
18.6%

RETURN ON NETWORTH AS  
ON 31ST MARCH, 2014

---

–  
17.6%

TOTAL INCOME / AVERAGE  
ASSETS AS ON  
31ST MARCH, 2014

---



WHAT IS NOT  
APPARENT IS  
THE STRENGTH  
OF OUR  
**40+ BANKING  
RELATIONSHIPS  
& INNOVATIVE  
FUND  
MANAGEMENT**





## Leveraging quality capital

At Mahindra Finance, hassle-free access to quality capital is one of the principal drivers of our sustainable ability to lend in good times and bad, and at optimal costs. It also reflects enduring relationships that we share with reputed national and global institutional investors, such as insurance companies, banks and mutual funds.

:: Credit worthiness is a function of a good business model, prudent risk management, and consistent goodwill.

# 18%

CAPITAL ADEQUACY RATIO AS ON 31ST MARCH, 2014

Even a widening fraternity of over 2 lac retail investors put their trust in our vision and operational ecosystem. This reality is not readily evident, but it has a two-fold advantage. On the one hand, it helps create a well-capitalized business model. On the other hand, it reinforces a diversified risk profile. Critical characteristics of an inspiring brand.

## Performing consistently & credibly

Different investors may have diverse investing principles, but trust in our business model binds most of them. This is the result of our credible and consistent business performance. Investors, institutional or retail, have always chosen to support our business even in the most challenging times. The lending consortium has consistently expanded over the years, demonstrating the fact that investors are ready to walk the extra mile with us.

Over time, our ability to meet the expectations of a diverse group of investors has stood us in good stead. The strength of our balance sheet, excellent credit ratings and robust pan-India operations continue to reinforce the trust that investors repose in us.



Most  
people think  
we are just  
a vehicle  
financing  
NBFC

—  
**5.60 LACS+**

VEHICLES FINANCED  
DURING 2013-14

---

—  
**₹25,400 CR+**

VEHICLE LOAN DISBURSEMENTS  
DURING 2013-14

---

—  
**₹630 CR+**

LOAN DISBURSEMENTS  
MADE BY MAHINDRA RURAL  
HOUSING FINANCE LIMITED  
DURING 2013-14

---

—  
**₹111 CR+**

TOTAL INCOME OF  
MAHINDRA INSURANCE BROKING  
LIMITED IN 2013-14

---



MOST PEOPLE,  
HOWEVER,  
END UP BEING  
SURPRISED  
AT KNOWING  
HOW MUCH  
MORE WE DO!







## Think again!

We began in the nineties primarily as a financier of Mahindra vehicles. Therefore, every time one comes across our brand, the first impression one gets is that of a vehicle financing NBFC. Our response is 'think again'. Because over the years, we have extended our reach to a large portfolio of financial services that help our customers fulfil their diverse needs.

:: Customised financing solutions for affordable housing through our partnership with NHB is an important piece in our rural transformation agenda.

## Offering diverse solutions

We have five subsidiaries and a joint venture in The USA, that cover a large portfolio of financial services. In a competitive industry landscape, we leverage opportunities by offering diversified solutions. We believe we need to be where customers want us most.

Our objective is to stand by our customers in their hour of need. Such an approach strengthens their trust quotient. Customers think Mahindra Finance is their trusted companion for life. Our varied solutions represent the dynamism at our core.

What began as an auto finance company has blossomed into a multi-vertical business entity, catering to a wide range of customer requirements. This is how we are extending our promise of 'inclusive growth' to support the aspirations of our customers.

## Being close to people

We meet the insurance needs of customers through Mahindra Insurance Brokers Limited (MIBL). Today, with more than a decade of experience, we provide 360-degree insurance solutions (both retail and corporate) to our customers. Our customised solutions (like Mahindra Loan Suraksha, Mahindra Arogya Suraksha and Sampoorna Suraksha) and team are well integrated and equipped to meet our customer needs.

Leveraging our grassroots presence in rural India, our subsidiary Mahindra Rural Housing Finance Limited (MRHFL) caters to housing needs of rural India. We have also partnered with National Housing Bank (NHB) to strengthen our presence in rural housing.

We are happy when we can be with customers, just when it matters most. And our multiple businesses are a logical extension of being a facilitator of rural transformation in more ways than one. We are creating livelihoods, providing shelter, securing people's lives and investments.

Yes,  
we are  
present  
in  
1,80,000+  
VILLAGES

—  
**570+**

NUMBER OF DISTRICTS  
COVERED

---

—  
**890+**

NUMBER OF OFFICES WE  
OPERATE THROUGH

---

—  
**30YRS**

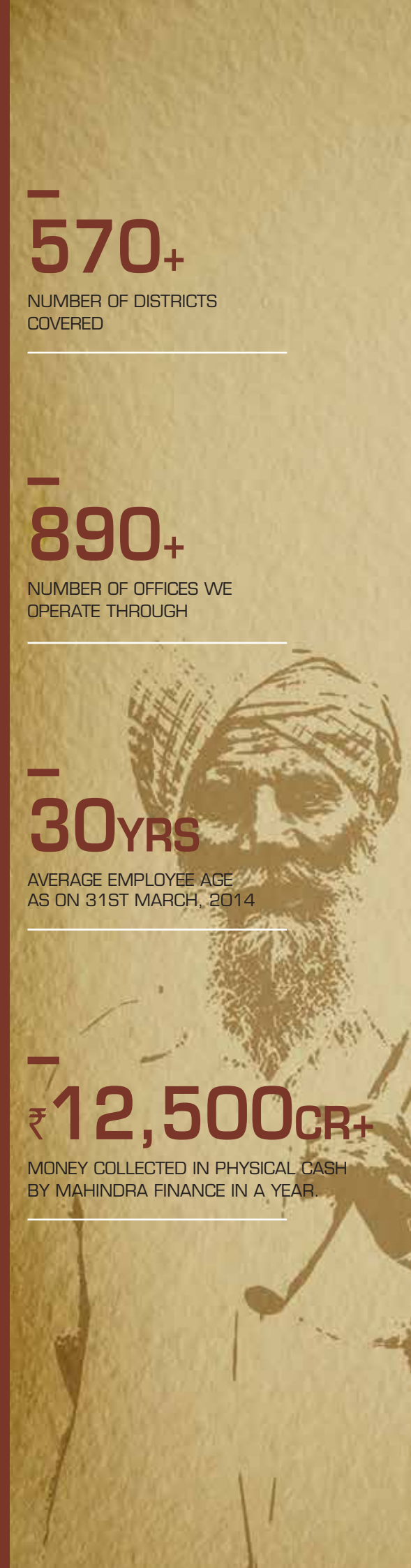
AVERAGE EMPLOYEE AGE  
AS ON 31ST MARCH, 2014

---

—  
**₹12,500CR+**

MONEY COLLECTED IN PHYSICAL CASH  
BY MAHINDRA FINANCE IN A YEAR.

---





NO,  
THERE ISN'T  
A SINGLE  
INDIAN  
DISTRICT  
**NOT TOUCHED  
BY MAHINDRA  
FINANCE**





## Wider presence. Deeper reach.

Helping transform rural India is at the core of our corporate objective, and that's what we are focusing on, despite challenges.

How do we make that happen? The answer is simple.

Through unparalleled reach that takes us to the high altitudes of Kashmir or the sleepy hamlets of Kerala. Locations hardly known or celebrated by the outside world, yet never out of the ambit of our financing.

:: We go further to work with our customers on fulfilling their needs, and ensuring that even the unbanked enjoy access to credible financial services.

# 4.8%

NET SPREAD AS ON  
31ST MARCH, 2014

## Touching lives, far and wide

Rural financing is more than a regulatory norm for us. It is the heart of our business model. We have helped a large number of first-time borrowers, with no credit history, but a commitment to achieve their aspirations. We have helped them create a credit history, so that they can be confident participants in the transformation of rural India. Our customers come back to us, when they need more credit, because they feel empowered. Thus, we have created unique stories of empowerment for as many as 3 million customers in a vast country like India. We respect their dreams and build the critical bridge between aspiration and achievement.

On the one hand, a significant population of rural and semi-urban India still languishes with limited access to financial services. Most of them have never seen the inside of a bank. On the other hand, most organisations find it unviable to extend their reach beyond a point. However, Mahindra Finance has never suffered from any such constraint. For us, it is both an honour and a responsibility to facilitate transformation of people's lives. Our network today covers nearly a third of India's villages, transcending geographic, linguistic and cultural barriers.

## Speaking the customer's language

India's linguistic diversity is a challenge for many industry players. We overcame this barrier by creating multilingual teams, comprising locals. A strategic synergy of technology and human commitment has enabled us to reach every doorstep. Across economic volatilities or business challenges our commitment to transform lives remains unchanged.

Our rolls  
reveal that  
we have a  
workforce  
of  
15,000+  
people

—  
5,500+

NUMBER OF NEW EMPLOYEES  
RECRUITED DURING 2013-14

---

—  
8.2 YRS

AVERAGE TENURE OF EMPLOYEES  
IN SENIOR CADRE AS ON  
31ST MARCH, 2014

---

—  
5

ZONAL TRAINING ACADEMIES  
ACROSS INDIA

---

—  
10.38%

ATTRITION RATE, ONE OF THE  
LOWEST IN THE INDUSTRY

---





WHAT THEY  
DON'T REVEAL  
IS A STRONG  
TEAM  
**TRAINED  
IN-HOUSE,  
WHERE EACH  
MEMBER IS  
A BRAND  
AMBASSADOR**

—  
**60%+**

OVERALL YEARLY REPAYMENTS  
COLLECTED IN PHYSICAL CASH

## People matter

While brand Mahindra has been the face of trust for our customers, it is our people who are the real brand ambassadors. We strive to build a team who espouse our values on the one hand and enjoy a close connect with the customer on the other. We recruit local talent for a particular region, who can understand customer aspirations better and can best communicate with them. At Mahindra Finance, we believe sensitivity to people's requirement counts.

Our multi-cultural team is sensitive to people's aspirations and can empathise. This strengthens our competitiveness in the market. Our policies are driven by inputs from our team, who guide it based on the specific needs of customers, and their in-depth understanding. Such an approach makes us a distinguished financial services provider, with local talent catering to local customers.

## Trust delivers growth

In a business where more than 60% of the collections are in cash, our annual cash volume is over Rs. 12,500 crores. Our people are directly interfacing and collecting cash in small denominations from customers, sometimes even in coins. Therefore, the entire operating ecosystem revolves around a huge element of collective trust.

## Together is better

At Mahindra Finance, we bring together technology and teamwork to create a dynamic business model. We invest aggressively in both to set into motion the wheels of progress. We regularly conduct employee engagement surveys, analysing and measuring the motivation levels of our people.

## Change agents

We have more than 15,000 people on our rolls who continue to translate our strategies into on-ground realities. They face multiple challenges, but remain steadfast to our core objective of transforming lives. No wonder, customers look upon them as agents of positive change.

:: Our locally recruited employees are crucial in driving policy and systems. They are our key differentiator.







# Sustainability

What's on the surface is a robust, value-creating organisation.

What's beneath is compassion, empathy and consistent community engagement.

At Mahindra Finance our commitment is encapsulated in two simple words: 'Transforming Lives'. Being connected to a large part of rural and semi-urban India through our business, our focus is on bringing positive

change in the lives of people we touch. Apart from what we do in our business, our commitment to community engagement and environmental initiatives take this objective forward. We have well-outlined sustainability goals, against which we measure our actions. These goals are a wide framework for consistent business growth, taking into consideration the aspirations of all stakeholders.



Health check-ups



Patient check-ups for a variety of ailments at Lifeline Express



The Lifeline Express



We focus our CSR activities primarily in the areas of health, education and environment protection, especially in the catchment area of our operations. These go a long way in helping transform their socio-economic indicators.



Member of Dow Jones Sustainability Indices



60,000 trees were planted across various locations



Tree plantation drives at Mahindra Finance form an important component of Project Hariyali



Mahindra Finance's CSR activities in municipal schools



Check-up camps conducted by Mahindra Finance give communities access to health services



Transforming lives with village electrification



## Awards & Recognitions



- ❖ Mahindra Finance was featured in Morgan Stanley's Top 20 'Best in Class' List, 2013.
- ❖ Mahindra Finance was awarded Asia's most Promising Brand Award at the Asian Brand and Leadership Summit.
- ❖ Mahindra Finance was awarded with the prestigious Golden Peacock Award for Excellence in Corporate Governance for the year 2013.
- ❖ Mahindra Finance has been selected as an index component of the Dow Jones Sustainability Indices (DJSI), under the Emerging Markets Index.
- ❖ Mahindra Finance won the IT Excellence Award 2013 in the CIO Summit 2013, Singapore in the category of Best IT Governance for project MF-EKA (Enterprise Key Access) Unified Identity Management System.
- ❖ Mahindra Insurance Brokers Ltd team was awarded the MicroInsurance Centre & LeapFrog Lab's "SUAVE 2013" Award for designing a prototype microinsurance product which was primarily inspired by the model of MIBL's Health Insurance product Mahindra Arogya Suraksha, tailor-made for Mahindra Finance customers.
- ❖ Runners up for 'Excellence in Community Impact' by SHRM. SHRM India is a part of the world's largest professional, not-for-profit Human Resource association, SHRM – the Society for Human Resource Management.
- ❖ Social Action Award by Indian Development Foundation. IDF is a national NGO working in the field of Health, Education & Development of India.
- ❖ Mahindra Finance won Silver for Best Corporate Website at the 53rd ABCI Awards (Association of Business Communications of India thrives to promote excellence in business communications).
- ❖ Mahindra Finance E-Parichay, the data De-duplication implemented by our IT team won the EDGE Awards 2013.
- ❖ Mahindra Home Finance was awarded Bronze for 'Product Excellence' in the 'Global CSR Summit & Awards 2013' held in Davao, Philippines. This is Asia's Most Prestigious Event & Awards for Corporate Social Responsibility which recognizes best practices in the region.
- ❖ MF-Vazhi Thadam (Route Tracer) was awarded 'India's Best 2013 Award by SKOCH Order of Merit.
- ❖ Mahindra Finance has received the Commendation Certificate for Significant Achievement on the journey towards Sustainable Development in Category A



(Annual turnover more than Rs. 2000 Crores) for the year 2013.

- ❖ Mahindra Home Finance won the Skoch 'Order of Merit' in November 2013 for qualifying amongst 'India's best - 2013' for corporate contribution to India's growth post liberalization.
- ❖ Mahindra Home Finance was awarded the "Gold" in the Housing category at the Skoch Awards for Corporate Leadership 2013.
- ❖ Mahindra Finance & Mahindra Home Finance won ABP Award in the category of "Most Admired Service Provider in Financial Sector".
- ❖ Mahindra Finance won PRCI (Public Relations Council of India) Awards 2014 in 4 categories in the Annual Corporate Collateral Awards.
- ❖ Mahindra Insurance Brokers Ltd won ABP award as 'Insurance Broker of the Year' in Banking Financial Services & Insurance Sector.





**You have now seen a few things that are normally not apparent. In reality, it is these invisible and unnoticed aspects that form the foundation for our success. Our agenda for socio-economic transformation of rural and semi-urban India is driven by these critical fundamentals.**

**At Mahindra Finance, we believe in working harder to improve the real metrics that drive our business; reach, relationships and risk management. The numbers and performance follows.**

# Summary of Results

(Rs. in Lacs unless indicated otherwise)

Sr. No.	Particulars	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
1	Estimated Value of Assets Financed	2540002	2383858	1950433	1441987	891536	628122	584972	544094	447791	334336
2	No. of Contracts	3119034	2557172	2024038	1557622	1189848	973493	815665	641087	467977	336819
3	Total Assets	3166572	2549242	1856156	1368297	942578	775898	723857	640343	510796	319009
4	Total Income	495300	389470	279459	197751	155026	137787	121827	83290	58875	39858
5	Profit before depreciation & tax	137006	130144	94482	71824	53047	33435	28070	21014	16731	13665
6	Depreciation	2430	2224	1956	1579	990	873	873	743	517	385
7	Profit before tax	134577	127920	92526	70245	52057	32562	27197	20272	16214	13280
8	Profit after tax	88723	88269	62012	46311	34271	21452	17702	13288	10827	8228
9	Dividend%	190	180	140	100	75	55	45	40	35	35
10	Equity Share Capital	11271	11260	10269	10245	9598	9571	9529	8402	8331	7016
11	Reserves & Surplus	498151	434197	284832	238764	163258	137345	121898	69422	59947	28542
12	Net Worth	509422	445458	295101	249009	172856	146916	131426	77823	68278	35557
13	No. of Employees Engaged	12816	11270	9715	8723	6972	5981	5690	4730	4012	1773
14	No. of Offices	893	657	607	547	459	436	436	403	305	256
15	Earnings Per Share - Basic (Rs.) (Face value - Rs.2/- per share )	15.75	16.59	12.09	9.57	7.16	4.49	4.16	3.16	2.92	2.65
16	Earnings Per Share - Diluted (Rs.) (Face value - Rs.2/- per share )	15.60	16.40	11.93	8.91	7.07	4.43	3.65	3.07	2.88	2.65



# Directors' Report

To,  
The members of  
Mahindra & Mahindra Financial Services Limited

Your Directors are pleased to present their Twenty-fourth Report together with the audited accounts of your Company for the Financial Year ended 31st March, 2014. The summarised financial results of the Company are given below:

## Financial Results

	(Rs. in Crores)	
	March 2014	March 2013
Total Income	4,953.0	3,894.7
Less : Finance Costs	2,188.0	1,618.8
Expenditure	1,394.9	1,003.1
Depreciation/Amortisation	24.3	22.2
Total Expenses	3,607.2	2,644.1
Profit Before Tax and Exceptional Items	1,345.8	1,250.6
Add: Exceptional Items	-	28.6
Profit Before Tax	1,345.8	1,279.2
Less : Provision For Tax		
Current Tax	535.4	433.5
Deferred Tax	(76.8)	(37.0)
Profit After Tax for the Year	887.2	882.7
Add : Amount brought forward from Previous Years	1,358.8	979.8
Amount available for Appropriation	2,246.0	1862.5
<b>Appropriations</b>		
General Reserve	88.7	88.3
Statutory Reserve	177.5	176.5
Proposed Dividend on Equity Shares	216.1	204.8
Income-tax on Proposed Dividend	35.4	34.1
Surplus carried to Balance Sheet	1,728.3	1,358.8

## Dividend

Your Directors are pleased to recommend a dividend of Rs. 3.80 per Equity Share of the face value of Rs. 2 each payable to those Members whose names appear in the Register of Members as on the Book Closure date. The dividend including dividend tax will absorb a sum of Rs. 251.5 Crores [as against Rs. 238.9 Crores on account of dividend of Rs. 3.60 per Equity Share (including a special dividend of Re.0.20 per Equity Share) paid for the previous year].

## Operations

The overall disbursement registered a growth of 6.6% at Rs. 25,400.0 Crores as compared to Rs. 23,838.6 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 in rural and semi-urban markets. Despite moderate growth in disbursement, your Company was able to retain 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 currently has 893 offices and has one of the largest network of branches amongst Non-Banking Financial Companies operating in rural and semi-urban areas. The new branches opened by the Company in the villages are aimed at improving collections and providing services closer to the customers' doorsteps. Your Company's nationwide network of branches and locally recruited employees have facilitated in developing and strengthening relationship with its customers.

During the year under review, your Company continued to expand its reach in the Micro Small and Medium Enterprises (MSME) segment. MSME Assets Under Management crossed more than Rs. 500 Crores during the period under review, covering more than 440 customers. Your Company has identified MSMEs engaged in Auto Ancillary and Food and Agricultural Processing sectors as target customers for growing this segment.

Total Income grew by 27.2% to Rs. 4,953.0 Crores for the year ended 31st March, 2014 as compared to Rs. 3,894.7 Crores for the previous year. Profit Before Tax (PBT) was 5.2% higher at Rs. 1,345.8 Crores as compared to Rs. 1,279.2 Crores for the previous year. The PBT for the year ended 31st March, 2013 included a profit of Rs.28.6 Crores arising from exceptional items on account of profit on stake sale of its subsidiary, Mahindra Insurance Brokers Limited amounting to Rs. 64.3 Crores and additional general provision on standard assets amounting to Rs. 35.7 Crores. Profit After Tax (PAT) grew marginally to Rs. 887.2 Crores as compared to Rs. 882.7 Crores in the previous year.

Your Company has cumulatively financed over three million customers since its inception. The number of contracts entered into by the Company during the year was 5,61,862 as against 5,33,134 in the previous year.

During the year under review, the Assets Under Management stood at Rs. 34,133 Crores as at 31st March, 2014 as against 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 154 branches covering 22 States.

As on 31st March, 2014, the amount of Assets Under Management outstanding through the Company's Advisory Services on MFP, aggregate of institutional and retail segment, was Rs. 1,244.56 Crores and the number of clients stood at 45,079.

### 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

The global economy experienced a cautious recovery. The growth in 2013 was 3.0% as against 3.1% in 2012. This growth was led primarily by the developed world with the US witnessing a stronger than expected growth. The Euro Zone continued with its sluggish growth but more importantly, the threat of a financial crisis receded significantly. However, the decision of the US Fed to end the Quantitative Easing led to significant volatility in the global markets, especially in the emerging markets. This caused the Rupee to depreciate significantly in July and August of 2013. The Rupee went down to a low of Rs. 68 to a USD before recovering back to levels of Rs. 61-62 in the October – December period. Apart from effective intervention by the Reserve Bank of India (RBI), the improving current account deficit was a key factor behind the rebound of the Rupee.

Faced with volatile global environment and structural constraints, India's growth slowed down to 4.7% for the Financial Year 2013-14. Agriculture is expected to grow by 4.7% (Source: www.planningcommission.nic.in) on the back of both increased production as well as higher support prices. The slowdown in manufacturing continued and the sector experienced a contraction of 0.7%. The services sector was the lone bright spot and registered a growth of 7%. During the year, inflation continued to be a key concern for both the RBI and the government. On account of the various steps taken, the WPI declined to 6% (Source: www.eaindustry.nic.in) in March 2014. Despite the easing, the level of inflation, especially in the consumer prices is high.

Liquidity conditions were tight throughout the year and the situation aggravated post July 2013 when to arrest the rupee depreciation, the RBI restricted access to repo window for each bank at 0.5% of net demand and time liabilities (NDTL) for that bank. It also increased the rate under Marginal Standing Facility (MSF) by 200 basis points to 10.25%.

To ease the situation, RBI conducted Open Market Operations (OMOs) and rolled back the increase in MSF rate by 125 basis points in a calibrated manner as stability restored to the foreign exchange market leading to an improvement in the liquidity situation. It is expected that the scenario of tight liquidity and high interest rates will continue in the Financial Year 2014-15.

The overall slowdown in the economy led to a deceleration of growth for the Company. The high consumer prices coupled with an uncertain and volatile environment, both economic and political, resulted in a negative consumer sentiment towards big ticket purchases. Consequently, the auto industry contracted for the second year in succession. Relatively, the semi-urban and rural markets performed better in comparison with the urban and metro markets. The Company seized advantage of this situation and



strengthened its market presence by increasing its branch network and reaching out to the customers directly. With the expected upswing in economic activity in the next year on account of a stable government and the governmental thrust on (rural) infrastructure and reforms, it is expected that India's growth will be stronger.

## Finance

During the year under review, the RBI continued its stance against inflation by hiking the Repo Rate by 50 basis points to contain the inflationary pressure, which resulted in medium/long term interest rates moving up approximately by 100 basis points. Liquidity conditions remained in a deficit mode throughout the year. In July 2013, RBI also announced various steps to curb the rupee depreciation and restricted the access to repo window for each bank. However, it continued to provide liquidity through OMOs and term repo auction. All these measures had an impact on the short term money market rates going up by approximately 100 basis points. During the period from July to October 2013, RBI first increased the MSF rate by 200 basis points and then gradually reduced it by 125 basis points putting pressure on Short Term rates by an average of 200 basis points during that period. However, your Company was able to reduce the impact of increase in the interest rates by ensuring that prudent Asset Liability Management Guidelines are adhered to.

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. 200 Crores and successfully completed three at par securitisation transactions aggregating to Rs. 1,262.93 Crores and one premium structure direct assignment transaction amounting to Rs. 198.51 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.

## Capital Adequacy

As on 31st March, 2014, the Capital to Risk Assets Ratio (CRAR) of your Company was 18.0%, which is well above 15.0% CRAR prescribed by the RBI.

## Stock Options

During the year under review, on the recommendation of the erstwhile Remuneration/Compensation Committee of your Company, the Trustees of the Mahindra & Mahindra

Financial Services Limited Employees' Stock Option Trust have granted 1,17,625 Stock Options to Eligible Employees under the 'Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme-2010'. No new Options have been granted under the 'Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme-2005'.

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

## RBI Guidelines

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

Your Company continues to make a general provision at 0.40% on the standard assets outstanding as against 0.25% mandated by the RBI.

## 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.

During the year under review, India Ratings & Research Private Limited, which is part of Fitch Group, maintained the Company's National Long-term Rating instrument and Lower Tier II Subordinated Debt programme to 'IND AA+(ind)/Stable'. The 'AA(ind)' national ratings denote a very strong credit risk relative to other issuers or issues in the country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues. Within a band of rating symbols from 'AA(ind)' to 'B(ind)', the signs "+" (plus) or "-" (minus) may be appended to a rating to denote relative status within the rating 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, 2014, your Company has mobilised funds from Fixed Deposits to the tune of Rs. 3,602.2 Crores, with an investor base of over 2,10,662 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. In addition to this, the Company also intimates the depositors of the repayment details by SMS. Your Company has also launched across-the-counter facility at its designated offices to issue Fixed Deposit Receipts promptly to its customers and the same has been made operational during the year under review.

As at 31st March, 2014, 1,132 deposits amounting to Rs. 5.9 Crores had matured for payment and remained unclaimed. The unclaimed deposits have since reduced to 827 deposits amounting to Rs. 4.2 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 continues 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. Your Company has been reporting on triple Bottom Line Performance since the Financial Year 2008-09 through the Mahindra Group Sustainability Report. During the Financial Year 2013-14, your Company released its first ever standalone Sustainability Report for the previous Financial Year 2012-13. This Report portrays a balanced approach towards economic activity, environmental responses and social progress. This Report is external assured with 'A+' rating from Global Reporting Initiative (GRI). The Theme of the Report is 'Forward Focus to Transform Life' and the same has been hosted on the Company's website.

During the year under review, 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 more than 65,000 saplings across the country. Various initiatives were also taken for conservation of water and energy and paper consumption. These efforts of your Company have been duly acknowledged and a 'Certificate of Commendation for Significant Achievement on the journey towards Sustainable Development' has been conferred on the Company by CIH-TC Centre of Excellence for Sustainable Development during the year. In addition to this, your Company continues to report 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.

Your Company has been listed on the Dow Jones Sustainability Index (DJSI) Emerging Market Trends during the year. To be incorporated in the DJSI, companies are assessed and selected based on their long term Environmental Social Governance (ESG) asset management plans. Your Company is the first and only Indian Company from amongst the Banks and Financial Services Companies in India to have made it to this list.

## Corporate Social Responsibility Initiatives

Through its various Corporate Social Responsibility ("CSR") initiatives, the Mahindra Group is enabling entire communities to 'RISE'. With a vision of transforming the lives of youth from socially weaker and economically disadvantaged sections of society, the Mahindra Group is committed to 'building possibilities' to enable them to 'RISE' above their limiting circumstances.

CSR has always been a fundamental element deeply ingrained in your Company's corporate philosophy and culture. CSR has never been considered as a social obligation but instead as a moral awareness encompassing holistic development of the society, beyond the realm of regulatory requirements. This year too, your Company has pledged 1% of its Profit after Tax towards CSR initiatives and continues to be incessantly engaged in activities, which add value to the community around it.

The Company has already constituted a Corporate Social Responsibility Committee on 15th March, 2013 and has aligned its CSR Policy in accordance with the Companies Act, 2013 ('the Act') read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 to make it compliant with the provisions of the Act and the Rules and to undertake the admissible CSR activities notified by the Ministry of Corporate Affairs in Schedule VII to the Act.

During the year under review, your Company organised a nationwide Blood Donation Drive, Health check-up camps, visits to Orphanages/Differently-abled Homes/Old-age homes, to re-affirm its pledge to the society. The 'Lifeline Express' Train, in association with Impact India Foundation, catered to the medical needs of 2,614 underprivileged people in Karad (Maharashtra).

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 contributed Rs. 7.23 Crores towards Corporate Social Responsibility to various institutions for charitable purposes.

### Achievements

During the year under review, your Company was awarded the Asia's 'Most Promising Brand' Award presented by World Consulting and Research Corporation, the Golden Peacock Award for Excellence in Corporate Governance - 2013, IT Excellence Award 2013 for best IT governance for its Project MF-EKA [Enterprise Key Access], Social Action Award by Indian Development Foundation, Silver Award for Best Corporate Website at the 53rd ABCI (Association of Business Communications of India) Awards and the EDGE Awards 2013.

Your Company has won the ABP Award in the category of "Most Admired Service Provider in Financial Sector" for best performance and practices in the Banking and Financial Services Industry and was also conferred with PRCI (Public Relations Council of India) Awards 2014 in four categories including the Gold Award for the Coffee Table Book category. The Company has received an all time high score in the Great Place to Work Survey conducted during December 2013 and is listed amongst the top 100 companies.

### Directors

Pursuant to the provisions of section 152 of the Companies Act, 2013 ('the Act'), Dr. Pawan Kumar Goenka, Director of the Company retires by rotation at the forthcoming Annual General Meeting scheduled to be held on 24th July, 2014. Dr. Goenka has expressed his desire not to seek re-appointment. It is proposed not to fill up the vacancy thereby caused.

The Board placed on record its deep appreciation of the invaluable counsel rendered by Dr. Goenka to the Company and his contribution in guiding and supporting the management during his tenure as Director on the Board of Directors of the Company.

The Company had, pursuant to the provisions of Clause 49 of the Listing Agreements entered into with Stock Exchanges, appointed Mr. Piyush Mankad, Mr. Manohar G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar as Independent Directors of the Company.

The Companies Act, 2013 provides for the appointment of Independent Directors. Pursuant to the provisions of section 149 of the Act, the Board of Directors of the Company should have at least one-third of the total number of Directors as Independent Directors. The tenure of the Independent Directors will be for a period of five years and the provisions relating to retirement of Directors by rotation shall not be applicable to Independent Directors.

Pursuant to Clause 49(I)(A) of the Listing Agreement, if the Chairman of the Company is a Non-Executive Director, at least one-third of the Board shall comprise of Independent Directors.

Mr. Piyush Mankad, Mr. Manohar G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar, are being appointed as Independent Directors at the forthcoming Annual General Meeting in accordance with the provisions of section 149 and other applicable provisions of the Companies Act, 2013. Details of the proposal of appointment of the Independent Directors are given in the Explanatory Statement pursuant to section 102 (1) of the Act annexed to the Notice of the Twenty-fourth Annual General Meeting. The Company has received Notices from Members signifying their intention to propose Mr. Piyush Mankad, Mr. Manohar G. Bhide, Mr. Dhananjay Mungale and Ms. Rama Bijapurkar as Independent Directors under section 149 of the Act.

The Company has received declarations from all the Independent Directors of the Company confirming that they fulfill the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement with the Stock Exchanges.

### 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, 2014 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

In March 2014, Mahindra Insurance Brokers Limited (MIBL) crossed the 1 million mark in terms of cases serviced, with a total of 10,68,577 cases for both Life and Non-Life Retail businesses. The customised Life insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive an encouraging response and grew by 16% from 4,40,553 lives covered with a Sum Assured of Rs. 11,798.2 Crores in the financial year 2012-13 to 5,09,864 lives covered with a Sum Assured of Rs. 14,393.5 Crores in the financial year 2013-14, with a substantial portion being covered in the rural markets.

MIBL had rolled-out a tailor made Health insurance solution "Mahindra Arogya Suraksha" for the customers of the Company across India which received an encouraging response.

MIBL achieved a growth of 33% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs.553.8 Crores (Gross Premium Rs.619.8 Crores) in the financial year 2012-13 to Rs. 738.4 Crores (Gross Premium Rs.825.2 Crores) in the financial year 2013-14.

The Income increased by 29% from Rs. 86.3 Crores in the financial year 2012-13 to Rs.111.2 Crores in the financial year 2013-14. The Profit Before Tax increased by 25% from Rs. 51.2 Crores to Rs. 63.8 Crores, and the Profit After Tax increased by 22% from Rs. 34.5 Crores to Rs. 42.0 Crores during the same period.

### **Mahindra Rural Housing Finance Limited**

Mahindra Rural Housing Finance Limited (MRHFL) has during the year ended 31st March, 2014, disbursed loans aggregating Rs. 630.56 Crores (previous year Rs. 432.85 Crores) achieving a growth of 45% over the previous year. The profit after tax for the year ended 31st March, 2014 was Rs. 27.08 Crores (previous year Rs. 20.32 Crores). The outstanding loan portfolio as at 31st March, 2014 stood at Rs. 1,354.97 Crores.

MRHFL has been expanding its geographical presence, 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, MRHFL and the ultimate parent company, Mahindra & Mahindra Limited. As at 31st March, 2014, MBCSPL had on rolls 4,532 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. 281.56 Lacs for the year ended 31st March, 2014 as compared to Rs. 173.80 Lacs in the previous year.

### **Mahindra Asset Management Company Private Limited**

Mahindra Asset Management Company Private Limited (MAMCPL) was incorporated as a subsidiary of the Company on 20th June, 2013. MAMCPL will be engaged as an investment manager to the proposed Mahindra Mutual Fund, upon receipt of regulatory approval from SEBI.

### **Mahindra Trustee Company Private Limited**

During the year under review, Mahindra Trustee Company

Private Limited (MTCPL) was incorporated as a subsidiary and the Company has agreed to subscribe to 49,998 Equity Shares of Rs. 10/- each of MTCPL constituting 99.99% of the Equity Share capital of MTCPL. The investment is yet to be made by the Company. The first financial year of MTCPL would be from 10th July, 2013 to 30th June, 2014.

MTCPL will be engaged as a Trustee to the proposed Mahindra Mutual Fund, upon receipt of approval from SEBI.

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% shareholding along with De Lage Landen Financial Services Inc., a wholly-owned subsidiary of the Rabobank Group, which holds the balance 51% shareholding in the joint venture company.

The joint venture company's disbursement registered a growth of 20.58% to USD 4,359.69 Lacs for the year ended 31st March, 2014 as compared to USD 3,615.71 Lacs for the previous year. Income grew by 54.82% to USD 161.66 Lacs for the year ended 31st March, 2014 as compared to USD 104.42 Lacs for the previous year. Profit Before Tax was 92.93% higher at USD 50.24 Lacs as compared to USD 26.04 Lacs for the previous year. Profit After Tax grew at a healthy rate of 101.78% to USD 32.81 Lacs as compared to USD 16.26 Lacs in the previous year.



### **Consolidated Financial Statements**

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

### **Auditors**

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

As required under the provisions of section 224(1B) of the Companies Act, 1956 and sections 139(1) read with 141 of the Companies Act, 2013, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the criteria specified in the said sections.

### **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 twelve employees who were in receipt of remuneration of not less than Rs. 60,00,000 during the year ended 31st March, 2014 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, 2014

## Annexure I to the Directors' Report for the Financial Year ended 31st March, 2014

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	15,87,580				
(b) The pricing formula	<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	<b>Grant-3</b> Granted on 22nd July, 2013	<b>Grant-4</b> Granted on 21st October, 2013
	At a discount of 5% on the average price (^) preceding the specified date (#) -18th January, 2008	At a discount of 5% 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	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 erstwhile 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, 2014	i) Employees Stock Option Scheme – 2005 : 1,26,52,815					
	ii) Employees Stock Option Scheme – 2010 : 8,21,158					
(d) Options exercised	i) Employees Stock Option Scheme – 2005 : 1,23,73,665					
	ii) Employees Stock Option Scheme – 2010 : 6,64,269					
(e) The total number of shares arising as a result of exercise of options	i) Employees Stock Option Scheme – 2005 : 1,23,73,665 Equity Shares of Rs. 2/- each. These were transferred from the Trust to the eligible employees.					
	ii) Employees Stock Option Scheme – 2010 : 6,64,269 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 : 38,22,015					
	ii) Employees Stock Option Scheme – 2010 : 39,212					
(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. 22,29,35,063/-					
	ii) Employees Stock Option Scheme – 2010 : Rs. 13,28,538/-					
	These monies have been received by the Trust.					



(i)	Total number of options in force	i) Employees Stock Option Scheme – 2005 : 2,79,150 ii) Employees Stock Option Scheme – 2010 : 8,84,099																		
(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 (1) attached																		
(ii)	Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year	As per statement (2) attached																		
(iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% 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. 15.60*																		
(l)	Where the company has calculated the employee compensation cost using the intrinsic value of the Stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options granted under Employees Stock Option Scheme – 2005 and Employees Stock Option Scheme – 2010. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been lower by Rs. 30.89 Lacs, profit after tax higher by Rs. 30.89 Lacs and the basic and diluted earnings per share would have been higher by Re. 0.01 and Rs. Nil respectively.																		
(m)	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	<p>Employees Stock Option Scheme 2010 :</p> <table border="1"> <thead> <tr> <th>Grant date</th> <th>Exercise price (Rs.)</th> <th>Fair value (Rs.)</th> </tr> </thead> <tbody> <tr> <td>22nd July, 2013</td> <td>2.00</td> <td>198.64</td> </tr> <tr> <td>21st October, 2013</td> <td>2.00</td> <td>259.46</td> </tr> </tbody> </table>	Grant date	Exercise price (Rs.)	Fair value (Rs.)	22nd July, 2013	2.00	198.64	21st October, 2013	2.00	259.46									
Grant date	Exercise price (Rs.)	Fair value (Rs.)																		
22nd July, 2013	2.00	198.64																		
21st October, 2013	2.00	259.46																		
(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:	<p>Employees Stock Option Scheme 2010 :</p> <p>The Fair Value of stock options granted on 22nd July, 2013 and 21st October, 2013 have been calculated using Black-Scholes Options pricing formula and the significant assumptions made in this regard are as follows :</p> <table border="1"> <thead> <tr> <th>Sr. Particulars No.</th> <th>Grant date : 22nd July, 2013</th> <th>Grant date : 21st October, 2013</th> </tr> </thead> <tbody> <tr> <td>(i) risk-free interest rate,</td> <td>7.61%</td> <td>8.60%</td> </tr> <tr> <td>(ii) expected life,</td> <td>3.5 years</td> <td>3.25 years</td> </tr> <tr> <td>(iii) expected volatility,</td> <td>35.53%</td> <td>39.27%</td> </tr> <tr> <td>(iv) expected dividends and</td> <td>1.70%</td> <td>1.32%</td> </tr> <tr> <td>(v) The price of the underlying share in market at the time of option grant</td> <td>Rs. 212.35</td> <td>Rs. 272.40</td> </tr> </tbody> </table>	Sr. Particulars No.	Grant date : 22nd July, 2013	Grant date : 21st October, 2013	(i) risk-free interest rate,	7.61%	8.60%	(ii) expected life,	3.5 years	3.25 years	(iii) expected volatility,	35.53%	39.27%	(iv) expected dividends and	1.70%	1.32%	(v) The price of the underlying share in market at the time of option grant	Rs. 212.35	Rs. 272.40
Sr. Particulars No.	Grant date : 22nd July, 2013	Grant date : 21st October, 2013																		
(i) risk-free interest rate,	7.61%	8.60%																		
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(iii) expected volatility,	35.53%	39.27%																		
(iv) expected dividends and	1.70%	1.32%																		
(v) The price of the underlying share in market at the time of option grant	Rs. 212.35	Rs. 272.40																		

\* Refer Note No. "29(h)" under Notes to the Financial Statements in the Annual Accounts of the Annual Report.

**(i) Statement (1) attached to Annexure I to the Directors' Report for the Financial Year ended 31st March, 2014**

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 September, 2008	Options granted in February, 2011
Mr. Bharat N. Doshi	70,255	Nil
Mr. Uday Y. Phadke	70,255	1,67,390
Dr. Pawan Goenka	17,565	Nil
Ms. Rama Bijapurkar	50,000	Nil
Mr. Ramesh Iyer	1,21,830	2,00,140
Mr. V. Ravi	69,160	77,815
Mr. Rajesh Vasudevan	23,370	21,860
Mr. Dinesh Prajapati	27,365	26,985
Mr. Suresh Shanmugam	20,550	19,360
Mr. H. S. Kamath	17,500	17,115
Mr. Rajnish Agarwal	9,005	16,930
Mr. R. Balaji	27,040	25,830

**(ii) Statement (2) attached to Annexure I to the Directors' Report for the Financial Year ended 31st March, 2014**

Names of other employees who have received grants in any one year of option amounting to 5% or more of options granted during that year	No. of stock options granted
<b>Employees Stock Option Scheme 2005</b>	
Nil	Nil
<b>Employees Stock Option Scheme 2010</b>	
a) Options granted during the year ended 31st March, 2011	
Mr. Anuj Mehra	67,540
b) Options granted during the year ended 31st March, 2014	
Mr. Vinay Deshpande	35,070
Mr. Muffaddal Dohadwala	8,510
Mr. Charandeep Singh Chawla	6,145
Mr. Nicholes Antony L.	6,205



## Annexure II to the Directors' Report for the financial year ended 31st March, 2014

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, 2014.

### A. Conservation of Energy

- a) Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Rs. 0.5 Crores.

- c) Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: These measures are expected to reduce the energy consumption.
- d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable.

### B. Technology Absorption

Research & Development (R & D)

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

### C. Foreign Exchange Earnings And Outgo

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

For and on behalf of the Board

**Bharat Doshi**

Chairman

Mumbai, 23rd April, 2014

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, 2014	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	5.53	95.76
Mahindra Business & Consulting Services Private Limited	8.84	20.45

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

The Company believes that sound Corporate Governance is pivotal to enhance and retain investor trust and your Company always seeks to ensure that its performance goals are met with integrity. Your Company continues to adopt the best practices in the area of Corporate Governance and promotes and practices a culture that is built on core values, beliefs and ethics. Your Company has an active, experienced and a well-informed Board. The Board along with its Committees undertakes its fiduciary duties towards all its stakeholders with the Corporate Governance mechanism in place.

Your Company is committed to transparency in all its dealings, conducts business with integrity and fairness and places high emphasis on business ethics. Your Company has established robust business practices and procedures to ensure that it remains fully compliant with all mandated regulations and achieves business excellence to enhance stakeholder value, retain trust and goodwill of its investors, business partners, employees and meet societal expectations as well. During the year your Company has received the 'Golden Peacock Award for Excellence in Corporate Governance – 2013'. This has been possible through sustained efforts and commitment to the highest standards of corporate conduct.

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 of your Company 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 with the Steering Committee comprising of Senior Executives from different functions 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, Non-Executive Non-Independent Chairman, transitioned from his position as Executive Director & Group Chief Financial Officer of the holding company, Mahindra & Mahindra Limited (M&M) to Non-Executive Director in November 2013. Dr. Pawan Kumar Goenka,

Non-Executive Non-Independent Director of your Company is in the whole-time employment of M&M and draws 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 have 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 seven times during the year under review, on 23rd April, 2013, 6th June, 2013, 24th June, 2013, 25th July, 2013, 21st October, 2013, 22nd January, 2014 and 19th March, 2014. The maximum gap between any two meetings was not more than four months. These Meetings 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, across all the companies in which he/she is a Director. Table 1 gives the details.

## Composition of the Board

As on 31st March, 2014, 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) held on 25th July, 2013, 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 #		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr. Bharat N. Doshi (Chairman)	Non-Executive Non-Independent	7	6*	Yes	7	3	1
Mr. Uday Y. Phadke	Non-Executive Non-Independent	7	7	Yes	8	8	0
Mr. Ramesh Iyer (Managing Director)	Executive	7	7	Yes	8	5	3
Dr. Pawan Kumar Goenka	Non-Executive Non-Independent	7	2	Yes	12	5	0
Mr. Dhananjay Mungale	Independent	7	7	Yes	13	10	4
Mr. Manohar G. Bhide	Independent	7	7	Yes	4	4	3
Mr. Piyush Mankad	Independent	7	5	Yes	8	10	2
Ms. Rama Bijapurkar	Independent	7	7	Yes	2	1	0

**Notes:**

# Excludes Directorships in private limited companies, foreign companies, companies registered under section 8 of the Companies Act, 2013 [section 25 of the Companies Act, 1956], unlimited companies and Alternate Directorships but includes Directorship in Mahindra & Mahindra Financial Services Limited (MMFSL). Committees considered are Audit Committee and Share Transfer and Shareholders/Investors Grievance Committee including in MMFSL.

\* In addition to the six Board Meetings, Mr. Bharat Doshi also attended one Board Meeting via Conference Call.

**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 stakeholders' value are met. The Board also, inter alia, reviews and considers investment and exposure limits, compliance report(s) of all laws applicable to the Company, as well as steps taken to rectify instances of non-compliances if any, review of major legal issues, approval and 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.

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

**Remuneration Policy**

The success of an organisation in achieving good performance and good governing practice depends on its ability to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors. The Board at its meeting held on 19th March, 2014 has dissolved the Remuneration/Compensation Committee and the Nomination Committee respectively and constituted the 'Nomination and Remuneration Committee' in accordance with the provisions of section 178 of the Companies Act, 2013. The role of the Nomination and Remuneration Committee has been extended inter alia, to include formulation of the criteria for determining the qualifications, positive attributes and independence of a Director and recommending to the Board a Policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees of the Company.

While deciding on the remuneration to Directors, the Board and the Nomination and Remuneration Committee consider the performance of your Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors. The Board and the Nomination and Remuneration Committee regularly keep track of the current and emerging market trends in terms of compensation levels and practices within the relevant industries. This information is used to review the Company's remuneration policies from time to time.

### Remuneration Paid to Directors

Detailed information of Directors' remuneration for the year 2013-14 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. 71.12 Lacs has been provided as payable to the eligible

Non-Executive Directors in the accounts for the year ended 31st March, 2014.

In addition, the Independent Directors and eligible Non-Executive Director(s) were paid a sitting fee of Rs. 20,000 each for every Meeting of the Board or Audit Committee attended, Rs. 10,000 each for attending a Meeting of the Nomination and Remuneration Committee (erstwhile 'Remuneration/Compensation Committee') and the Corporate Social Responsibility Committee respectively, and Rs. 5,000 each for attending the meetings of the Stakeholders Relationship Committee (earlier known as the 'Share Transfer and Shareholders/Investors Grievance Committee').

Remuneration to the Managing Director is fixed by the Nomination and Remuneration Committee (the erstwhile '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 2013-14

(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 September 2008 Grant 4 \$	Number of Stock Options granted in February 2011 Grant 1 \$\$
Mr. Ramesh Iyer *	N.A.	197.06	13.20	56.10	266.36	1,21,830	2,00,140
Mr. Bharat N. Doshi	0.50	N.A.	N.A.	Nil	0.50	70,255	Nil
Mr. Uday Y. Phadke	N.A.	N.A.	N.A.	Nil	Nil	70,255	1,67,390
Dr. Pawan Goenka	N.A.	N.A.	N.A.	Nil	Nil	17,565	Nil
Mr. Dhananjay Mungale	2.90	N.A.	N.A.	11.00	13.90	Nil	Nil
Mr. M. G. Bhide	3.05	N.A.	N.A.	11.00	14.05	Nil	Nil
Mr. Piyush Mankad	2.70	N.A.	N.A.	11.00	13.70	Nil	Nil
Ms. Rama Bijapurkar	2.20	N.A.	N.A.	11.00	13.20	50,000	Nil

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

**\$ ESOS - 2005**

**Grant-4:** The Stock Options have been granted on 18th September, 2008. All the options have been vested.

**\$\$ ESOS - 2010**

**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, 20% of the options have vested on 7th February, 2014 and the balance options would vest in two equal tranches of 20% each on expiry of 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 components of remuneration that are 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 2013 - 14, 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, 2014.

Name of the Director	Number of Shares held
Mr. Bharat N. Doshi	6,42,720
Mr. Uday Y. Phadke	74,025
Dr. Pawan Kumar Goenka	37,815
Mr. Dhananjay Mungale	50,000
Mr. M. G. Bhide	50,000
Mr. Piyush Mankad	50,000
Ms. Rama Bijapurkar	50,000

## 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 the 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.

The Code of Conduct of the Board Members has been amended to align it in accordance with the provisions of section 166 of the Companies Act, 2013.

The Board has also laid down a Code of Conduct for Independent Directors pursuant to section 149(8) and Schedule IV to the Companies Act, 2013, which is a guide to professional conduct for Independent Directors of the Company.

## 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, 2014.

## 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. The risk management measures and controls exercised to mitigate risks are presented to the Members of the Risk Management Committee and the Board.

## Committees of the Board

Your Company has six Board level Committees - Audit Committee, Nomination and Remuneration Committee (the erstwhile 'Remuneration/ Compensation Committee'), Stakeholders Relationship Committee (formerly known as the 'Share Transfer and Shareholders/Investors Grievance Committee'), Asset Liability Committee, Risk Management 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, 2014, 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. All the members of the Audit Committee possess strong accounting and financial management knowledge. The Committee's composition meets with the requirements of section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

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. It is authorised to, inter alia, review and monitor the Auditor's independence and performance, effectiveness of the audit process, oversight of the Company's financial reporting process and the disclosure of its financial information, reviewing with the management the quarterly and annual financial statements before submission to the Board for approval, examination of the financial statements and the Auditors' Report thereon, approval of transactions of the Company with related parties wherever necessary, including subsequent modifications thereof, scrutiny of inter-corporate loans and investments, valuation of undertakings or assets of the Company wherever it is necessary, evaluation of internal financial controls and risk management systems, monitoring the end use of funds raised through public offers, rights issue, preferential issue, etc.

The Committee is empowered to review, inter alia, the remuneration payable to the Statutory Auditors and Internal Auditors and to recommend a change in the Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of the unlisted subsidiary companies, Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions. Generally all items listed in Clause 49II(D) of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49II(C) and reviews all the information as prescribed in Clause 49II(E).

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.

Mr. Dhananjay Mungale, Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 25th July, 2013.

The Audit Committee met six times during the year on 23rd April, 2013, 25th July, 2013, 6th August, 2013, 21st October, 2013, 22nd January, 2014 and 19th February, 2014. 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	6
Mr. Piyush Mankad	6

**b) Nomination and Remuneration Committee (the erstwhile 'Remuneration/Compensation Committee')**

The Board of Directors at its Meeting held on 19th March, 2014 has constituted the 'Nomination and Remuneration Committee' in accordance with the provisions of section 178(1) of the Companies Act, 2013 and consequently the Remuneration/Compensation Committee stands dissolved.

The role of the Nomination and Remuneration Committee is to establish criteria for selection to the Board with respect to the competencies, qualifications, experience, track record and integrity, and recommend candidates for Board Membership, develop and recommend policies with respect to composition of the Board commensurate with the size, nature of the business and operations of the Company in line with the appropriate legislations, establish Director retirement policies and appropriate succession plans, devise policy on Board Diversity, determine overall compensation policies of the Company, and administer the "Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2005", the "Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010" and such further ESOP Schemes as may be formulated from time to time and take appropriate decisions in terms of the concerned Schemes.

The scope of the Committee further includes review of market practices and to decide on remuneration packages applicable to the Managing Director, Executive Director(s), Functional Heads, etc., set out performance parameters for Managing Director, Executive Director(s), Functional Heads, etc., and review the same. The Committee is authorised to identify persons who are qualified to be Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carry out evaluation of every Director's performance.

In addition to the above, the Committee is also authorised to formulate the criteria for determining the qualifications, positive attributes and independence of a Director and recommend to the Board formulation of a Policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

The Nomination and Remuneration Committee comprises of majority of Independent Directors, including its Chairman. As of 31st March, 2014, the Committee comprised five members viz. Mr. Piyush Mankad (Chairman), Mr. Dhananjay Mungale and Mr. M. G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Executive Non-Independent Directors.

The Committee met 4 times during the year under review on 23rd April, 2013, 25th July, 2013, 6th August, 2013 and 21st October, 2013. The attendance details at Meetings of the Committee are given in Table 5.

Table 5

**Attendance record of Nomination and Remuneration Committee Meetings (erstwhile 'Remuneration/ Compensation Committee')**

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

**c) Stakeholders Relationship Committee (Formerly known as the 'Share Transfer and Shareholders/ Investors Grievance Committee')**

The Stakeholders Relationship Committee (formerly known as the '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. Annavaz 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 grievances of security holders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc. The Committee is also authorised to approve requests for issue of duplicate share certificates.

During the year under review, the Committee held three meetings. The Committee met on 23rd April, 2013, 21st October, 2013 and 19th March, 2014. The attendance details at Meetings of the Committee are given in Table 6.

Table 6

**Attendance record of Stakeholders Relationship Committee (formerly known as '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 2013-14 are given in Table 7.

**Table 7 Complaints/Letters received and attended to during the Financial Year 2013-14**

Nature of Complaints/Letters	Pending as on 1st April, 2013	Received during the year	Answered during the year	Pending as on 31st March, 2014
1. Status of Share Application	0	0	0	0
2. Non Receipt of Electronic Credit	0	0	0	0
3. Non Receipt of Dividend	0	34	34	0
4. Duplicate/Revalidation/Correction of Dividend Warrant	0	767	767	0
5. SEBI/Stock Exchange Complaints	0	3	3	0
<b>Total</b>	<b>0</b>	<b>804</b>	<b>804</b>	<b>0</b>



**d) Corporate Social Responsibility Committee**

The Corporate Social Responsibility ('CSR') Committee has been constituted by the Board of Directors to formulate and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company in compliance with the provisions of the Companies Act, 2013 and Rules made thereunder, allocate the amount of expenditure to be incurred on CSR activities as enumerated in Schedule VII to the Companies Act, 2013, and monitor the CSR Policy of the Company periodically. The CSR Policy of the Company as duly amended is displayed on the website of the Company.

Mr. Bharat N. Doshi, Non-Executive Non-Independent Director is the Chairman of the Committee. Mr. Piyush Mankad, Independent Director, Mr. Uday Y. Phadke, Non-Executive Non-Independent Director and Mr. Ramesh Iyer, Managing Director, are the other Members of the Committee.

The Committee held two meetings during the year under review. The Committee met on 6th August, 2013 and 19th March, 2014. The attendance details at Meetings of the Committee are given in Table 8.

<b>Name of Members</b>	<b>No. of Meetings attended</b>
Mr. Bharat N. Doshi (Chairman)	2
Mr. Piyush Mankad	2
Mr. Uday Y. Phadke	2
Mr. Ramesh Iyer	2

**e) 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 (RBI). The Company submits periodic reports to the RBI on the management of the Company's risks and assets and liabilities.

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.

**f) 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.

The Chief Financial Officer apprises the Risk Management Committee and the Board of the major risks as well as the movement in the profile of the high risk category, the root causes of risks and their impact, key performance indicators, risk management measures and the current controls being exercised to mitigate these risks.

As of 31st March, 2014, 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.

**g) Nomination Committee (Dissolved with effect from 19th March, 2014)**

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. Two meetings were held during the period under review.

Pursuant to the provisions of section 178(1) of the Companies Act, 2013, the Board has at its meeting held on 19th March, 2014 constituted the 'Nomination and Remuneration Committee' and consequently the Nomination Committee stands dissolved.

**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 did not have any "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. The Minutes of the Board Meetings of the Company's subsidiaries are placed at the Board Meeting for review by the Board Members.

**Management**

**Management Discussion and Analysis**

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

## Disclosures

During the Financial Year 2013-14, 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. "40" under Notes to the Annual Accounts in the Annual Report.

## Disclosure of Accounting Treatment in Preparation of Financial Statements

The Company has followed the 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 of Directors

The details of Directors seeking appointment at the forthcoming Annual General Meeting is set forth in Table 9.

**Table 9**

1) Name of Director	Mr. Piyush Mankad
Date of Birth	18th November, 1941
Date of Appointment on the Board	21st February, 2005
Expertise in specific functional area	Finance and Investment, Planning and Strategy, Industrial Promotion and International Trade and International Economic Relations.
Qualifications	BA (Hon), Master (History) - Delhi University, Diploma in Development Studies (Development Economics & Sociology) - University of Cambridge, Indian Administrative Service (IAS).
Directorship in Companies	Heidelberg Cement India Limited (Chairman) Tata International Limited Tata Elxsi Limited Mahindra & Mahindra Financial Services Limited DSP BlackRock Investment Managers Private Limited Noida Toll Bridge Company Limited ICRA Limited The Tata Power Company Limited Hindustan Media Ventures Limited Tata South East Asia Limited, Hong Kong
Membership of Committees in Public Limited Companies	
Audit Committee	The Tata Power Company Limited Heidelberg Cement India Limited Tata International Limited ICRA Limited Noida Toll Bridge Company Limited Mahindra & Mahindra Financial Services Limited

**Table 9**

1) Name of Director	Mr. Piyush Mankad
Nomination and Remuneration Committee	Mahindra & Mahindra Financial Services Limited (Chairman)
Remuneration Committee	Tata International Limited
ESOS Compensation Committee	ICRA Limited
Stakeholders Relationship Committee/ Shareholders/ Investors Grievance Committee	Heidelberg Cement India Limited (Chairman) Tata Elxsi Limited (Chairman) Noida Toll Bridge Company Limited
Corporate Social Responsibility Committee	ICRA Limited (Chairman) Mahindra & Mahindra Financial Services Limited
Shareholding of Director in the Company	50,000 Equity Shares of Rs. 2 each.

Mr. Piyush Mankad earned his Bachelor's and Master's Degrees from Delhi University. He later completed a Diploma in Development Studies from Cambridge University, United Kingdom.

He joined the prestigious Indian Administrative Service in 1964. His major official postings included Controller of Capital Issues, Ministry of Finance, Government of India; Principal Finance Secretary, Government of Madhya Pradesh; Secretary in the Ministry of Industry; Secretary Information

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

He is presently on the Board of Directors of several highly regarded companies in the private sector as Independent Director and is also on various Governing Bodies/Trusts.

**Table 9**

2) Name of Director	Mr. Manohar G. Bhide
Date of Birth	14th February, 1939
Date of Appointment on the Board	24th October, 2000
Expertise in specific functional area	Banking and Finance
Qualifications	Masters Degree in Economics, CAIIB
Directorship in Companies	Mahindra Shubhlabh Services Limited J. P. Morgan Securities India Private Limited Mahindra & Mahindra Financial Services Limited Talwalkars Better Value Fitness Limited Mahindra Trustee Company Private Limited
Membership of Committees in public limited companies	
Audit Committee	Mahindra Shubhlabh Services Limited (Chairman) Mahindra & Mahindra Financial Services Limited
Nomination and Remuneration Committee	Mahindra & Mahindra Financial Services Limited
Remuneration / Compensation Committee	Mahindra Shubhlabh Services Limited Talwalkars Better Value Fitness Limited
Stakeholders Relationship Committee	Mahindra & Mahindra Financial Services Limited (Chairman)
Shareholding of Director in the Company	50,000 Equity Shares of Rs. 2 each



Mr. M. G. Bhide is a Certified Associate of the Indian Institute of Bankers and has a Masters Degree in Economics from the University of Mumbai. He was the Chairman and Managing

Director of Bank of India. He was also the Managing Director & Group Executive (National Banking) of State Bank of India.

Table 9

3) 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 Mahindra CIE Automotive Limited Mahindra Composites Limited NOCIL Limited Samson Maritime Limited Sicagen India Limited Tamilnadu Petroproducts Limited Inestor Advisores Private Limited Lavgan Dockyard Limited J. P. Morgan Asset Management Private Limited IL & FS Engineering & Construction Company Limited LICHFL Trustee Company Private Limited L & T Infra Investment Partners Advisory Private Limited Snowcem Paints Private Limited Mentor Technologies Private Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Chowgule Steamships Limited (Chairman) Mahindra & Mahindra Financial Services Limited (Chairman) Mahindra Composites Limited NOCIL Limited Sicagen India Limited IL & FS Engineering & Construction Company Limited Kalpataru Limited Samson Maritime Limited L & T Infra Investment Partners Advisory Private Limited
Nomination and Remuneration Committee	Mahindra & Mahindra Financial Services Limited
Remuneration / Compensation Committee	Chowgule Steamships Limited Mahindra Composites Limited NOCIL Limited Sicagen India Limited Kalpataru Limited Samson Maritime Limited
ALCO Committee	Mahindra & Mahindra Financial Services Limited (Chairman)
Share Transfer and Shareholders / Investors Grievance Committee	Mahindra CIE Automotive Limited (Chairman)
Corporate Social Responsibility Committee	Mahindra CIE Automotive Limited LICHFL Trustee Company Private Limited
Shareholding of Director in the Company	50,000 Equity Shares of Rs. 2 each

Mr. Dhananjay Mungale, a Chartered Accountant has spent the 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 on the boards of various public and private limited companies.

**Table 9**

4) Name of Director	Ms. Rama Bijapurkar
Date of Birth	12th February, 1957
Date of Appointment to the Board	14th June, 2008
Expertise in specific functional area	Independent Market Strategy Consultant
Qualifications	B.Sc. (Hons.) degree in Physics from Delhi University Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad
Directorship in Companies	Mahindra & Mahindra Financial Services Limited ICICI Prudential Life Insurance Company Limited Ambit Holdings Private Limited Janalakshmi Financial Services Private Limited The Ratnakar Bank Limited
Membership of Committees in Public Limited Companies	People Research on India's Consumer Economy (PRICE) [Chairperson] Redington Gulf FZE
Audit Committee	Mahindra & Mahindra Financial Services Limited
Board Nomination and Compensation Committee	ICICI Prudential Life Insurance Company Limited (Chairperson)
Shareholding of Director in the Company	50,000 Equity Shares of Rs. 2 each.

Ms. Rama Bijapurkar is a well respected voice on India's consumer economy and has an independent market strategy consulting practice. She has over three decades of experience in market research & market strategy consulting.

Ms. Bijapurkar has extensive experience as an independent director on a variety of corporate and not-for-profit boards. Present boards include ICICI Prudential Life Insurance Company Limited, The Ratnakar Bank Ltd., Redington Gulf FZE etc., Additionally, she is a Member of the governing councils of Banking Codes & Standards Board of India, Insurance Information Bureau, Member, Board of Governors and visiting faculty at Indian Institute of Management, Ahmedabad and Member, eminent person advisory group to the Competition Commission of India.

Ms. Bijapurkar holds a B.Sc. (Hons.) degree in Physics from the University of Delhi and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. She is author of "We are like that only - Understanding the logic of Consumer India", "Customer in the Boardroom? - Crafting Customer Based Business Strategy" and most recently, "A Never-Before World: Tracking the evolution of Consumer India".

### Means of Communication With Shareholders

The Company publishes its quarterly, half-yearly and annual results in Business Standard and Sakal which are national and local dailies, respectively. These are not sent individually to the Shareholders. The Company results and official news releases are displayed on the Company's website <http://www.mahindrafinance.com>. The Company also makes presentations to international and national institutional investors and analysts, which are also hosted on its website. The Company also files various compliances as required to be filed in the NSE Electronic Application Processing System (NEAPS).

The Company has designated "investorhelpline\_mmfsl@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 "mfinfo@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.

## General Body Meetings

**Table 10** Details of last three Annual General Meetings and Special Resolutions passed

For the Financial Year	Date	Time	Special Resolutions passed	Venue
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.
2012-2013	25th July, 2013	3.30 p.m.	None	Swatantryaveer Savarkar Rashtriya Smarak, 252, S.V.S. Marg, Shivaji Park, Dadar (W), Mumbai – 400 028.

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

For the Financial Year	Date	Time	Special Resolution(s) 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 2013-14

Date of Board Meeting	Description	% of Votes in favour of the Resolution(s)	Scrutinizer for conducting the Postal Ballot
23rd April, 2013	Ordinary Resolution for increase in borrowing limits from Rs.30,000 Crores to Rs.38,000 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.	99.78% *	Mr. S. N. Ananthasubramanian, Practising Company Secretary.

\* Results declared on 12th June, 2013



## Compliance

### Mandatory Requirements

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

### Compliance with Non-Mandatory Requirements

#### Nomination and Remuneration Committee (the erstwhile 'Remuneration/Compensation Committee')

As a good governance, the Company had constituted the Remuneration/Compensation Committee even before the provisions of Clause 49 became applicable to it.

Pursuant to the provisions of section 178(1) of the Companies Act, 2013, the Company has constituted the 'Nomination and Remuneration Committee' and subsequently the Remuneration/Compensation Committee stands dissolved.

Details of the Committee have been provided under the Section 'Nomination and Remuneration 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 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 the 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 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.

#### 24th Annual General Meeting

Date : 24th July, 2014  
Time : 3.30 p.m.  
Venue : Y. B. Chavan Auditorium,  
General Jagannath Bhosale Marg,  
Next to Sachivalaya Gymkhana,  
Mumbai - 400 021.

#### Financial Year of the Company

The financial year covers the period from 1st April to 31st March. For the year ending 31st March, 2015 results will be tentatively announced on:

- Quarter ending 30th June, 2014 - End July, 2014
- Half-year ending 30th September, 2014 - End October, 2014
- Quarter ending 31st December, 2014 - End January, 2015
- Year ending 31st March, 2015 - End April, 2015

#### Book Closure

Book Closure for dividend will be from 5th July, 2014 to 24th July, 2014, inclusive of both days.

#### Dividend Payment

A dividend of Rs. 3.80 per Equity Share of Rs. 2 each, will be credited/dispatched between 25th July, 2014 to 1st August, 2014, subject to approval by Shareholders at the Annual General Meeting.

#### Registered Office

Gateway Building, Apollo Bunder, Mumbai - 400 001.

#### Listing

##### A. Equity Shares

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.

**Table 1** Stock Exchange Codes

BSE	532720
NSE	M&MFIN
Demat International Securities Identification Number (ISIN) in NSDL and CDSL for Equity Shares	INE774D01024

**Corporate Identity Number**

L65921MH1991PLC059642

**B. Non-Convertible Debentures**

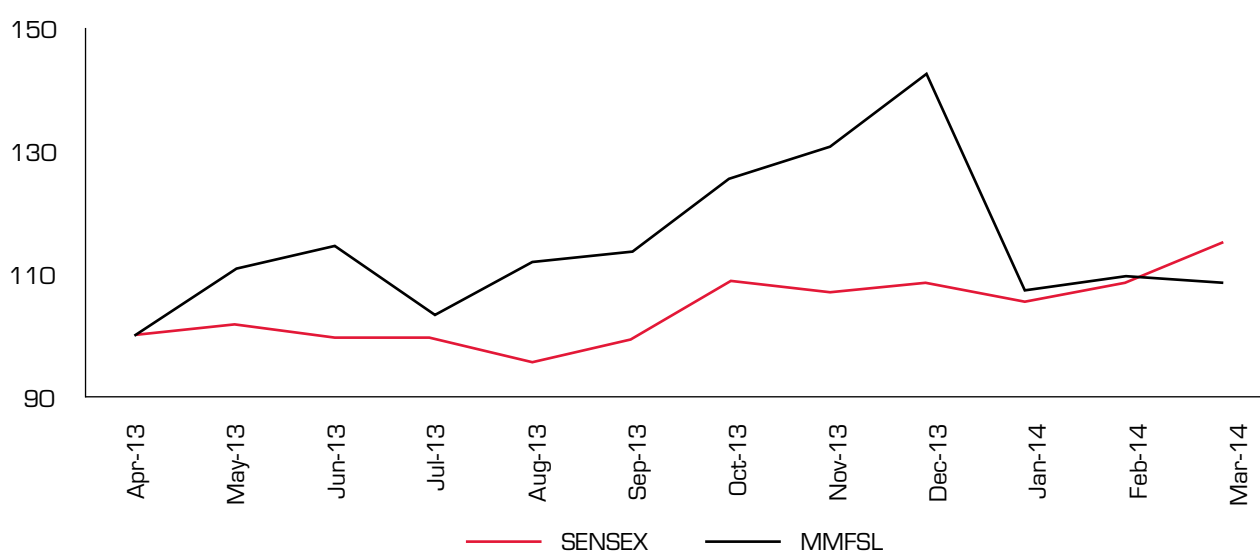
The Non-Convertible Debentures (NCDs) of the Company are listed on the BSE and the Company has paid the requisite listing fees in full.

**Debenture Trustee for the Company's NCDs :**

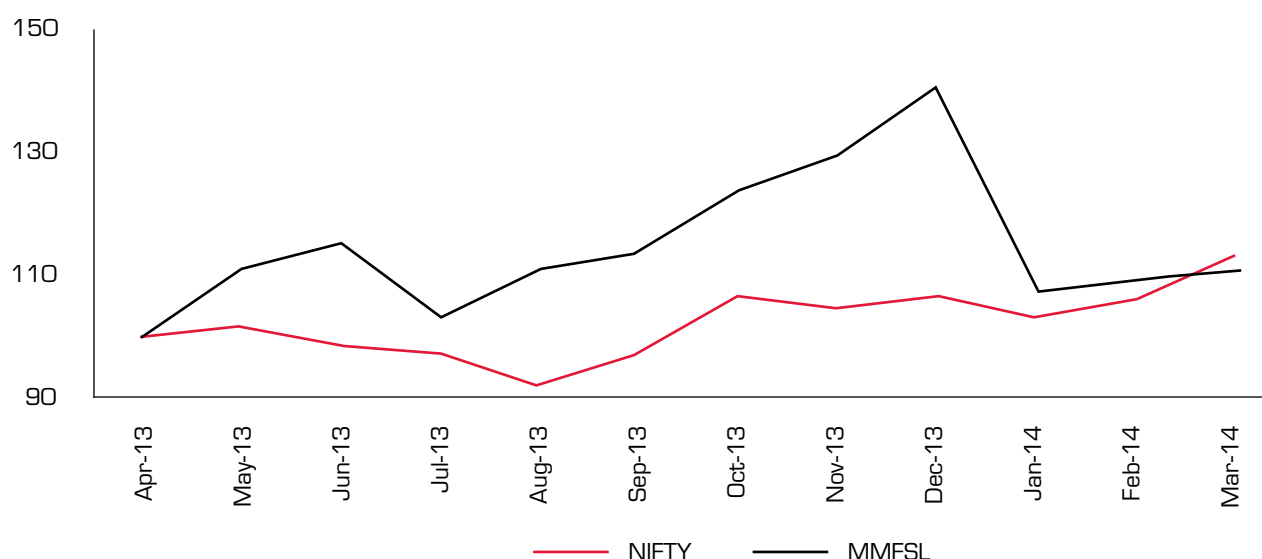
Axis Trustee Services Limited  
Axis House, 2nd Floor,  
Bombay Dyeing Mills Compound,  
Worli,  
Mumbai – 400 025.

**Table 2** Monthly High and Low of Company's shares for the Financial Year 2013-14 at BSE and NSE

Month	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2013	247.25	195.80	247.35	196.00
May, 2013	269.70	225.10	269.65	224.55
June, 2013	287.50	216.25	287.40	214.15
July, 2013	285.00	218.65	285.40	218.10
August, 2013	268.90	212.60	268.90	212.30
September, 2013	281.90	243.00	282.60	242.25
October, 2013	306.00	254.65	306.50	254.15
November, 2013	313.70	282.50	314.85	282.00
December, 2013	355.90	295.25	356.50	294.00
January, 2014	326.50	232.35	326.30	232.10
February, 2014	265.15	238.35	265.40	237.65
March, 2014	282.60	238.40	283.00	238.10

**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 2013-14 i.e. 1st April, 2013.

**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 2013-14 i.e. 1st April, 2013.

### Distribution of Shareholding

Table 3 and Table 4 list the distribution of the shareholding of the Equity Shares of the Company by size and by ownership class as on 31st March, 2014.

**Table 3** Shareholding pattern by size as on 31st March, 2014

Number of Shares held	Number of Shareholders	No. of Shares held	% of Shareholding
1 - 500	44,409	57,96,690	1.02
501 - 1,000	1,835	14,18,129	0.25
1,001 - 5,000	1,897	43,12,354	0.76
5001 - 10,000	322	23,11,976	0.40
10,001 - 20,000	176	25,42,546	0.45
20,001 and above	467	55,23,83,265	97.12
<b>Total</b>	<b>49,106</b>	<b>56,87,64,960</b>	<b>100.00</b>

**Table 4** Shareholding pattern by ownership as on 31st March, 2014

Category of Shareholders	Number of Shares held	% of Shareholding
Promoter and Promoter Group	29,64,47,501	52.12
Mutual Funds	53,46,917	0.94
FIs	23,53,88,096	41.39
Bodies Corporate	44,29,715	0.78
Indian Public/HUF	2,20,30,852	3.87
NRIs	13,43,750	0.23
Trusts	33,734	0.01
Indian Financial Institution/Banks	1,43,810	0.02
Venture Capital Fund	18,55,000	0.33
Insurance Companies	3,26,066	0.06
Clearing Members	14,19,519	0.25
<b>Total</b>	<b>56,87,64,960</b>	<b>100.00</b>



### Dematerialisation of Shares

As on 31st March, 2014, 99.69 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 – 27 shareholders representing 4,975 Equity Shares of Rs. 2 each.
- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year – NIL
- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - NIL
- (iv) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year - 27 shareholders representing 4,975 Equity Shares 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, 2014, 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 23420818

Fax: + 91 40 23420814

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

The Registrar and Transfer Agents also have an office at:

#### Karvy Computershare Private Limited

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

Tel.: + 91 22 66235454

Fax: + 91 22 66331135

### Share Transfer System

Trading in Equity Shares of the Company is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of 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 10,000 Equity Shares per transfer. The Stakeholders Relationship Committee (formerly known as 'Share Transfer and Shareholders/Investors Grievance Committee') meets as and when required to consider other requests for transfer/transmission of shares, issue of duplicate share certificates and attend to grievances of the security holders of the Company, etc.

### Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:

#### Karvy Computershare Private Limited

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

Tel.: + 91 40 44655000; 40 23420818

Fax: + 91 40 23420814

Email: support@karvy.com; einward.ris@karvy.com  
on all matters relating to transfers, transmissions,

dematerialisation of shares, payment of dividend and any other query relating to shares of the Company.

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

For all investor related matters, the Chief Financial Officer

or the Company Secretary & Compliance Officer can be contacted at Mahindra Towers, 4th Floor, P. K. Kurne Chowk, Worli, Mumbai - 400 018.

**Tel.:** +91 22 66526000

**Fax:** +91 22 66526198.

**Email:** investorhelpline\_mmfsl@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, 2014.

For Mahindra & Mahindra Financial Services Limited

**Ramesh Iyer**

Managing Director

Place: Mumbai

Date : 23rd April, 2014

# Certificate

## To the Members of Mahindra & Mahindra Financial Services Limited

We have examined the compliance of conditions of corporate governance by Mahindra & Mahindra Financial Services Limited ("the Company") for the year ended on March 31, 2014 as stipulated in clause 49 of the listing agreements of the said Company with the National Stock Exchange of India Limited and BSE Limited.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 agreements.

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

(Firm's Registration Number: 105102W)

**Naresh Kumar Kataria**

Partner

Membership No. 37825

Place: Mumbai

Date : 23rd April, 2014



# Management Discussion and Analysis

## Global economy

The global economy witnessed sluggish trade and low investment activity, resulting in a growth of 3% in the financial year 2013-14. Economic uncertainties weighed heavily on market sentiments worldwide. There was continued weakness in the Euro zone and sluggish growth in India and China, along with the dilemma over withdrawal of the US fiscal stimulus. Speculation about the withdrawal of quantitative easing in the US led to capital flight and currency depreciation, hurting developing countries in their financial markets.

The outlook for 2014-15 is more positive as businesses and consumer sentiments have both revived in a changing environment. The European markets have firmed up while China is expected to be a turning point in the financial year 2014-15, shifting from a period of rapid economic development to a stable growth phase of around 7.5%. (Source: IMF World Economic Outlook)

## Indian economy

The Indian economy grew at a rate of 4.7% during the financial year 2013-14. Containment of the fiscal and current account deficits in the coming months will provide a cushion to the Indian economy from further volatility. Inflation expectations have moderated and retail inflation stands at 8.31% in March 2014. (Source: CSO data). More than Rs. 60 billion has been allocated to rural housing in the Interim Budget for the financial year 2014-15. Interest subsidies for rural housing are also expected to bolster rural housing demand in the financial year 2014-15. (Source: Interim Budget 2014-15)

The Cabinet Committee on Investment (CCI) and the Project Monitoring Group (PMG) have cleared 296 projects at an estimated project cost of Rs. 6.6 trillion. As at end of March 2014 around 284 projects worth Rs. 15.6 trillion are under the consideration of the PMG. The recovery is likely to be supported by increased investment activity due to execution of stalled projects backed by business and consumer optimism. (Source: RBI Review)

The Manufacturing Purchasing Managers Index (PMI) has registered an increase on account of higher output and new orders in the last quarter of the financial year 2013-14. The rural demand base is likely to accelerate and external demand is expected to improve further during the financial year 2014-15, given the increase in global trade. Better

exports, lower inflation and project clearances will translate into higher investments leading to an improved business environment in the coming years.

## Indian financial sector – a synopsis

Banks and financial institutions broadly encompass the framework of the Indian financial system. The rapid rise of financial institutions was facilitated by simplified sanction procedures, flexibility and low-cost of operations. However, tighter liquidity conditions, stringent prudential norms and regulatory changes led to the survival of only a handful of Non-Banking Financial Companies (NBFCs) to partner in the financial inclusion of the country.

## NBFC sector – an insight

### Global NBFC

Globally, the size of NBFCs was equivalent to 117% of GDP as at the end of 2012 (for 20 jurisdictions and the Euro area). In absolute terms, total assets of NBFCs remained at around \$ 70 trillion as at the end of 2012. USA has the largest system of NBFCs with assets of \$ 26 trillion, followed by the Euro area (\$ 22 trillion), the UK (\$ 9 trillion) and Japan (\$ 4 trillion). (Source: Reserve Bank of India Report, January 2014)

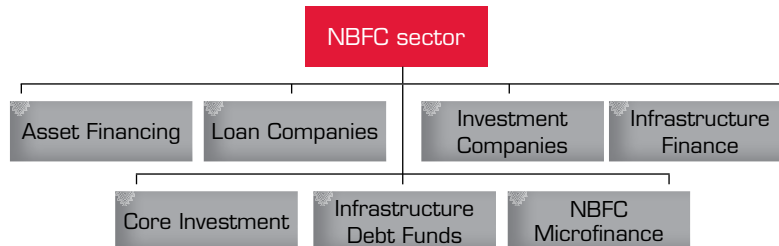
### Indian NBFC

The NBFC sector in India is integral to the financial framework of the country. Compared to the global standards, the size of the industry is relatively small. However, the industry has witnessed a Compounded Annual Growth Rate (CAGR) of 22% during March 2006 to March 2013, when the country's Gross Domestic Product (GDP) slowed down to 4.5% in financial year 2012-13 from 9.6% in financial year 2006-07. (Source: Reserve Bank of India Report, January 2014)

Retail credit growth for NBFCs slowed considerably in financial year 2013-14 with the sluggish economy and high interest rates adversely affecting the demand for credit. A favourable monsoon season and high agricultural productivity ensured that credit growth in the tractor and mortgage segments remained high. The persistent challenges in the operating environment resulted in higher delinquency levels for the NBFCs. (Source: ICRA)

The NBFCs continue to play a key role in the development of the country by being present in under-banked and unbanked regions and participating in inclusive growth.

## Classification of NBFCs



## Performance analysis of key sectors

### Indian automobile industry

The general economic slowdown, high interest rates and increasing fuel prices were some of the factors that affected the Indian automobile industry in the financial year 2013-14. Despite several new car launches and increasing investments witnessed by the Original Equipment Manufacturers (OEMs), the slide in sales volumes could not be averted.

The sale of Passenger Vehicles declined by 6.05% during the financial year 2013-14, against the same period last year. Within the Passenger Vehicles segment, sale of Passenger Cars, Utility Vehicles and Vans declined by 4.65%, 5.01% and 19.58% respectively during the financial year 2013-14 compared to the same period last year. (Source: Society of Indian Automobile Manufacturers, April 2014)

The overall Commercial Vehicles segment registered de-growth of 20.23% in the financial year 2013-14 as compared to financial year 2012-13. The Medium and Heavy Commercial Vehicles (M&HCVs) registered decline in sales of 25.33% and Light Commercial Vehicles also registered a decline in sales by 17.62%. (Source: Society of Indian Automobile Manufacturers, April 2014)

The Three Wheelers' segment witnessed decline in sales by 10.90% in financial year 2013-14 as against financial year 2012-13. Sale of Passenger Carriers and Goods Carriers declined by 12.74% and 2.53% respectively in the current fiscal as against financial year 2012-13. (Source: Society of Indian Automobile Manufacturers, April 2014)

Two Wheelers' sales registered growth of 7.31% during the financial year 2013-14 over previous year. Within the Two Wheelers' segment, Scooters and Motorcycles grew at 23.24% and 3.91% respectively, while Mopeds declined by 8.35% in financial year 2013-14 over the previous year.

### Exports

During financial year 2013-14, overall automobile exports grew by 7.21%. Passenger Vehicles, Three Wheelers and Two Wheelers registered growth at 6.09%, 16.60% and 6.52% respectively. Commercial Vehicles exports declined by 3.71% during financial year 2013-14 as compared to the same period last year. (Source: Society of Indian Automobile Manufacturers, April 2014)

### Indian tractor industry

There was a cyclical upswing in the tractor industry, following the stagnant/marginal growth witnessed during the previous years. A favourable monsoon season and good soil moisture content, backed by brimming reservoirs helped the overall tractor sales. The country continues to be the largest tractor manufacturer in the world (in volume terms). Even though the automotive sector suffered owing to the weakness in the macroeconomic fundamentals, the tractor industry (along with the two wheeler segment) registered double-digit growth sales during the year under review.

The Rs. 21,000 Crores worth Indian tractor industry today stands at the threshold of mechanisation. There have been increasing new variants (in terms of Horse power) by most of the tractor manufacturers in the country. Despite the declining contribution of the agricultural sector to the overall GDP (from 30% during pre-liberalisation period to 14% currently) it continues to be a key economic driver for the country. Mechanisation is expected to play a crucial role for the agricultural sector in the years to come. Upgraded and modern technology-led farming methods are expected to achieve 280 million tonnes of farm production by 2020. (Source: Report of the Working Group on the Automotive sector)

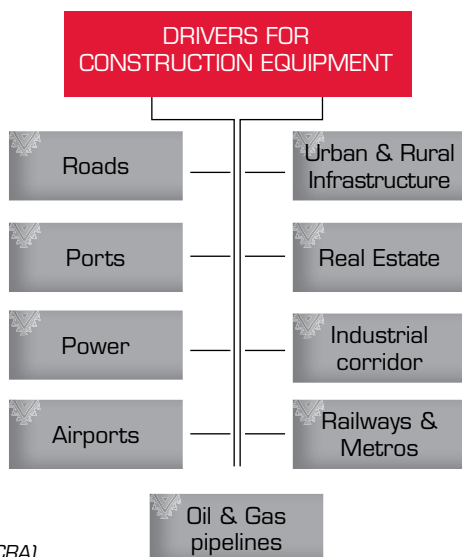
**Rs. 21,000 CR+**

Size of the Indian tractor industry

### Construction equipment

Gross Fixed Capital Formation (GFCF) and infrastructure investments took a hit due to macroeconomic and regulatory headwinds. Deferment in project execution and slow pace of infrastructural investments also resulted in faltering demand for construction equipment during the year under review. The sector witnessed a second consecutive year of volume de-growth during the fiscal, with demand faltering by 15-17% to approximate 55,000 – 56,000 units (as compared to 8-10% decline in 2012-13 at 66,000 units). One of the primary reasons for subdued demand for the construction equipment were bottlenecks across the infrastructure space. The equipment manufacturers also suffered due to currency volatility and higher operating costs.

### Sectors enabling growth of construction equipment



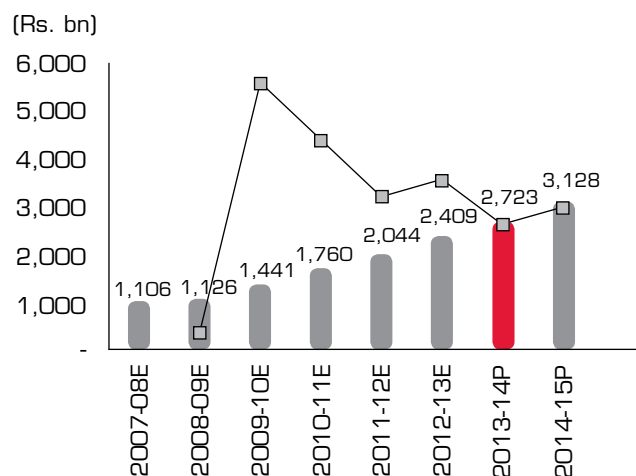
(Source: ICRA)

### Housing finance

Rising per capita income and stability in economic growth have played a role in increasing the pace of urbanisation in the country. One of the notable factors behind the growth in the housing industry has been easy availability of finance. Availability of low interest rate finance has increased disbursement of loans among several financial players. As on 31st March 2013, finance penetration in urban areas stood at 41.2%, which is expected to increase to 47% by 31st March 2018. In contrast, housing finance penetration in rural areas stands at a mere 8.3% as on 31st March 2013, with expectations to rise to 9.4% by 31st March 2018. (Source: CRISIL Report, Retail Finance – Housing, October 2013)

As per CRISIL estimates, housing finance disbursements are projected to grow at a CAGR of 15-16% to reach Rs. 4,947 billion by Fiscal 2018. Improvements in the macro-economic scenario, demographic changes in population, changing age-mix and increasing nuclearisation of families are some of the factors that are expected to drive the growth of the housing industry in India.

### Disbursements vs year-on-year growth



E: Estimated; P: Projected

● Disbursements    □ Growth, y-o-y

(Source: CRISIL Report, Retail Finance - Housing, October 2013)

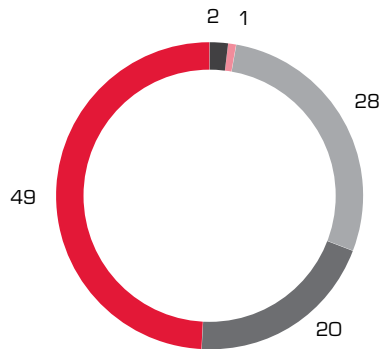
### Mutual fund industry

Indian mutual fund industry has evolved over the years, with the country's savings rate being over 30-35% in the last few years. However, investment in mutual funds has not been so phenomenal, growing at CAGR of 15% from financial year 2006-07 to financial year 2012-13. The industry has been growing more on the business to business (B2B) front rather than business to consumer front (B2C). The Assets Under Management (AUM) of the Indian Asset Management Companies stood at Rs. 8.25 trillion (5-6% of the country's GDP). This is significantly lower than some of the emerging countries like Brazil (40%) and South Africa (33%). Though, there are 44 Asset Management Companies operating in the sector, approximately 80 per cent of the AUM is concentrated with 8 of the leading players in the market.

Distribution of mutual fund products is one of the critical components in the entire value chain of the asset management industry. It is expected that the Indian asset management industry will grow at a CAGR in the range of 12-15% for the period 2013-14 - 2018-19. This will be supported by increasing volumes from retail investors backed by overall increase in investor awareness and enhanced distribution reach. Domestic political scenario, global economic environment, fiscal deficit, inflation and liquidity are some of the other factors that will have an impact on the industry in the coming years.



**AUM Composition by Investor Segment (%)**



- Corporates
- Banks/Financial Institutions
- Foreign Institutional Investors
- High Networth Individuals
- Retail

(Source: KPMG Report, January, 2014)

**Gold loan industry**

The people of our country own significant gold as assets. In our country gold is considered more of a financial security than just an asset. The borrowing against gold in rural India is more from the unorganised sector, while the urban people channel their borrowings through banks. Going ahead, possible rise for NBFC credit growth could come partly from the gold loan segment in financial year 2015 which is likely to benefit from the increase in the regulatory maximum Loan to Value (LTV) ratio from 60% to 75% of gold value. (Source: ICRA Report, December 2013)

**Company overview**

**Business overview**

At Mahindra & Mahindra Financial Services Limited ('MMFSL' or 'Mahindra Finance' or 'the Company'), we strongly believe in building a strong financial community. Our ethos and promise of true financial inclusion in the country makes us one of India's prime NBFCs. We operate across terrains and geographies in our country, covering even the remotest part of rural India. We continue to provide 'credit with confidence' to people who do not have access to organised financial services. Having started our journey way back in 1993, as a subsidiary of the renowned Indian tractor and utility vehicle manufacturer Mahindra & Mahindra Limited, today MMFSL has come a long way. Over the years, we have considerably diversified our product portfolio, offering the following services to our 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)
- Construction equipment loan

Over the years the Company has enhanced its grass-root presence across India. With 893 offices (as on 31st March, 2014) spread across 25 states, 4 union territories and 1,82,264 villages, most of its customers are at the bottom of the social pyramid. The Company lives by its philosophy of providing loans not for consumption, but primarily for income generation.

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.

**Credit ratings**

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

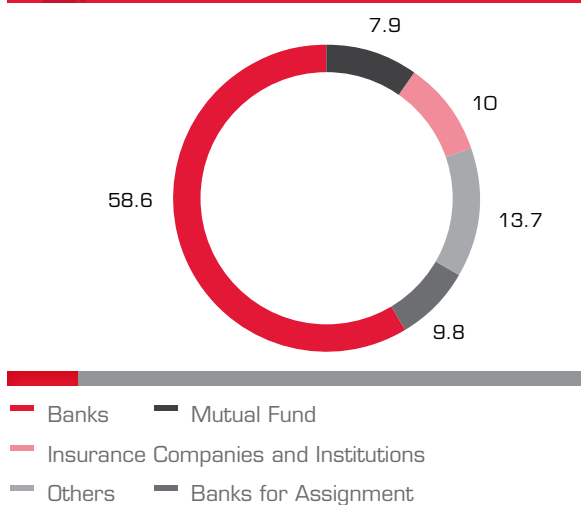
Corporate Overview

Statutory Reports

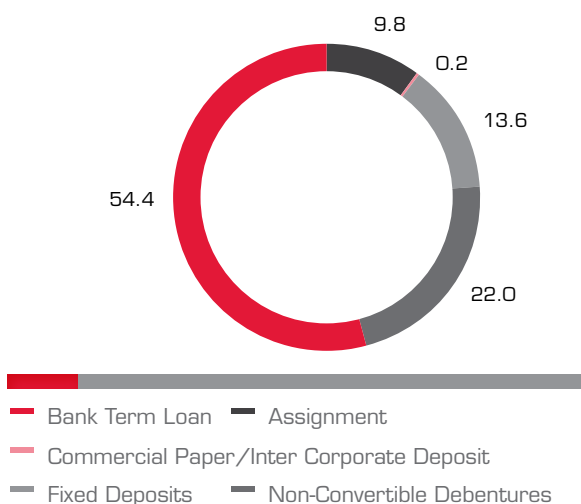
Financial Statements

Management Discussion and Analysis

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



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



**Operational review**

The key operational highlights during the year are as below –

- Income from operations increased to Rs. 4,95,300 Lacs from Rs. 3,89,470 Lacs in 2012-13, with an increase of 27%.
- Assets Under Management (AUM) grew to Rs. 34,13,306 Lacs from Rs. 27,91,313 Lacs in 2012-13, with an increase of 22%.
- Assets financed grew to Rs. 25,40,002 Lacs from Rs. 23,83,858 Lacs in 2012-13, with a modest increase of 7%.
- The customer base crossed a record 3 million people, reaching 31,19,034 from 25,57,172 in 2012-13, an increase of 22%.
- We strengthened our branch network to 893 from 657 in 2012-13, a record 36% increase.
- We also increased our people base to 12,816 from 11,270 in 2012-13, an increase of 14%.
- Gross NPA was affected as it increased to 4% from 3% in 2012-13.

**Financial review**

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 standalone abridged financials for the financial year 2013-14, including revenues, expenses and profits:

**Abridged Statement of Profit and Loss**

(Rs. in Lacs unless indicated otherwise)

	March 2014	March 2013	Growth
<b>Revenue</b>			
Revenue from operations	4,92,163.21	3,85,672.15	27.6%
Other income	3,137.24	3,797.75	(17.4)%
<b>Total Revenue</b>	<b>4,95,300.45</b>	<b>3,89,469.90</b>	<b>27.2%</b>
<b>Expenditure</b>			
Financial Expenses	2,18,801.45	1,61,876.50	35.2%
Employee Cost	29,733.41	22,340.20	33.1%
Other Expenses	59,180.56	49,632.86	19.2%
Loan Provisions & Write Offs	50,578.57	28,334.34	78.5%
Depreciation & Amortisation expenses	2,429.62	2,224.33	9.2%
<b>Total Expenses</b>	<b>3,60,723.61</b>	<b>2,64,408.23</b>	<b>36.4%</b>
<b>Profit before exceptional items and taxes</b>	<b>1,34,576.84</b>	<b>1,25,061.67</b>	<b>7.6%</b>
<b>Exceptional items (net) - income / (expense)</b>	-	<b>2,858.21</b>	-
<b>PBT</b>	<b>1,34,576.84</b>	<b>1,27,919.88</b>	<b>5.2%</b>
Direct tax	45,854.09	39,650.70	15.6%
<b>PAT</b>	<b>88,722.75</b>	<b>88,269.18</b>	<b>0.5%</b>
Basic EPS (Rs.)	15.75	16.59	(5.1)%

## Key Ratios

	March 2014	March 2013
PBT/Total Income	27.2%	32.8%
PBT/Total Assets	4.3%	5.1%
RONW (Avg. Net Worth)	18.6%	23.9%
Debt/Equity	4.7	4.2
Capital Adequacy	18.0%	19.7%
Tier I capital	15.5%	17.0%
Tier II capital	2.5%	2.7%
Book Value (Rs.) (excluding ESOPs)	90.2	79.0

### Strategic review

#### Increase in affordability

Increase in rural income is set to rise, backed by support prices for agricultural produce. Increasing number of aspiring Indians will be the real game-changers in rural markets. These consumers have aspirations to spend, giving a huge opportunity to be capitalised. The per capita Gross Domestic Product has grown faster in India's rural areas than the urban region.

#### Growth in addressable market

The agriculture sector has shored up demand for domestic tractors and trucks and farm equipment among others. Financing these products with loans in remote rural branches is a significant opportunity. Revival in demand in domestic tractor market since the financial year 2013-14 is likely to continue in future after a successful previous year. NBFCs are the first choice of finance among the road transport operators (both in new and used vehicle finance).

NBFCs are aggressively designing innovative products and leveraging their operations to reap benefits. As regards to Micro Small and Medium Enterprises (MSMEs), NBFCs are moving into factoring and bill payment services as well. Micro-finance, affordable housing and second hand vehicle finance, three wheeler financing, financing tyres, refrigeration kits and small ticket personal loans are all bringing NBFCs closer to the rural customers.

#### Selling various financial products and Low Insurance Penetration

Insurance penetration among India's vast population remains extremely low. At 3.4% life insurance and at 0.7% general insurance indicate the massive opportunity of growth prospects. Few insurance safety nets in rural areas imply that NBFC customers could also be sold insurance products. Micro-insurance products – both life and non-life could be leveraged by NBFCs for their customer base through cross-selling.

#### Growth in economic activity

Expectations of healthy growth in coming years and likely higher industrial growth, provide opportunity to NBFCs

in the short term horizon. Sustained growth will lead to buying of new vehicles and augment the industrial as well consumption drive in the country. An envisaged pick-up in industrial growth and corporate capital expenditure investments will stand to benefit most of the commercial assets financed by the NBFCs. Improvement in macro indicators and business environment is expected to improve asset quality and profitability as well.

### SCOT analysis

#### Strengths

- **Quality service:** Mahindra Finance provides financial services through simple processes and simple procedures in sanction and disbursement of credit as well as; timely, friendly and flexible terms of repayment aligned to the unique features of its clientele. Easy and fast appraisal and disbursements make the Company the preferred choice for many of its customers.
- **Round the corner:** An established reach and network helps the Company to cater to the remotest of villages. More than 90% of the unorganised sector has no link with banks and 60% of the rural consumers do not have bank accounts. The Company has significant business presence in semi-urban and rural areas.
- **Customer Insight:** Focus on customer is one of the key factors that have driven the Company in all these years. A strong business model and a prudent insight about its customers gives the Company a competitive edge. Better risk management and regulatory practices have made Mahindra Finance achieve commendable growth as well.
- **Strong balance sheet:** On the asset side, leasing, hire purchase and loans and advances make up nearly 92.6% of the total assets. This includes auto loans, hire-purchase, leased assets, personal finance. Investments also add another 2.7% of total asset size. The diversified nature of asset mix gives stability which is important for stable and sustained growth of the Company.



### Opportunities

- **Demographic pattern:** A rural middle income boom has led to rise in rural incomes. This has been fuelled by increased support prices and welfare schemes initiated by the government. Per capita Gross Domestic Product has grown faster in India's rural areas than in its urban centres.
- **New opportunities:** New opportunities like home equity, personal finance, and a foray into factoring and bill payment for the rural hard-to-reach customer will take the Company to new scales of success.

### Challenges

- **Regulatory concerns:** Newer regulatory updates pose a constant challenge for smooth operations of the Company. With constant updates governing the functional aspects of financial institutions, there lies unseen challenges in the coming years.
- **Geographical concentration:** Too much focus on rural market and lesser on urban markets might affect the Company's sustainability.

### Threats

- **Cost of funds:** Higher cost of funds might lead to reduced bottomline for the Company. Also, a lesser interest spread, or higher cost of lending might lead to customers turning away to cheaper source of funds.
- **Higher delinquencies:** Asset quality deterioration may not only wipe the profits out of the Company but eat into its networth. The Company must ensure it maintains minimal delinquency levels.

### Managing risk and opportunities

The risk management procedures are reviewed periodically, to ensure the focus of the Company is aligned to the changing needs of its customers. The Company's risk management strategy focuses on risk identification and its mitigation, thereby enhancing stakeholder value.

**Risk:** The growth of the Company is correlated to high performing individuals and overall skill development of the employees.

**Mitigation:** The Company focuses on enhancing the skills of its people through a standardised curriculum as well as on developing talent among its employees in marketing and technology through various leadership programmes.

**Risk:** Disruption in sources of funding could adversely affect the liquidity and financial position of the Company.

**Mitigation:** The Company meets its funding requirements from diverse sources, including shareholder funding, securitized receivables, secured and unsecured loans and several other credit facilities.

**Risk:** Non-repayment by borrowers might disrupt the cash flows.

**Mitigation:** The Company actively manages its credit exposures with regular assessment across its customer profile. All the diverse product portfolios are strictly monitored to ensure minimal delinquency levels. In addition, the value of vehicle also serves as the underlying collateral for the loan taken by the borrowers, securing its credit portfolio.

**Risk:** Exposure to interest rate risks might result in increased cost of lending to customers.

**Mitigation:** The Company prudently assesses the fund mix to reduce dependency on any one source of funding. In addition, the superior credit ratings on financial instruments of the Company enable it to raise funds at competitive rates.

**Risk:** Regulatory implications might dent the smooth operational functioning of the Company.

**Mitigation:** The Company has in place a robust Corporate Governance framework and ensures that all the regulatory checks are successfully complied with at all times. It maintains its Tier I and Tier II capital adequacy ratios above the prescribed limits, to continue efficient functioning of its operations.

**Risk:** New entrants or unorganised sector or diversification in operations by existing financial institutions.

**Mitigation:** The Company's deep rural presence across 1.8 lac villages in the country gives it an unparalleled advantage over others. In addition, the Company's ability to secure low-cost funding ensures it maintains sustainable margin levels.

**Risk:** Difficulty in expanding operations across new markets or regions in the country.

**Mitigation:** The Company leverages its deep industry experience during the course of its expansion strategies. It identifies and collaborates with local business partners and adopts strategies to successfully market its products, ensuring it reaches the customers.

### Outlook

Rural India accounts for atleast 50% of India's gross domestic product (GDP) comprising atleast 70% of the country's population. With more than 6.5 lac villages in the country, the rural India comprises a mix of rising incomes and growing aspirations. The changing consumption habits of the people in rural regions today resembles to those of the urban areas. Brands and premium products are no longer a dream, but an aspiration for people of the region. The change in the country's government is expected to usher in significant reforms in policies, which will result in growth of several downstream industries that we address. Going deeper across the country's unbanked regions, we at MIMFSL are optimistic that we would continue to address a wider customer base through our extensive operational

network. We shall continue to increase our loan book and monitor our margins to ensure sustainable stakeholder returns.

### Information technology

MMFSL's leverage of Information Technology is spread across its various business lines, products, and functions. The Company's IT roadmap focuses on innovation, digitisation, mobility and security. The Company's technology now enables communication to the customers in over a dozen languages. The feet-on-street activities from pre-disbursement to collections can be seamlessly handled through GPRS enabled hand-held devices now numbering about 11,000. These devices complement the large branch network connected to the data centre in Mumbai through MPLS and other telecom lines. The portfolio review mechanism has been strengthened through a couple of new systems for review of every contract at any level of the organisation. The use of document management system (DMS) has expanded to over 500 branches; this has been supported by enhancement of bandwidth in over 400 locations. Issuance of fixed deposits across the counter has been enabled in many cities. Now mobile applications enable the geo-mapping of customers, dealers and branches. Information security measures are being driven through implementation of solutions at the network, end-user device and application levels. The ISO 20000 re-certification process has been completed successfully assuring us of the processes and services within the IT function.

### Human resource management

At MMFSL, we pursue a strong Employment Value Proposition of 'Where Passion Meets Growth', with a vision to build an organisation where Growth is a Way of Life, Employees are Empowered and People Matter.

We recognise that our human capital drives the Company's customer-driven business model. Therefore, we continuously strive to attract and retain the best talent from the local markets; clearly define their roles and responsibilities; include them into robust performance management systems; create an inspiring and rewarding work environment; engage them into an inclusive work place; impart training and create development opportunities for increasing employee knowledge and efficiency to make them future ready; and create career opportunities within.

Your Company is an equal opportunity employer and is committed to ensuring that the work environment at all its locations is conducive to fair, safe and harmonious relations between employees. It strongly believes in maintaining the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited. The Company ensures that no employee is disadvantaged by way of gender discrimination. This being its core philosophy the Company had already implemented an

appropriate Policy for its employees for prevention of sexual harassment, which inter alia, sensitised all the employees of the redressal mechanism and the protection offered by the Company.

Pursuant to the provisions of 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013' ["the Act"] and Rules framed thereunder, the Company has aligned its existing Policy to bring it in line with the provisions of the Act and has taken necessary steps to ensure compliance with the Act.

### 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.

## Independent Auditors' Report

To the Members of

### Mahindra & Mahindra Financial Services Limited

#### Report on the Financial Statements

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, 2014, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

2. 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 notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act 2013. 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.

#### Auditors' Responsibility

3. 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.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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

#### Opinion

6. 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 2014;
  - (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.

#### Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (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.
8. 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, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report, comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
- e. On the basis of written representations received from the directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number : 105102W

**Naresh Kumar Kataria**

Partner

Place : Mumbai

Dated : 23rd April, 2014

M.No. 37825

## 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 at reasonable intervals during the year and no material 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 (Auditor's Report) Order 2003 is not applicable to the Company.
3. a. Based on the records examined by us and according to the information and explanations given to us, the Company has :
  - (i) not granted any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
  - (ii) not taken any loans from parties covered in the Register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us 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 respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
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. There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.
- c. 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	105.75	2001-02	Commissioner of Income Tax (Appeals)
	185.02	2002-03	Income Tax Appellate Tribunal
	225.78	2003-04	Commissioner of Income Tax (Appeals)
	218.7	2005-06	Income Tax Appellate Tribunal

## Annexure to the Auditors' Report

referred to in our report of even date

Nature of Dues	Amount (In lacs)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
Income Tax	242.64	2006-07	Income Tax Appellate Tribunal
	72.82	2007-08	Commissioner of Income Tax (Appeals)
	7.86	2010-11	Commissioner of Income Tax (Appeals)
Service Tax	88.41	2004-05	Asst. Commissioner of 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 the 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 maintained adequate documents and records where it has granted 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 for 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 77 cases of fraud aggregating to Rs. 560.32 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

Firm's Registration Number : 105102W

**Naresh Kumar Kataria**

Place : Mumbai

Partner

Dated : 23rd April, 2014

M.No. 37825



## Balance Sheet

as at 31st March, 2014

Particulars	Note No.	Rs. in Lacs	
		March 2014	March 2013
<b>I. Equity &amp; Liabilities</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	1	11,270.50	11,260.40
b) Reserves and Surplus	2	4,98,151.10	4,34,197.48
		5,09,421.60	4,45,457.88
<b>2) Non-current liabilities</b>			
a) Long-term borrowings	3	16,90,318.88	13,01,532.69
b) Other Long-term liabilities	4	27,641.82	24,297.19
c) Long term provisions	5	31,801.27	31,038.95
		17,49,761.97	13,56,868.83
<b>3) Current liabilities</b>			
a) Short Term Borrowings	6	1,24,428.36	1,30,124.23
b) Trade payables	7	43,785.76	47,884.32
c) Other current liabilities	8	6,49,114.91	5,03,721.46
d) Short term provisions	9	90,059.68	65,184.98
		9,07,388.71	7,46,914.99
<b>Total</b>		<b>31,66,572.28</b>	<b>25,49,241.70</b>
<b>II. Assets</b>			
<b>1) Non-current assets</b>			
a) Fixed Assets	10		
i) Tangible assets		11,436.25	10,409.79
ii) Intangible assets		494.10	150.32
iii) Capital work-in-progress		22.99	117.57
b) Non-current investments	11	52,627.59	34,511.43
c) Deferred tax assets (Net)	12	31,506.64	23,820.72
d) Long-term loans and advances	13	15,77,945.52	12,91,978.98
e) Other non-current assets	14	13,593.00	17,056.50
		16,87,626.09	13,78,045.31
<b>2) Current assets</b>			
a) Current investments	15	34,289.13	21,585.34
b) Trade receivables	16	1,435.36	981.30
c) Cash and cash equivalents	17	55,328.88	34,542.75
d) Short-term loans and advances	18	13,83,752.32	11,11,860.38
e) Other current assets	19	4,140.50	2,226.62
		14,78,946.19	11,71,196.39
<b>Total</b>		<b>31,66,572.28</b>	<b>25,49,241.70</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

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

**Ramesh Iyer**  
Managing Director

**Pawan Goenka**  
Director

**Rama Bijapurkar**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place : Mumbai  
Date : 23rd April, 2014

# Statement of Profit and Loss

for the year ended 31st March, 2014

Particulars	Note No.	Rs. in Lacs	
		March 2014	March 2013
I. Revenue from operations	20	4,92,163.21	3,85,672.15
II. Other income	21	3,137.24	3,797.75
III. <b>Total Revenue (I + II)</b>		<b>4,95,300.45</b>	<b>3,89,469.90</b>
IV. <b>Expenses :</b>			
Employee benefits expense	22	29,733.41	22,340.20
Finance costs	23	2,18,801.45	1,61,876.50
Depreciation and amortization expense	24	2,429.62	2,224.33
Loan provisions and write offs	25	50,578.57	28,334.34
Other expenses	26	59,180.56	49,632.86
<b>Total expenses</b>		<b>3,60,723.61</b>	<b>2,64,408.23</b>
V. <b>Profit before exceptional items and tax (III - IV)</b>		<b>1,34,576.84</b>	<b>1,25,061.67</b>
VI. Exceptional items (net) - income / (expense)	27	-	2,858.21
VII. <b>Profit before tax (V - VI)</b>		<b>1,34,576.84</b>	<b>1,27,919.88</b>
VIII. <b>Tax expense :</b>			
(1) Current tax		53,540.00	43,350.39
(2) Deferred tax		(7,685.91)	(3,699.69)
		45,854.09	39,650.70
IX. <b>Profit/(Loss) for the year (VII - VIII)</b>		<b>88,722.75</b>	<b>88,269.18</b>
X. Earnings per equity share (Rupees) :	29 (h)		
(Face value - Rs.2/- per share)			
(1) Basic		15.75	16.59
(2) Diluted		15.60	16.40
<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

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

**Ramesh Iyer**  
Managing Director

**Pawan Goenka**  
Director

**Rama Bijapurkar**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place : Mumbai  
Date : 23rd April, 2014

## Cash Flow Statement

for the year ended 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies and exceptional items	1,34,576.84	1,25,061.67
Add/(Less) :		
<b>Non Cash Expenses :</b>		
Depreciation and amortisation expense	2,429.62	2,224.33
Provision for non-performing assets (net)	24,486.70	5,814.48
General provision for Standard assets	2,110.00	1,597.00
Employee stock compensation costs	307.33	443.02
	29,333.65	10,078.83
Add/(Less) :		
Income considered separately :		
Income from investing activities	(2,933.95)	(3,098.11)
(Profit)/Loss on sale of assets	(8.29)	(8.70)
(Profit)/Loss on sale of Investment	(9.15)	(231.18)
Income from Assignment / Securitisation transactions	(21,372.47)	(21,454.93)
	(24,323.86)	(24,792.92)
Operating profit before working capital changes (I)	<b>1,39,586.63</b>	<b>1,10,347.58</b>
Less :		
(Increase)/Decrease in interest accrued on investment/others	(1,603.28)	(198.59)
(Increase)/Decrease in Trade receivables	(454.06)	(212.90)
(Increase)/Decrease in Loans & Advances	(7,00,909.48)	(7,97,896.16)
	(7,02,966.82)	(7,98,307.65)
Add : Increase in Current liabilities (II)	23,857.91	36,751.90
	(6,79,108.91)	(7,61,555.75)
Cash generated from operations (I+II)	(5,39,522.28)	(6,51,208.17)
Advance taxes paid	(52,224.45)	(44,065.45)
<b>Net Cash Generated from / (Used In) Operating Activities (A)</b>	<b>(5,91,746.73)</b>	<b>(6,95,273.62)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets / Software	(3,701.15)	(3,092.66)
Sale of fixed assets	98.79	61.04
Purchase of Investments	(2,19,320.11)	(95,990.51)
Investments in / maturity of term deposits with banks	(19,771.00)	(19,388.00)
Sale of Investments	1,88,509.31	90,368.73
Income received from investing activities	2,696.78	2,834.14
(Increase) / Decrease in Earmarked balances with banks	4.58	(8.04)
Proceeds from sale of long-term investments in equity shares of Mahindra Insurance Brokers Limited	-	6,432.99
<b>Net Cash Generated from / (Used In) Investing Activities (B)</b>	<b>(51,482.80)</b>	<b>(18,782.31)</b>



# Cash Flow Statement

for the year ended 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares (net of issue expenses)	91.46	85,531.99
Increase/(Decrease) in Bank borrowings (net)	3,44,064.87	2,00,175.75
Increase/(Decrease) in long term borrowings (net)	39,990.00	1,91,450.00
Increase/(Decrease) in short term borrowings (net)	(5,650.00)	4,188.00
Increase/(Decrease) in Fixed Deposits (net)	1,27,426.58	95,305.83
Proceeds from Assignment / Securitisation transactions	1,59,029.71	1,61,623.22
Dividend paid (including tax on dividend)	(23,887.38)	(16,816.18)
<b>Net Cash Generated from / (Used In) Financing Activities (C)</b>	<b>6,41,065.24</b>	<b>7,21,458.61</b>
<b>Net Increase / (Decrease) In Cash And Cash Equivalents (A+B+C)</b>	<b>(2,164.29)</b>	<b>7,402.68</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>24,346.92</b>	<b>16,944.24</b>
<b>Cash and Cash Equivalents at the end of the year (Refer Note No. 17)</b>	<b>22,182.63</b>	<b>24,346.92</b>

**Note :** The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard 3 'Cash Flow Statement'.

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

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

**Ramesh Iyer**  
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Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place : Mumbai  
Date : 23rd April, 2014

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### 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 (GAAP) 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 section 133 of the Companies Act, 2013.

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 – 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. 30 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 statement are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized 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. Unrealized interest recognized as income in the previous period is reversed in the month in which the loan is classified as Non-performing.

### II. Income from loans :

- a) Interest Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.
- b) Service charges, documentation charges and other fees on loan transactions are recognised at the commencement of the contract.

### III. Subvention income :

Subvention received from manufacturers/ dealers on retail cases is booked over the period of the contract.

### IV. Income from assignment / securitization transactions :

#### A. Income accounted prior to the issuance of RBI Circular dated August 21, 2012 (the Circular) :

- i. Receivables assigned/secured by the Company, the assets are de-recognised as all the rights, title, future receivables and interest thereof are assigned to the purchaser.
- ii. On de-recognition, the difference between book value of the receivables assigned/secured 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/securitisation.
- iii. On the maturity of an underlying assignment/securitisation deal, estimated provision for loss/expenses and incidental expenses in respect of the said deal are reversed as the actual losses/expenses have already been debited to the Statement of Profit and Loss over the period.

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

## B. Income accounted post the issuance of RBI Circular dated August 21, 2012 (the Circular) :

### i. Securitisation transactions :

- a. Securitised receivables are de-recognized 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.

### ii. Assignment transactions :

- a. Receivables under the assignment transactions are de-recognized in the balance sheet when they are sold subject to the portion of loan assets which is required under the Minimum Retention Criteria and reflected as Loans and Advances (refer note no. 13 and 18).
- b. The amount of profit in cash on such transactions is held under an accounting head styled as "Cash profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at the end of every financial year based on the formula prescribed as per the Circular. The unamortized portion is reflected as "Other long-term liabilities" / "Other current liabilities" (refer note no. 4, 8 and 37 (b))

## V. Income from investments :

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

## 4) Fixed assets, depreciation and amortisation :

### a) Tangible assets :

- i. Tangible assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.
- ii. Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

### b) Depreciation on Tangible assets :

- i. Depreciation on tangible assets is charged on Straight Line Method (SLM) at rates specified in Schedule XIV to the Companies Act, 1956 on a pro-rata basis except for following assets :
  - 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.
  - 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.
  - d) Repossessed assets that have been capitalised for own use are depreciated at the rate of 15% on SLM over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of Company's Tangible assets in note no.10.

### c) Intangible assets :

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

### d) Amortisation of Intangible assets :

Intangible assets comprises of computer software which is amortised over the



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

estimated useful life. The maximum period for such amortization is 36 months.

### 5) Foreign exchange transactions and translations :

#### i. Initial recognition

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

#### ii. Conversion

- a. 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.
- b. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

#### iii. Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below :

- a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.
  - b. 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.
- #### iv. Forward exchange and other derivative contracts entered into to hedge foreign currency risk of existing assets/liabilities
- a. 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.

- b. Exchange differences on such contracts are recognised in the Statement of Profit and Loss in the period in which the exchange rate changes.
- c. Any profit or loss arising on cancellation or renewal of forward exchange contracts are recognised as income or expense for the period.
- d. Interest rate swaps in the nature of hedge, taken to manage interest rate risk on foreign currency liabilities, whereby variable interest rate is swapped for fixed interest rate, are recognized on accrual basis at fixed interest rate and charged to the Statement of Profit and Loss.

### 6) Investments :

In terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. 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 lower of cost or fair value.

### 7) Loans against assets :

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

### 8) Employee benefits :

#### (a) Contribution to Provident Fund

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

The Company provides for gratuity, a defined benefit retirement plan covering all employees.

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

## (c) Superannuation

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, which are charged to the Statement of Profit and Loss. The Company has no obligation to the scheme beyond its monthly contributions.

## (d) Leave encashment / compensated absences / sick leave

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

## 9) 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. All other borrowing costs are charged to the Statement of Profit and Loss. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

## 10) Current and deferred tax :

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of 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.

## 11) 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.

## 12) Impairment of assets :

The carrying value of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor.

## 13) Provisions and contingent liabilities :

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

be required to settle the obligation or a reliable estimate of the amount cannot be made.

### 14) 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 the date of grant). Compensation cost is amortized over the vesting period of the option on a straight line basis.

### 15) Lease :

Lease rentals in respect of assets taken on operating lease arrangements are recognized as per the terms of the lease.

### 16) 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 2014	March 2013
Note 1	<b>Share capital</b>		
<b>Authorised capital :</b>			
	70,00,00,000 equity shares of Rs.2/- each	14,000.00	14,000.00
	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	11,375.30	11,375.30
<b>Subscribed and paid-up capital :</b>			
	56,87,64,960 equity shares of Rs.2/- each fully paid up	11,375.30	11,375.30
	Less : Shares issued to ESOS Trust but not allotted to employees (52,39,841 equity shares of Rs.2/- each (March 2013 : 57,44,785 equity shares of Rs.2/- each))	104.80	114.90
	<b>Total</b>	<b>11,270.50</b>	<b>11,260.40</b>



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

	March 2014		March 2013	
	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	56,87,64,960	11,375.30	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)	-	-	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	-	-	45,50,11,968	-
<b>Balance at the end of the year</b>	<b>56,87,64,960</b>	<b>11,375.30</b>	<b>56,87,64,960</b>	<b>11,375.30</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	29,12,07,660	5,824.15	29,12,07,660	5,824.15
Percentage of holding (%)	51.20	51.20	51.20	51.20
<b>c) Shareholders holding more than 5 percent shares :</b>				
Mahindra & Mahindra Limited	29,12,07,660	5,824.15	29,12,07,660	5824.15
Percentage of holding (%)	51.20	51.20	51.20	51.20

### d) 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.

### e) Shares issued to ESOS Trust

The Guidance note issued by The Institute of Chartered Accountants of India on accounting for employee share-based payment requires that shares allotted to a Trust but not transferred to the employees be reduced from Share capital and Reserves. Accordingly, the Company has reduced the Share capital by Rs.104.80 Lacs (March 2013 : Rs. 114.90 Lacs), Securities premium reserve by Rs. 86.83 Lacs (March 2013 : Rs. 112.70 Lacs) in respect of 52,39,841 equity shares of face value of Rs.2/- each (March 2013 : 57,44,785 equity shares of face value of Rs.2/- each) held by the Trust, as at the year end pending allotment of shares to eligible employees.

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs.in Lacs	
		March 2014	March 2013
<b>Note 2</b>	<b>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	2,01,558.08	1,16,689.20
	Add : Additions during the year on account of -		
	i) Exercise of employee stock options	266.66	444.18
	ii) Fresh issue of shares	-	85,704.76
		2,01,824.74	2,02,838.14
	Less : Deductions during the year in respect of share issue expenses	-	1,280.06
	Balance as at the end of the year	2,01,824.74	2,01,558.08
	Less : Premium on shares issued to ESOS Trust but not allotted to employees	86.83	112.70
	<b>Net balance as at the end of the year</b>	<b>2,01,737.91</b>	<b>2,01,445.38</b>
<b>Statutory reserve :</b>			
	Balance as at the beginning of the year	63,787.62	46,133.62
	Add : Transfers from Surplus in the Statement of Profit and Loss	17,745.00	17,654.00
		81,532.62	63,787.62
	Less : Deductions during the year	-	-
	<b>Balance as at the end of the year</b>	<b>81,532.62</b>	<b>63,787.62</b>
<b>General reserve :</b>			
	Balance as at the beginning of the year	27,303.78	18,476.78
	Add : Transfers from Surplus in the Statement of Profit and Loss	8,873.00	8,827.00
		36,176.78	27,303.78
	Less : Deductions during the year	-	-
	<b>Balance as at the end of the year</b>	<b>36,176.78</b>	<b>27,303.78</b>
<b>Employees stock options outstanding :</b>			
<b>A) Employees stock options outstanding -</b>			
	Balance as at the beginning of the year	1,347.77	1,804.70
	Add : Fresh grant of options	289.16	-
		1,636.93	1,804.70
	Less : Transfers / reversals during the year		
	i) Transfers to Securities premium reserve on exercise of options	266.66	444.18
	ii) Reversals for options lapsed	36.46	12.75
	<b>Balance as at the end of the year</b>	<b>1,333.81</b>	<b>1,347.77</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

	Rs.in Lacs	
	March 2014	March 2013
<b>B) Deferred employee compensation :</b>		
Balance as at the beginning of the year	572.30	1101.19
Add : Fresh grant of options	289.16	-
	861.46	1101.19
Less : Amortisation during the year		
i) Transfers to employee compensation expenses	362.82	516.14
ii) Reversals for options lapsed	36.46	12.75
<b>Balance as at the end of the year (B)</b>	<b>462.18</b>	<b>572.30</b>
<b>Balance as at the end of the year (A-B)</b>	<b>871.63</b>	<b>775.47</b>
<b>Surplus in Statement of Profit and Loss :</b>		
Balance as at the beginning of the year	1,35,885.23	97,984.43
Add : Profit for the year transferred from the Statement of Profit and Loss	88,722.75	88,269.18
	2,24,607.98	1,86,253.61
<b>Less : Appropriations :</b>		
General reserve	8,873.00	8,827.00
Statutory reserve	17,745.00	17,654.00
Proposed dividend on equity shares	21,613.07	20,475.54
Corporate dividend tax on equity shares	3,544.75	3,411.84
	51,775.82	50,368.38
<b>Balance as at the end of the year</b>	<b>1,72,832.16</b>	<b>1,35,885.23</b>
<b>Total</b>	<b>4,98,151.10</b>	<b>4,34,197.48</b>

	Rs.in Lacs	
	March 2014	March 2013
<b>Note 3 Long-term borrowings</b>		
<b>a) Secured #</b>		
Non-convertible debentures (refer note no. 44 (i) (a) )	3,21,520.00	3,13,960.00
Term loans :		
- from banks (refer note no. 44 (ii) (a))	9,60,495.23	7,08,192.00
Foreign currency loans from banks (refer note no. 44 (iii) (a))	40,305.51	27,142.50
<b>Total</b>	<b>13,22,320.74</b>	<b>10,49,294.50</b>
<b>b) Unsecured</b>		
Unsecured bonds (Subordinate debts ) (refer note no. 45 (i) (a) )	79,410.00	59,410.00
Term loans from banks (refer note no. 45 (ii) (a) )	10,000.00	-
Loans and advances from related parties (ICDs) (refer note no.45 (iii) (b) )	725.00	775.00
Fixed deposits (refer note no. 45 (iv) (b) )	2,77,863.14	1,92,053.19
<b>Total</b>	<b>3,67,998.14</b>	<b>2,52,238.19</b>
<b>Total (a+b)</b>	<b>16,90,318.88</b>	<b>13,01,532.69</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.



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 4</b>	<b>Other long-term liabilities</b>		
	Deposits / advances received against loan agreements (refer note no.34)	1,333.08	1,260.70
	Interest accrued but not due on borrowings	15,552.99	15,983.12
	Deferred subvention income	3,031.55	3,424.05
	Unrealised gains on loan transfers under securitisation transactions (refer note no.37(d))	6,629.14	3,629.32
	Cash profit on loan transfers under assignment transactions pending recognition (refer note no.37(b))	140.57	-
	Derivative contract payables	954.49	-
	<b>Total</b>	<b>27,641.82</b>	<b>24,297.19</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 5</b>	<b>Long-term provisions</b>		
	Provision for employee benefits (refer note no. 35)	987.23	702.43
	Provision for Non-performing assets (refer note no. 30 (a) )	17,685.49	9,552.06
	Contingent provision for Standard assets (refer note no. 30 (b))	6,372.00	5,220.00
	Provision for estimated loss/expenses on assignments	6,756.55	15,564.46
	<b>Total</b>	<b>31,801.27</b>	<b>31,038.95</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 6</b>	<b>Short-term borrowings</b>		
<b>a) Secured #</b>			
	(refer note no. 46 (i))		
	Term loans from banks	55,500.00	40,500.00
	Cash credit facilities with banks	57,232.21	75,027.03
	<b>Total</b>	<b>1,12,732.21</b>	<b>1,15,527.03</b>
<b>b) Unsecured</b>			
	Loans from banks :		
	Term loans (refer note no.45 (ii) (b))	2,200.00	-
	Overdraft facilities	-	2,019.79
	Loans and advances from related parties (ICDs) (refer note no.45 (iii) (a))	3,565.00	4,215.00
	Fixed deposits (refer note no. 45 (iv) (a))	5,931.15	3,362.41
	Commercial Papers (CPs) (refer note no. 46 (ii))	-	5,000.00
	<b>Total</b>	<b>11,696.15</b>	<b>14,597.20</b>
	<b>Total (a+b)</b>	<b>1,24,428.36</b>	<b>1,30,124.23</b>

# All secured loans 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.

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 7</b>	<b>Trade payables</b>		
	<b>Trade payables</b>		
	Finance	30,095.50	34,932.38
	Expenses	13,690.26	12,951.94
	<b>Total</b>	<b>43,785.76</b>	<b>47,884.32</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 8</b>	<b>Other current liabilities</b>		
<b>Current maturities of long-term debt</b>			
<b>a) Secured #</b>			
	Non-convertible debentures (refer note no.44 (i) (b))	1,83,520.00	1,67,840.00
	Term loans from banks (refer note no.44 (ii) (b))	3,06,338.48	2,36,298.67
	Foreign currency loans from banks (refer note no. 44 (iii) (b))	11,983.00	10,809.57
	<b>Total</b>	<b>5,01,841.48</b>	<b>4,14,948.24</b>
<b>b) Unsecured</b>			
	Unsecured bonds (subordinate debts) (refer note no. 45 (i) (b))	-	3,100.00
	Loans and advances from related parties (ICDs) (refer note no. 45 (iii) (c))	50.00	150.00
	Fixed deposits (refer note no. 45 (iv) (c))	76,425.51	37,377.62
	<b>Total</b>	<b>76,475.51</b>	<b>40,627.62</b>
	Interest accrued but not due on borrowings	29,745.21	14,227.10
	Unclaimed dividends	57.93	62.52
	Deposits / advances received against loan agreements (refer note no.34)	1,647.04	1,728.60
	Amount received in advance from ESOS trust	191.63	227.60
	Credit balances in current accounts with banks as per books	7,242.04	9,430.67
	Deferred subvention income	2,623.37	1,855.43
	Unrealised gains on loan transfers under securitisation transactions (refer note no.37(d))	15,910.53	7,447.22
	Cash profit on loan transfers under assignment transactions pending recognition (refer note no.37(b))	168.42	-
	Insurance premium payable	3,694.88	3,155.66
	Payables under assignment / securitisation transactions	6,157.50	7,590.56
	Taxes deducted at source (TDS)	2,333.20	1,528.83
	Others	1,026.17	891.41
	<b>Total</b>	<b>6,49,114.91</b>	<b>5,03,721.46</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 2014	March 2013
<b>Note 9</b>	<b>Short-term provisions</b>		
	Employee benefits (refer note no. 35)	5,168.37	3,493.65
	Others		
	Provision for estimated loss/expenses on assignments	8,807.92	4,189.65
	Provision for Non-performing assets (refer note no. 30(a))	45,672.57	29,319.30
	Contingent provisions for Standard assets (refer note no. 30 (b))	5,253.00	4,295.00
	Proposed dividend on equity shares #	21,613.07	20,475.54
	Corporate dividend tax #	3,544.75	3,411.84
	<b>Total</b>	<b>90,059.68</b>	<b>65,184.98</b>

# The Board of Directors have recommended a dividend of Rs.3.80 per share on equity share of face value of Rs.2/- each (March 2013 : Rs.3.60 per share on equity share of face value Rs.2/- each) for the current financial year. The dividend will absorb a sum of Rs.25,157.82 Lacs (March 2013 : Rs. 23,887.38 Lacs) including dividend distribution tax.

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

Asset description	GROSS BLOCK AT COST				DEPRECIATION & AMORTISATION				NET BLOCK	
	As at 1st April, 2013	Additions	Deductions / adjustments	As at 31st March, 2014	As at 1st April, 2013	Additions	Deductions / adjustments	As at 31st March, 2014	As at 1st April, 2013	As at 31st March, 2014
<b>i) Tangible assets :</b>										
Premises	108.92	-	-	108.92	15.82	1.77	-	17.59	91.33	98.10
Computers	4,529.66	709.09	1,142.69	4,096.06	2,695.32	545.44	1,141.66	2,099.10	1,996.96	1,834.34
Furniture and fixtures	5,734.20	775.54	257.56	6,252.18	1,812.81	453.15	233.13	2,032.83	4,219.35	3,921.39
Vehicles	4,050.98	1,088.68	303.49	4,836.17	1,729.51	608.06	243.04	2,094.53	2,741.64	2,321.47
Office equipment	4,224.70	852.75	481.00	4,596.45	1,985.21	700.68	476.41	2,209.48	2,386.97	2,239.49
<b>Total (i)</b>	<b>18,648.46</b>	<b>3,426.06</b>	<b>2,184.74</b>	<b>19,889.78</b>	<b>8,238.67</b>	<b>2,309.10</b>	<b>2,094.24</b>	<b>8,453.53</b>	<b>11,436.25</b>	<b>10,409.79</b>
March 2013 :	15,855.29	2,977.07	183.90	18,648.46	6,240.82	2,129.41	131.56	8,238.67	10,409.79	9,614.47
<b>ii) Intangible assets :</b>										
Computer software	1,150.30	464.30	-	1,614.60	999.98	120.52	-	1,120.50	494.10	150.32
<b>Total (ii)</b>	<b>1,150.30</b>	<b>464.30</b>	<b>-</b>	<b>1,614.60</b>	<b>999.98</b>	<b>120.52</b>	<b>-</b>	<b>1,120.50</b>	<b>494.10</b>	<b>150.32</b>
March 2013 :	1,000.17	150.13	-	1,150.30	905.06	94.92	-	999.98	150.32	95.11
<b>Total (i+ii)</b>	<b>19,798.76</b>	<b>3,890.36</b>	<b>2,184.74</b>	<b>21,504.38</b>	<b>9,238.65</b>	<b>2,429.62</b>	<b>2,094.24</b>	<b>9,574.03</b>	<b>11,930.35</b>	<b>10,560.11</b>
March 2013 :	16,855.46	3,127.20	183.90	19,798.76	7,145.88	2,224.33	131.56	9,238.65	10,560.11	9,709.58



# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 11</b>	<b>Non-current investments</b>		
<b>A) Quoted (at cost) : Trade</b>			
	Government securities (refer note no. 11(i) below)	37,895.56	24,168.13
	<b>(A)</b>	<b>37,895.56</b>	<b>24,168.13</b>
<b>B) Unquoted (at cost) : Non-trade</b>			
	<b>(a) Equity investment in subsidiary companies :</b>		
	(i) Mahindra Insurance Brokers Limited (21,90,722 equity shares @ Rs.10/- each fully paid up)	47.98	47.98
	(ii) Mahindra Rural Housing Finance Limited		
	Fully paid-up : (4,00,00,000 equity shares of Rs.10/- each fully paid up)	4,000.00	4,000.00
	Partly paid-up (1,75,20,003 Equity shares of face value of Rs.10/- each at a premium of Rs.15/- per share, Rs.12.50 paid up, including premium of Rs.7.50/- per share) (refer note no. 11 (ii) (a) below)	2,190.00	-
	(iii) Mahindra Business & Consulting Services Pvt. Ltd. (10,000 equity shares of Rs.10/- each fully paid up)	1.00	1.00
	(iv) Mahindra Asset Management Company Private Ltd. (49,998 equity shares of Rs.10/- each fully paid up) (refer note no. 11 (ii) (b) below)	5.00	-
		6,243.98	4,048.98
	<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(ii) (c) below)	7,788.05	5,594.32
	<b>(c) Investment in Bonds / Debentures :</b>		
	70 11% Unsecured redeemable non-convertible subordinate debentures of face value Rs.10.00 Lacs each issued by Mahindra Rural Housing Finance Limited (Tenure : 5 years and 6 months ; Maturity : 28th Dec, 2018)	700.00	700.00
	<b>(B)</b>	<b>14,732.03</b>	<b>10,343.30</b>
	<b>Total (A + B)</b>	<b>52,627.59</b>	<b>34,511.43</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Additional Information :</b>			
<b>a) Aggregate amount of quoted investments and market value -</b>			
i) Aggregate amount		37,895.56	24,168.13
ii) Market value		36,504.87	24,709.68
<b>b) Aggregate amount of unquoted investments</b>		<b>14,732.03</b>	<b>10,343.30</b>

Note : Having regard to the long-term nature of the investments, the decline in market value as compared to carrying value is considered other than temporary, hence no provision for diminution in value is considered necessary.

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

**i) Details of quoted Long-term investments in Government stock as on 31st March, 2014 :**

	Rs. in Lacs		
	Face Value (Rs.)	Units	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 6.35% - 02/01/2020	100	1000000	885.25
Govt Stock 7.80% - 03/05/2020	100	500000	488.65
Govt Stock 10.25% - 30/05/2021	100	1000000	1,098.16
Govt Stock 8.13% - 21/09/2022	100	1500000	1,508.00
Govt Stock 8.20% - 15/02/2022	100	1000000	1,007.06
Govt Stock 8.20% - 15/02/2022	100	1000000	1,002.06
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 9.15% - 14/11/2024	100	2500000	2,683.23
Govt Stock 9.15% - 14/11/2024	100	1000000	1,123.16
Govt Stock 8.28% - 21/09/2027	100	1500000	1,380.75
Govt Stock 8.28% - 21/09/2027	100	2000000	1,868.10
Govt Stock 8.28% - 21/09/2027	100	2000000	1,867.90
Govt Stock 8.97% - 05/12/2030	100	1000000	1,029.99
Govt Stock 8.97% - 05/12/2030	100	1000000	1,031.42
Govt Stock 8.97% - 05/12/2030	100	500000	517.58
Govt Stock 8.97% - 05/12/2030	100	1000000	1,035.60
Govt Stock 8.97% - 05/12/2030	100	500000	528.28
Govt Stock 8.97% - 05/12/2030	100	1000000	1,045.56
Govt Stock 8.97% - 05/12/2030	100	1500000	1,607.06
Govt Stock 8.97% - 05/12/2030	100	1000000	1,118.72
Govt Stock 8.97% - 05/12/2030	100	1000000	1,100.08
Govt Stock 8.97% - 05/12/2030	100	1500000	1,450.20
Govt Stock 8.28% - 15/02/2032	100	2500000	2,401.50
Govt Stock 8.30% - 02/07/2040	100	1500000	1,359.30
Govt Stock 8.83% - 12/12/2041	100	1000000	1,018.81
Govt Stock 8.83% - 12/12/2041	100	1000000	1,024.52
Govt Stock 8.83% - 12/12/2041	100	1500000	1,469.33
<b>Total</b>		<b>38000000</b>	<b>37,895.56</b>

**As on 31st March, 2013 :**

	Rs. in Lacs		
	Face Value (Rs.)	Units	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

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

As on 31st March, 2013 :

	Rs. in Lacs		
	Face Value (Rs.)	Units	Amount
Govt Stock 6.35% - 02/01/2020	100	1000000	885.25
Govt Stock 7.80% - 03/05/2020	100	500000	488.65
Govt Stock 10.25% - 30/05/2021	100	1000000	1,111.85
Govt Stock 8.13% - 21/09/2022	100	1500000	1,508.95
Govt Stock 8.20% - 15/02/2022	100	1000000	1,007.96
Govt Stock 8.20% - 15/02/2022	100	1000000	1,002.32
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 9.15% - 14/11/2024	100	2500000	2,700.47
Govt Stock 8.97% - 05/12/2030	100	1000000	1,031.78
Govt Stock 8.97% - 05/12/2030	100	1000000	1,033.30
Govt Stock 8.97% - 05/12/2030	100	500000	518.64
Govt Stock 8.97% - 05/12/2030	100	1000000	1,037.74
Govt Stock 8.97% - 05/12/2030	100	500000	529.97
Govt Stock 8.97% - 05/12/2030	100	1000000	1,048.29
Govt Stock 8.97% - 05/12/2030	100	1500000	1,613.47
Govt Stock 8.30% - 02/07/2040	100	1500000	1,359.30
Govt Stock 8.83% - 12/12/2041	100	1000000	1,019.49
Govt Stock 8.83% - 12/12/2041	100	1000000	1,025.41
<b>Total</b>		<b>24000000</b>	<b>24,168.13</b>

Quoted investments of Rs. 37,895.56 Lacs (March 2013 : Rs. 24,168.13 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 following investments –

- a) Rs. 2,190.00 Lacs in Mahindra Rural Housing Finance Ltd., its subsidiary, by subscription to 1,75,20,003 Equity shares of Rs.10/- each for cash at a premium of Rs.15/- per Equity share

on a rights basis on which Rs.12.50/- per Equity share (including premium of Rs.7.50/- per Equity share) has been paid up.

- b) Rs.5.00 lacs being initial investment in 49,998 equity shares of face value of Rs.10/- each in Mahindra Asset Management Company Private Limited, a newly formed subsidiary, which was incorporated on 20th June, 2013.
- c) Rs.2,193.73 Lacs (US \$ 3.84 million) (March 2013 : Rs. 3,062.69 Lacs equivalent to US \$5.68 million) being additional equity infusion in Mahindra Finance USA LLC, a 49% joint venture company formed jointly with De Lage Landen Financial Services Inc. in United States.

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 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	26,825.77	19,926.80
	Provision for Standard assets	3,951.34	3,234.15
	Other disallowances	748.64	675.02
	(a)	31,525.75	23,835.97
<b>b)</b>	<b>Deferred tax liabilities</b>		
	Difference between written down value of books of account and Income Tax Act, 1961	19.11	15.25
	(b)	19.11	15.25
	<b>Net deferred tax assets</b>	<b>31,506.64</b>	<b>23,820.72</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 13</b>	<b>Long-term loans and advances</b>		
<b>Unsecured, considered good unless otherwise stated :</b>			
	Capital advances	38.64	133.27
	Deposits for office premises / others	1,656.70	1,411.54
	Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts India Ltd.)	-	1,091.74
	Loans against assets (secured, including overdue loans) #	15,64,715.80	12,77,141.69
	Retained interest in Pass Through Certificates under securitization transactions (refer note no. 37 (f))	828.43	2,041.02
	Retained interest under assignment transactions (refer accounting policy no. 3 (IV) (B) (ii) (a) and note no. 37(b))	703.85	-
	Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 37(d))	6,629.14	3,629.32
	Loans and advances (including overdue loans) @	3,081.69	4,793.76
	Inter corporate deposits	291.27	1,736.64
	<b>Total</b>	<b>15,77,945.52</b>	<b>12,91,978.98</b>

# Includes non-performing assets of Rs.34,043.28 Lacs (March 2013 : Rs.16,158.20 Lacs) (refer note no. 5, 9 and 30 (a))

@ Includes non-performing assets of Rs.57.80 Lacs (March 2013 : Rs.56.91 Lacs) (refer note no. 5, 9 and 30 (a))



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 14 Other non-current assets</b>		
Term deposits with banks with maturity greater than 12 months		
Free	2,500.00	5,000.00
Under lien (refer note no. 17 (a))	11,093.00	11,777.00
Derivative contract receivables	-	279.50
<b>Total</b>	<b>13,593.00</b>	<b>17,056.50</b>

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 15 Current investments</b>		
<b>i) Unquoted (at cost) :</b>		
Certificate of deposits with banks #	24,289.13	19,585.34
Commercial Papers (2000 CPs, face value of Rs. 5.00 Lacs each issued by Citicorp Finance (India) Limited ; March 2013 : 400 CPs, face value of Rs. 5.00 Lacs each issued by Manappuram Finance Limited)	10,000.00	2,000.00
<b>Total</b>	<b>34,289.13</b>	<b>21,585.34</b>

	Rs. in Lacs	
	March 2014	March 2013
<b>Additional Information :</b>		
Aggregate amount of unquoted investments	34,289.13	21,585.34

# Details of unquoted current investments in certificate of deposits :

As on 31st March 2014 :

	Rs. in Lacs		
	Face Value (Rs.)	Units	Amount
Indian Bank	100000	5000	4,924.83
Punjab National Bank	100000	2500	2,297.66
Punjab National Bank	100000	2500	2,297.66
Canara Bank	100000	5000	4,944.74
Union Bank of India	100000	5000	4,917.75
Indian Bank	100000	5000	4,906.50
<b>Total</b>		<b>25000</b>	<b>24,289.13</b>

As on 31st March 2013 :

	Rs. in Lacs		
	Face Value (Rs.)	Units	Amount
Indian Overseas Bank	100000	20000	19,585.34
<b>Total</b>		<b>20000</b>	<b>19,585.34</b>

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 16</b>	<b>Trade receivables</b>		
<b>Secured, considered doubtful unless otherwise stated</b>			
	Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	377.66	379.57
<b>Unsecured, considered good unless otherwise stated</b>			
	Debts outstanding for a period exceeding six months	0.12	35.85
	Debts outstanding for a period not exceeding six months	1,057.58	565.88
	<b>Total</b>	<b>1,435.36</b>	<b>981.30</b>

# Includes non-performing assets of Rs.377.66 Lacs (March 2013 : Rs.379.57 Lacs) (refer note no. 5, 9 and 30 (a))

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 17</b>	<b>Cash and bank balance</b>		
<b>Cash and cash equivalents:</b>			
	Cash on hand	2,542.72	2,106.46
	Cheques and drafts on hand	608.52	484.46
	Balances with banks in current accounts	19,031.39	21,756.00
		<b>22,182.63</b>	<b>24,346.92</b>
<b>Other bank balances:</b>			
	Earmarked balances with banks -		
	Unclaimed dividend accounts	59.25	63.83
	Term deposits with maturity less than 12 months	5,000.00	-
	Term deposits under lien (refer note no. 17 (a))	28,087.00	10,132.00
		<b>33,146.25</b>	<b>10,195.83</b>
	<b>Total</b>	<b>55,328.88</b>	<b>34,542.75</b>

		Rs. in Lacs					
		March 2014			March 2013		
		Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
<b>Note 17a</b>	<b>Details of Term Deposits</b>						
<b>a)</b>	<b>Details of Term deposits</b>						
	(i) Term deposits for SLR	17,963.00	501.00	18,464.00	6,780.00	5,960.00	12,740.00
	(ii) Collateral deposits for securitization transactions	9,621.00	10,575.00	20,196.00	3,349.00	5,800.00	9,149.00
	(iii) Legal deposits	3.00	17.00	20.00	3.00	17.00	20.00
	(iv) Margin deposits towards Constituent Subsidiary General Ledger (CSGL) account	500.00	-	500.00	-	-	-
	<b>Total</b>	<b>28,087.00</b>	<b>11,093.00</b>	<b>39,180.00</b>	<b>10,132.00</b>	<b>11,777.00</b>	<b>21,909.00</b>

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

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

- i) Rs. 18,464.00 Lacs (March 2013 : Rs. 12,740.00 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. 20,196.00 Lacs (March 2013 : 9,149.00 Lacs) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitization transactions (refer note no.37 (f)).
- iii) Rs. 20.00 Lacs (March 2013 : Rs.20.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.
- iv) Rs.500.00 Lacs (March 2013 : Nil) as collateral deposits kept with banks towards Constituent Subsidiary General Ledger (CSGL) account for holding securities for SLR purpose.

Note 18 Short-term loans and advances	Rs. in Lacs	
	March 2014	March 2013
<b>Unsecured, considered good unless otherwise stated :</b>		
Loans against assets (secured, including overdue loans) #	12,11,606.40	9,66,346.38
Retained interest in Pass Through Certificates (PTC) under securitization transactions (refer note no. 37(f))	1,387.00	1,813.53
Retained interest under assignment transactions (refer accounting policy no. 3 (IV) (B) (ii) (a) and note no. 37(b))	914.35	-
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 37(d))	15,910.53	7,447.22
Loans and advances (including overdue loans) @	7,914.21	13,609.34
Bills of exchange	12,333.78	7,442.71
Trade Advances @	1,18,411.37	91,907.73
Inventory funding (secured, including overdue loans)	7,674.70	4,093.91
Inter corporate deposits given @	1,170.33	10,445.00
Loans and advances to related parties (portfolio purchased from Mahindra Holidays & Resorts India Ltd.)	1,091.74	1,817.37
Deposits for office premises / others	258.99	232.70
Advance payment of taxes (net of provisions)	4,847.36	6,162.91
Other short term advances	231.56	541.58
<b>Total</b>	<b>13,83,752.32</b>	<b>11,11,860.38</b>

# Includes non-performing assets of Rs.84,957.85 Lacs (March 2013 : Rs.47,037.31 Lacs) (refer note no. 5, 9 and 30 (a))

@ Includes non-performing assets of Rs.1,485.66 Lacs (March 2013 : Rs.1,232.23 Lacs) (refer note no. 5, 9 and 30 (a))

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 19</b>	<b>Other current assets</b>		
Interest accrued on			
	Investments	742.74	505.57
	Others deposits	2,314.76	711.48
	Derivate contract receivables	1,083.00	1,009.57
	<b>Total</b>	<b>4,140.50</b>	<b>2,226.62</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 20</b>	<b>Revenue from operations</b>		
<b>a) Interest Income</b>			
	Income from loans	4,41,807.79	3,40,079.74
	Income from hire purchase	61.35	53.30
	Interest on term deposits / Inter-corporate deposits / Bonds etc	3,795.38	2,469.27
	Interest on retained interest in PTCs under securitization transactions	211.79	26.92
	Interest on Government securities - Long term	2,477.24	1,432.49
	<b>(a)</b>	<b>4,48,353.55</b>	<b>3,44,061.72</b>
<b>b) Other financial services</b>			
	Service charges and other fees on loan transactions	21,053.37	18,609.94
	Income from hire purchase	0.21	0.58
	Income from bill discounting	1,383.25	1,544.64
	Income from lease	0.36	0.34
	Income from assignment / securitisation transactions (refer note no.37)	21,372.47	21,454.93
	<b>(b)</b>	<b>43,809.66</b>	<b>41,610.43</b>
	<b>Total (a+b)</b>	<b>4,92,163.21</b>	<b>3,85,672.15</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 21</b>	<b>Other income</b>		
<b>Dividend income on</b>			
	Current investments in mutual fund units	56.61	10.62
	Long-term investments in subsidiary companies	400.10	1655.00
<b>Profit/premium on sale/redemption of</b>			
	Current investments	9.15	231.18
	Profit on sale / retirement of owned assets (net)	8.29	8.70
	Income from shared services	2,290.15	1,607.28
	Others	372.94	284.97
	<b>Total</b>	<b>3,137.24</b>	<b>3,797.75</b>



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 22 Employee benefit expenses</b>		
Salary, bonus and incentives	26,242.38	19,293.24
Company's contribution to Provident Fund and other funds	1,667.34	1,401.58
Employee stock compensation costs (refer note no. 29 (f)) #	307.33	443.02
Staff welfare expenses	1,516.36	1,202.36
<b>Total</b>	<b>29,733.41</b>	<b>22,340.20</b>

# Inclusive of ESOP costs reimbursements (net) to the holding company Rs.5.32 Lacs (March 2013 : Rs. 7.97 Lacs) and net of recoveries from subsidiary company Rs.60.81 Lacs (March 2013 : Rs. 81.07 Lacs)

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 23 Finance costs</b>		
Interest expenses	2,16,824.12	1,60,121.87
Other borrowing costs	1,977.33	1,754.63
<b>Total</b>	<b>2,18,801.45</b>	<b>1,61,876.50</b>

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 24 Depreciation and amortisation expense</b>		
Depreciation on tangible assets	2,309.10	2,129.41
Amortization of intangible assets	120.52	94.92
<b>Total</b>	<b>2,429.62</b>	<b>2,224.33</b>

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 25 Loan provisions and write offs</b>		
Bad debts and write offs (refer note no. 30 (c))	23,981.87	20,922.86
Provision for Non-performing assets (net) (refer note no.5,9 and 30 (a))	24,486.70	5,814.48
General provision for Standard assets (refer note no.5,9 and 30 (b))	2,110.00	1,597.00
<b>Total</b>	<b>50,578.57</b>	<b>28,334.34</b>

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 26 Other expenses</b>		
Electricity charges	1,378.77	1,085.59
Rent	4,572.80	3,971.19
Repairs and maintenance		
Building	444.69	746.57
Others	142.32	71.73
Insurance	858.08	805.85
Rates and taxes, excluding taxes on income	812.29	236.42

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 26</b>	<b>Other expenses (Contd.)</b>		
	Directors' sitting fees and commission	147.02	110.34
	Commission and brokerage	14,746.34	12,018.33
	Legal and professional charges	5,983.66	4,150.39
	Manpower outsourcing cost	15,011.59	13,823.84
	Payments to the auditor		
	Audit fees	29.92	26.01
	Taxation matters	4.49	6.39
	Other services	11.76	39.98
	Reimbursement of expenses	0.98	0.67
	General and administrative expenses	15,035.85	12,539.56
	<b>Total</b>	<b>59,180.56</b>	<b>49,632.86</b>

Above expenses include following expenditure incurred in foreign currency

		Rs. in Lacs	
		March 2014	March 2013
	Travelling expenses	40.76	30.35
	Legal and professional fees	115.24	62.75
	Other expenses	18.61	7.21

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 27</b>	<b>Exceptional items (net) – income / (expense)</b>		
	Profit on sale of investments in shares of subsidiary company #	-	6,426.21
	Additional general provision for Standard assets (refer note no. 30 (b))	-	(3,568.00)
	<b>Total</b>	<b>-</b>	<b>2,858.21</b>

# 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. for a consideration aggregating Rs.6,432.98 Lacs.

**Note 28** Disclosure under the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS-27)

The Company has interest in the following jointly controlled entity:

Name of the entity	Country of Incorporation	% Holding
i) 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		

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

Particulars	Rs. in Lacs	
	March 2014	March 2013
<b>I. Assets</b>		
Long-term loans and advances	91,854.46	58,689.98
Deferred tax assets	306.36	-
Cash and cash equivalents	395.53	224.14
Short-term loans and advances	21,562.02	16,844.83
<b>II. Liabilities</b>		
Long-term borrowings	48,549.09	24,756.47
Other Long-term liabilities	59.74	-
Long term provisions	333.14	199.35
Short term borrowings	28,664.24	30,782.02
Other current liabilities	25,810.16	13,302.36
Short term provisions	77.40	57.30
<b>III. Income</b>		
Revenue from operations	4,782.11	2,774.21
Other income	210.91	86.88
<b>IV. Expenses</b>		
Finance costs	1,677.26	943.95
Loan provisions and write-offs	251.15	-
Other expenses	1,578.45	1,225.05
Provision for current tax	823.54	259.83
Provision for deferred tax	(307.94)	-

## Note 29 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 and 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 1,30,37,934 equity shares to employees (March 2013 : 1,25,32,990 equity shares) up to 31st March, 2014, of which 5,04,944 equity shares (March 2013 : 8,31,035 equity shares) were issued during the current year.

The details of Employees stock option schemes are as under :

	Scheme 2005	Scheme 2010
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 years 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 31st March, 2014

- b) During the year, the Company has granted 1,17,625 stock options to the eligible employees under the Employees' Stock option scheme 2010. The details are as under :

	Grant dated 22nd July, 2013	Grant dated 21st October, 2013
No. of options granted	48,130	69,495
Intrinsic value of shares based on latest available closing market price (Rs.)	210.35	270.40
Total amount to be amortized over the vesting period (Rs. in Lacs)	101.24	187.92
Charge to Statement of Profit and Loss for the year (Rs. in Lacs)	34.67	40.38
Compensation in respect of lapsed cases (Rs. in Lacs)	Nil	11.05
Unamortized amount carried forward (Rs. in Lacs)	66.57	136.48

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

Vesting period in years	Grant dated 22nd July, 2013		Grant dated 21st October, 2013	
	Expected Vesting	Fair Value (Rs.)	Expected Vesting	Fair Value (Rs.)
1	9626		13899	
2	9626		13899	
3	9626	198.64	13899	259.46
4	9626		13899	
5	9626		13899	
	<b>48130</b>		<b>69495</b>	

The key assumptions used in black-scholes model for calculating fair value as on the date of grant are :

Variables	Grant dated 22nd July, 2013	Grant dated 21st October, 2013
1) Risk free interest rate	7.61%	8.60%
2) Expected life	3.5 years	3.25 years
3) Expected volatility	35.53%	39.27%
4) Dividend yield	1.70%	1.32%
5) Price of the underlying share in the market at the time of option grant (Rs.)	212.35	272.40

- c) Summary of Stock Options

	March 2014		March 2013	
	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	16,44,675	21.61	24,85,550	24.59
Options granted during the year	1,17,625	2.00	-	-
Options forfeited/lapsed during the year #	94,107	37.64	9,840	7.11
Options exercised during the year	5,04,944	34.57	8,31,035	30.69
Options outstanding at the end of the year	11,63,249	12.70	16,44,675	21.61
Options vested but not exercised at the end of the year	4,36,039	30.55	6,04,090	45.81

# including 4085 (March 2013 : Nil) options forfeited/lapsed out of the options granted during the year



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### d) Information in respect of options outstanding :

Grant date/Exercise price	March 2014		March 2013	
	No. of stock options	Weighted average remaining life	No. of stock options	Weighted average remaining life
Scheme 2005 :				
24th July, 2007 at Rs.42.20	-	-	82,985	12 months
25th March, 2008 at Rs.60.80	-	-	1,99,915	11 months
18th September, 2008 at Rs.46.60	2,79,150	5 months	3,84,680	17 months
(a)	2,79,150		6,67,580	
Scheme 2010 :				
7th February, 2011 at Rs.2.00	6,34,749	18 months	7,90,985	27 months
25th January, 2012 at Rs.2.00	1,35,810	26 months	1,86,110	31 months
22nd July, 2013 at Rs.2.00	48,130	34 months	-	-
21st October, 2013 at Rs.2.00 #	65,410	37 months	-	-
(b)	8,84,099		9,77,095	
<b>Total</b>	<b>(a+b)</b>	<b>11,63,249</b>	<b>16,44,675</b>	

# net of 4085 options forfeited/lapsed out of the options granted during the year

### e) 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.)
25-Apr-2013	228.46
16-May-2013	251.69
20-Jun-2013	266.69
19-Jul-2013	251.01
20-Aug-2013	240.09
21-Aug-2013	234.40
23-Sep-2013	258.45
17-Oct-2013	270.36
22-Nov-2013	293.20
16-Dec-2013	303.71
17-Jan-2014	277.86
19-Feb-2014	254.59
21-Mar-2014	257.16
25-Mar-2014	253.40

### f) 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. Employee stock compensation cost is amortized over the vesting period.

### g) Fair value of options :

The fair value of options used to compute proforma net profit and earnings per share in note 29 (h) 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 :

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### Grants covered under Scheme 2005

Variables	7-Dec-2005	24-Jul-2007	25-Mar-2008	18-Sep-2008
1) Risk free interest rate	5.8% to 6.6%	8.17%	7.31%	8.20%
2) Expected life	2.5 - 5 years	4.17 years	4.17 years	4.18 years
3) Expected volatility	0.50%	43.69%	43.61%	43.66%
4) Dividend yield	5%	1.59%	1.59%	1.64%
5) Price of the underlying share in the market at the time of option grant (Rs.)	13.11 *	46.00	63.62	50.35

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

### Grants covered under Scheme 2010

Variables	7-Feb-2011	25-Jan-2012	22-Jul-2013	21-Oct-2013
1) Risk free interest rate	7.73%	8.11%	7.61%	8.60%
2) Expected life	4.5 years	5.5 years	3.5 years	3.25 years
3) Expected volatility	42.38%	46.08%	35.53%	39.27%
4) Dividend yield	2.28%	2.11%	1.70%	1.32%
5) Price of the underlying share in the market at the time of option grant (Rs.)	138.60	133.14	212.35	272.40

### h) 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 2014	March 2013	March 2014	March 2013
Net profit after tax (Rs. in Lacs)	88,722.75	88,269.18	88,753.64	88,308.57
Weighted average number of equity shares of Rs.2/- each – Basic	56,31,84,677	53,19,49,491	56,31,84,677	53,19,49,491
Weighted Average number of equity shares of Rs.2/- each – Diluted	56,87,64,960	53,81,78,537	56,87,64,960	53,81,78,537
Basic Earnings Per Share (Rs.)	15.75	16.59	15.76	16.60
Diluted Earnings Per Share # (Rs.)	15.60	16.40	15.60	16.41

# Dilution in Earnings per share is on account of 52,39,841 equity shares (March 2013 : 57,44,785 equity shares) 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 as compared to intrinsic value method is lower by Rs.30.89 Lacs (March 2013 : Rs. 39.39 Lacs).

### Note 30 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. As per the practice consistently followed, the Company has also made additional provision on a prudential basis. The cumulative additional provision made by the Company as on 31st March, 2014 is Rs. 35,253.77 Lacs (March 2013 : Rs. 19,692.65 Lacs)

b. In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated 17.01.2011 issued by The Reserve Bank of India (RBI) vide its directions to all NBFC's to make a general provision of 0.25% on the Standard assets, the Company has made a provision of Rs. 2,110.00 Lacs (March 2013 : Rs. 5,165.00 Lacs, including additional / accelerated provision of Rs. 3,568.00 Lacs, refer note no. 27).

The total amount of provision on Standard assets of Rs.11,625.00 Lacs (March 2013 : Rs. 9,515.00

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

Lacs) is shown separately as "Contingent provision for Standard assets" under Long-term and Short-term provisions in the balance sheet (refer note no.5 and 9). The said amount includes additional / accelerated provision of 0.15% for Rs.4,370.00 Lacs as at 31st March, 2014 (March 2013 : Rs.3,568.00 Lacs).

- 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.

## Note 31

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

## Note 35 Employee benefits

### Defined benefit plans - as per actuarial valuation

	Rs. in Lacs					
	Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave (Non funded)	
	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013
<b>I. Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March</b>						
1 Current service cost	559.24	439.63	86.49	74.60	572.34	109.25
2 Interest cost	76.35	58.79	10.06	8.58	49.84	-
3 Expected return on plan assets	(74.56)	(52.14)	-	-	-	-
4 Actuarial (gains)/losses	(112.83)	(180.59)	(59.84)	(77.62)	(173.57)	554.44
5 Fund amount to be transferred from MBCSPL gratuity fund *	(64.27)	-	-	-	-	-
6 Adjustment due to change in opening balance of plan assets	(186.28)	-	-	-	-	-
<b>7 Total expense</b>	<b>197.64</b>	<b>265.68</b>	<b>36.72</b>	<b>5.56</b>	<b>448.61</b>	<b>663.68</b>
<b>II. Net asset/(liability) recognised in the Balance Sheet as at 31st March</b>						
1 Present value of defined benefit obligation as at 31st March	1,192.46	855.07	147.88	111.16	846.55	564.13
2 Fair value of plan assets as at 31st March	1,111.98	776.20	-	-	-	-
3 Funded status (surplus/(deficit))	(80.48)	(78.87)	(147.88)	(111.16)	(846.55)	(564.13)
<b>4 Net asset/(liability) as at 31st March</b>	<b>(80.48)</b>	<b>(78.87)</b>	<b>(147.88)</b>	<b>(111.16)</b>	<b>(846.55)</b>	<b>(564.13)</b>

## Note 32

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

## Note 33

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.

## Note 34

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

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs					
		Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave (Non funded)	
		March 2014	March 2013	March 2014	March 2013	March 2014	March 2013
<b>III. Change in the obligations during the year ended 31st March</b>							
1	Present value of defined benefit obligation at the beginning of the year	855.07	644.20	111.16	105.60	564.13	-
2	Current service cost	559.24	439.63	86.49	74.60	572.34	109.25
3	Interest cost	76.35	58.79	10.06	8.58	49.84	-
4	Actuarial (gains)/losses	(184.16)	(220.18)	(59.84)	(77.62)	(173.57)	554.44
5	Benefits paid	(114.04)	(67.37)	-	-	(166.20)	(99.55)
6	Present value of defined benefit obligation at the year ended 31st March	1,192.46	855.07	147.88	111.16	846.55	564.13
<b>IV. Change in the fair value of plan assets during the year ended 31st March</b>							
1	Fair value of plan assets at the beginning of the year	776.20	484.50	-	-	-	-
2	Expected return on plan assets	74.56	52.14	-	-	-	-
3	Contributions by employer	199.26	334.56	-	-	-	-
4	Actuarial (Gains)/Losses	(74.56)	(27.63)	-	-	-	-
5	Fund amount to be transferred from MBCSPL gratuity fund *	64.27	-	-	-	-	-
6	Adjustment due to change in opening balance of Plan assets	186.28	-	-	-	-	-
7	Actual Benefits paid	(114.04)	(67.37)	-	-	-	-
8	Fair value of plan assets at the end of the year	1,111.98	776.20	-	-	-	-
<b>V. Major category of plan assets as a percentage of total plan</b>							
	Funded with LIC	100%	100%	100%	100%	100%	100%
<b>VI. Actuarial Assumptions</b>							
1	Discount Rate (p.a.)	8%	8%	8%	8%	8%	8%
2	Expected rate of return on plan assets (p.a.)	8%	8%	-	-	-	-
3	Rate of Salary increase (p.a.)	5%	5%	5%	5%	5%	5%
4	In-service Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate



# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Year ended 31st March				
		2010	2011	2012	2013	2014
<b>VII. Experience Adjustments (Gratuity)</b>						
1	Defined benefit obligation at end of the period	343.83	442.42	644.20	855.07	1,192.46
2	Plan assets at the end of period	305.50	375.80	484.50	776.20	1,111.98
3	Funded status surplus/ (deficit)	(38.33)	(66.61)	(159.71)	(78.87)	(80.48)
4	Experience adjustments on plan liabilities (gain)/loss	(40.37)	(46.70)	(73.01)	(66.64)	(77.52)
5	Experience adjustments on plan assets gain/(loss)	(6.22)	(7.89)	(9.94)	(16.07)	(21.77)

\* During the year, certain employees of Mahindra Business & Consulting Services Private Limited (MBCSPL) were transferred to the payroll of the Company w.e.f. 1st January, 2014. The liability on account of retirement benefits (gratuity and leave encashment) has been considered while arriving at the employee benefits liability for the current year. Pending the transfer of funds lying with the MBCSPL Gratuity trust, the Company has considered the said amount in the plan assets balance as at 31st March, 2014. The Company expects to make a contribution to the Gratuity Fund of Rs. 439.42 lacs within a year.

## Note 36 Disclosure on derivatives

### Outstanding derivative instruments and un-hedged foreign currency exposures as on 31st March, 2014

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of US \$ 872.71 Lacs (March 2013 : US \$ 699.13 Lacs). The said loan has been fixed to INR liability using a cross currency swap and floating interest thereon in LIBOR plus rate has been swapped for fixed rate in Indian rupee. There is no un-hedged foreign currency exposure as on 31st March, 2014.

## Note 37 Securitisation / assignment transactions

- a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 47122 contracts (March 2013 : 54374 contracts) amounting to Rs. 1,26,292.70 Lacs (March 2013 : Rs. 1,43,361.38 Lacs) for a consideration of Rs. 1,26,292.70 Lacs (March 2013 : Rs. 1,43,361.38 Lacs) and de-recognised the assets from the books.
- b) During the year, the Company has without recourse assigned loan receivables of 6490 contracts (March 2013 : NIL contracts) amounting to Rs.19,850.83 Lacs (March 2013 : Rs.NIL) for a consideration of Rs.15,554.19 Lacs (March 2013 : Rs.NIL) towards 90% of receivables assigned and de-recognised the assets from the books. Out the total receivables, an amount of Rs.1,985.08 Lacs equivalent to 10% of the receivables have been recognized as "Retained interest in assignment transactions" representing Minimum Retention Requirement (MRR) as required under revised guidelines on securitization transactions vide
- RBI Circular dated August 21, 2012 (refer note no. 13 and 18).
- The amount of profit in cash of Rs. 314.94 Lacs on this assignment transaction has been held under an accounting head "Cash profit on loan transfers under assignment transactions pending recognition" and the same is amortized in line with above referred guidelines (refer note no. 4 and 8).
- c) Income from assignment / securitization transactions include write back of provision for loss / expenses in respect of matured assignment transactions amounting to Rs.4,189.65 Lacs (March 2013 : Rs. 3,193.08 Lacs) considered no longer necessary (refer Accounting policy 3 (IV) A (iii).
- d) In terms of the accounting policy stated in 3 (IV) (B) (i) (c), securitisation income is recognized as per RBI Guidelines dated 21st August, 2012. Accordingly, interest only strip representing present value of interest spread receivable has been recognized 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 transactions amounting to Rs.5,146.47 Lacs (March 2013 : Rs. 106.98 Lacs)
- f) Disclosures in the notes to the accounts in respect of securitisation transactions as required under revised guidelines on securitization transactions issued by RBI vide circular no.DNBS.PD.No.301/3.10.01/2013-13 dated August 21, 2012.

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### Applicable for transactions effected after date of transfer

Sr. No.	Particulars	March 2014	March 2013
1	No of SPVs sponsored by the NBFC for securitization transactions	8	5
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,92,645.41	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.41 (i) (c))	4,782.00	2,922.00
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	18,040.00	7,293.00
	Others - Retained interest in Pass Through Certificates (refer note no.13 and 18)	2,213.95	3,844.37
4	Amount of exposures to securitization transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	* First loss	-	-
	* Loss	-	-
	Exposure to third party securitizations		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	* First loss	-	-
	* Others - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	2,156.00	1,856.00
	ii) Exposure to third party securitizations		
	* First loss	-	-
	* Others	-	-

#### Note 38

There were 77 cases (March 2013 : 28 cases) of frauds amounting to Rs. 560.32 Lacs (March 2013 : Rs 450.31 Lacs) reported during the year. The Company has recovered an amount of Rs.46.38 Lacs (March 2013 : Rs 31.53 Lacs) and has initiated appropriate legal action against the individuals involved. The claims for the un-recovered losses have been lodged with the insurance companies.

#### Note 39

The gold loans outstanding as a percentage of total assets is at 0.03% (March 2013 : 0.05%).

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

## Note 40

### 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 :

Holding Company	:	Mahindra and Mahindra Limited
Subsidiary Companies :	:	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Business & Consulting Services Private Limited Mahindra Asset Management Company Private Limited
Joint Ventures	:	Mahindra Finance USA, LLC
Fellow subsidiary Companies :	:	Mahindra Trucks & Buses Ltd. (merged with Mahindra & Mahindra Ltd. w.e.f. April 01, 2013) Mahindra USA, Inc. Mahindra Holidays and Resorts India Ltd. Bristlecone India Limited Mahindra Yueda (Yancheng) Tractor Co.Ltd. NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra Construction Company Ltd. Mahindra Two Wheelers Ltd. Mahindra First Choice Services Ltd.
Key Management Personnel	:	Mr. Ramesh Iyer (Managing Director)
Relatives of Key Management Personnel :	:	Ms Janaki Iyer Ms Ramlaxmi Iyer Mr. Risheek Iyer

#### B) Related party transactions are as under :

						Rs. in Lacs
Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Joint Ventures	Key Management Personnel
1	<b>Income</b>					
	Loan income	-	-	1.79	-	-
				(10.51)	-	-
	Subvention income (iii)	2,322.68 (1,048.52)	-	-	-	-
2	<b>Expenses</b>					
	Interest	339.45 (334.41)	533.57 (228.80)	-	-	18.09 (16.75)
	Other expenses	1,394.33 (1,404.97)	17,420.53 (14,830.49)	167.71 (58.57)	-	-
	Remuneration to MD	-	-	-	-	274.80 (235.02)
3	<b>Investment in share capital</b>	-	2,195.00	-	2,193.73 (3,062.69)	-
4	<b>Purchase of fixed assets</b>	421.36 (173.73)	-	5.85	-	-
5	<b>Finance</b>					
	Fixed deposits	-	2,700.00	-	-	207.50 (168.00)
	Fixed deposits matured	-	-	-	-	187.50

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### B) Related party transactions are as under :

Rs. in Lacs						
Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow subsidiary Companies	Joint Ventures	Key Management Personnel
	Dividend paid – for previous year	10,483.48	-	-	-	18.99
		(8,153.81)	-	-	-	(15.11)
	Inter corporate deposits taken	50,000.00	3,565.00	-	-	-
		(50,000.00)	(7,788.32)	-	-	-
	Inter corporate deposits repaid	50,000.00	4,365.00	-	-	-
		(50,000.00)	(4,939.87)	-	-	-
	Inter corporate deposits given	-	48,130.24	-	-	-
		-	(56,794.20)	(2,000.00)	-	-
	Inter corporate deposits refunded	-	48,505.27	2,000.00	-	-
		-	(59,771.55)	-	-	-
<b>6</b>	<b>Other transactions</b>					
	Reimbursement from parties	112.54	-	-	-	-
		-	-	-	-	-
	Reimbursement to parties	-	-	113.75	-	-
		-	-	-	-	-
<b>7</b>	<b>Balances as at the year end</b>					
	Receivables (iii)	375.59	85.12	1,091.74	-	-
		(48.41)	(74.56)	(3,289.26)	-	-
	Loans given (including interest accrued but not due) (ii)	-	-	334.33	-	-
		-	-	(334.33)	-	-
	Inter corporate deposits given (including interest accrued but not due) (ii)	-	1,437.16	113.38	-	-
		-	(1,818.77)	(2,122.01)	-	-
	Payables	-	575.23	107.64	-	-
		-	(754.42)	(66.33)	-	-
	Subordinate debts held (including interest accrued but not due)	-	700.76	-	-	-
		-	(700.76)	-	-	-
	Inter corporate deposits taken (including interest accrued but not due)	-	4,414.76	-	-	-
		-	(5,215.39)	-	-	-
	Fixed deposits (including interest accrued but not due)	-	2,834.75	-	-	214.79
		-	-	-	-	(195.24)

#### Notes :

- Figures in bracket represent corresponding figures of previous year.
- An amount of Rs 113.38 lacs of inter corporate deposits and Rs 334.33 lacs of loan given to Mahindra Construction Co. Ltd. is provided as Non Performing Asset in the books of account.
- Mahindra Trucks and Buses Ltd. is merged with Mahindra & Mahindra Ltd. (holding company) during the current year w.e.f. 01st April, 2013. However, transactions in the form of subvention income of the previous year amounting to Rs 431.52 lacs and balance receivable as at 31st March, 2013 amounting to Rs 380.15 lacs is disclosed in the column pertaining to fellow subsidiary companies.



# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

## 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>					
<i>Revenue from operations</i>					
Subvention income	Mahindra and Mahindra Limited	2,322.68	-	-	-
		(1,048.52)	-	-	-
<i>Other income</i>					
Interest income on inter corporate deposits / subordinate debt	Mahindra Rural Housing Finance Limited	-	366.01	-	-
		-	(808.70)	-	-
	Mahindra Business & Consulting Services Private Limited	-	114.54	-	-
		-	(174.26)	-	-
Dividend income	Mahindra Rural Housing Finance Limited	-	400.00	-	-
		-	(280.00)	-	-
Income from shared services	Mahindra Rural Housing Finance Limited	-	442.30	-	-
		-	(449.12)	-	-
	Mahindra Insurance Brokers Limited	-	102.64	-	-
		-	(80.54)	-	-
<b>Expenses</b>					
<i>Interest</i>					
Interest expense on inter corporate deposits, nonconvertible debentures and fixed deposits	Mahindra and Mahindra Limited	339.45	-	-	-
		(334.41)	-	-	-
	Mahindra Insurance Brokers Limited	-	533.57	-	-
		-	(225.76)	-	-
<i>Other expenses</i>					
Manpower outsourcing expenses	Mahindra Business & Consulting Services Private Limited	-	16,172.88	-	-
		-	(14,010.96)	-	-
Handling charges	Mahindra Insurance Brokers Limited	-	1,247.65	-	-
		-	(802.71)	-	-
Purchase of fixed assets	Mahindra and Mahindra Limited	421.36	-	-	-
		(173.73)	-	-	-
<b>Finance</b>					
Fixed deposits	Mahindra Insurance Brokers Limited	-	2,700.00	-	-
		-	-	-	-
Fixed deposits matured	Ramesh Iyer	-	-	-	44.50
		-	-	-	-
	Janaki Iyer	-	-	-	133.00
		-	-	-	-

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

**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
Dividend paid - for previous year	Mahindra and Mahindra Limited	10,483.48	-	-	-
		(8,153.81)	-	-	-
Inter corporate deposits taken	Mahindra and Mahindra Limited	50,000.00	-	-	-
		(50,000.00)	-	-	-
Inter corporate deposits repaid	Mahindra and Mahindra Limited	50,000.00	-	-	-
		(50,000.00)	-	-	-
Inter corporate deposits given	Mahindra Rural Housing Finance Limited	-	46,298.00	-	-
		-	(55,015.95)	-	-
Inter corporate deposits refunded	Mahindra Rural Housing Finance Limited	-	45,812.63	-	-
		-	(58,373.96)	-	-
<b>Balances at the year end Receivables</b>	Mahindra Holidays & Resorts India Limited	-	-	1,091.74	-
		-	-	(2,909.11)	-
	Mahindra & Mahindra Limited	375.59	-	-	-
		(48.41)	-	-	-
Loan given (including interest accrued but not due)	Mahindra Construction Company Limited	-	-	334.33	-
		-	-	(334.33)	-
Payables	Mahindra Insurance Brokers Limited	-	387.75	-	-
		-	(245.19)	-	-
	Mahindra Business & Consulting Services Private Limited	-	138.14	-	-
		-	(437.67)	-	-
Inter corporate deposits taken (including interest accrued but not due)	Mahindra Insurance Brokers Limited	-	4,414.76	-	-
		-	(5,215.39)	-	-
	Mahindra Business & Consulting Services Private Limited	-	884.33	-	-
		-	(1,780.22)	-	-
	Mahindra Rural Housing Finance Limited	-	552.83	-	-
		-	(38.55)	-	-
Subordinate debts held (including interest accrued but not due)	Mahindra Rural Housing Finance Limited	-	700.76	-	-
		-	(700.76)	-	-

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 41</b>	<b>Contingent liabilities and commitments (to the extent not provided for)</b>		
<b>i)</b>	<b>Contingent liabilities</b>		
a)	Demands against the Company not acknowledged as debts -		
	Income tax	7,476.70	5,472.52
	Value Added Tax (VAT)	60.92	-
b)	Corporate guarantees towards assignment transactions	55,631.29	71,572.12
c)	Credit enhancement in terms of corporate guarantee for securitization transactions (refer note no. 37 (f))	4,782.00	2,922.00
d)	Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	2,726.48	2,031.55
		<b>70,677.39</b>	<b>81,998.19</b>
<b>ii)</b>	<b>Commitments</b>		
a)	Estimated amount of contracts remaining to be executed on capital account	438.05	624.91
b)	Uncalled liability on shares and other investments partly paid (On 1,75,20,003 partly paid equity shares of Mahindra Rural Housing Finance Ltd. @ Rs.12.50/- per share)	2,190.00	-
		<b>2,628.05</b>	<b>624.91</b>
<b>Total</b>		<b>73,305.44</b>	<b>82,623.10</b>

				Rs. in Lacs
				March 2014
		March 2013	Additional Provisions	Utilizations/ reversals
<b>Note 42</b>	<b>Changes in provisions</b>			
	Provision for Standard assets	9,515.00	2,110.00	-
	Provision for Non-performing assets	38,871.36	40,757.25	16,270.55
				<b>11,625.00</b>
				<b>63,358.06</b>

### Note 43

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 31st March, 2014

### Note 44 Secured long-term borrowings

#### i) Secured non-convertible debentures

As on 31st March, 2014

	Rate range	(a) Non-current	(b) Current	Total
Rs. in Lacs				
1) Repayable on maturity :				
Maturing between 3 years to 5 years	9.25% - 10.25%	44,550.00	-	44,550.00
Maturing between 1 year to 3 years	9.00% - 10.20%	2,52,470.00	-	2,52,470.00
Maturing within 1 year	9.04% - 10.25%	-	1,69,020.00	1,69,020.00
<b>Total</b>		<b>2,97,020.00</b>	<b>1,69,020.00</b>	<b>4,66,040.00</b>
2) Repayable in yearly installments :				
Maturing between 1 year to 3 years	9.95%	24,500.00	-	24,500.00
Maturing within 1 year	9.95% - 13.00%	-	14,500.00	14,500.00
<b>Total</b>		<b>24,500.00</b>	<b>14,500.00</b>	<b>39,000.00</b>
<b>Total (1+2)</b>		<b>3,21,520.00</b>	<b>1,83,520.00</b>	<b>5,05,040.00</b>

As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current	Total
Rs. in Lacs				
1) Repayable on maturity :				
Maturity beyond 5 years	9.34% - 9.43%	7,350.00	-	7,350.00
Maturity between 3 years to 5 years	9.25% - 9.45%	5,100.00	-	5,100.00
Maturity between 1 year to 3 years	9.23% - 10.25%	2,62,510.00	-	2,62,510.00
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>
2) Repayable in installments :				
Yearly installments -				
Maturity beyond 3 years	9.95% - 13.00%	25,000.00	-	25,000.00
Maturity between 1 year to 3 years	9.95%	14,000.00	-	14,000.00
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>

#### ii) Secured term loans from banks

As on 31st March, 2014

	Rate range	(a) Non current	(b) Current	Total
1) Repayable on maturity :				
Maturing between 3 years to 5 years	10.20%	25,000.00	-	25,000.00
Maturing between 1 year to 3 years	9.70% - 10.40%	2,94,000.00	-	2,94,000.00
Maturing within 1 year	7.75% - 10.35%	-	62,500.00	62,500.00
<b>Total for repayable on maturity</b>		<b>3,19,000.00</b>	<b>62,500.00</b>	<b>3,81,500.00</b>



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### ii) Secured term loans from banks (Contd.)

As on 31st March, 2014

	Rate range	(a) Non current	(b) Current	Total
<b>2) Repayable in installments :</b>				
<b>i) Bi-monthly</b>				
Maturing between 1 year to 3 years	10.25%	6,200.00	-	6,200.00
<b>Total</b>		<b>6,200.00</b>	<b>-</b>	<b>6,200.00</b>
<b>ii) Quarterly</b>				
Maturing between 3 years to 5 years	10.00% - 10.25%	27,314.28	-	27,314.28
Maturing between 1 year to 3 years	10.00% - 10.50%	49,814.28	-	49,814.28
Maturing within 1 year	10.00% - 10.25%	-	44,505.15	44,505.15
<b>Total</b>		<b>77,128.56</b>	<b>44,505.15</b>	<b>1,21,633.71</b>
<b>iii) Half yearly</b>				
Maturing beyond 3 years	10.25%	81,900.00	-	81,900.00
Maturing between 1 year to 3 years	10.20% - 10.25%	3,21,266.67	-	3,21,266.67
Maturing within 1 year	10.20% - 10.25%	-	1,44,333.33	1,44,333.33
<b>Total</b>		<b>4,03,166.67</b>	<b>1,44,333.33</b>	<b>5,47,500.00</b>
<b>iv) Yearly</b>				
Maturing between 3 years to 5 years	10.20% - 10.25%	81,666.67	-	81,666.67
Maturing between 1 year to 3 years	10.20% - 10.25%	73,333.33	-	73,333.33
Maturing within 1 year	9.25% - 10.25%	-	55,000.00	55,000.00
<b>Total</b>		<b>1,55,000.00</b>	<b>55,000.00</b>	<b>2,10,000.00</b>
<b>Total for repayable in installments</b>		<b>6,41,495.23</b>	<b>2,43,838.48</b>	<b>8,85,333.71</b>
<b>Total (1+2)</b>		<b>9,60,495.23</b>	<b>3,06,338.48</b>	<b>12,66,833.71</b>

As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current	Total
Rs. in Lacs				
<b>1) Repayable on maturity :</b>				
Maturity beyond 3 years	10.15% - 10.35%	27,500.00	-	27,500.00
Maturity between 1 year to 3 years	7.75% - 10.35%	1,75,000.00	-	1,75,000.00
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>				
Maturity between 1 year to 3 years	10.15% - 10.25%	55,692.00	-	55,692.00
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>

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current	Total
<b>ii) Half-yearly-</b>				
Maturity beyond 3 years	10.25%	91,666.67	-	91,666.67
Maturity between 1 year to 3 years	10.20% - 10.25%	2,68,333.33	-	2,68,333.33
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>				
Maturity between 1 year to 3 years	9.25% - 10.25%	90,000.00	-	90,000.00
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>

### iii) Foreign currency loans from banks

As on 31st March, 2014

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current	Total
<b>1) Repayable on maturity :</b>				
Maturing between 1 year to 3 years	9.05% - 9.98%	40,305.51	-	40,305.51
Maturing within 1 year	9.60%	-	11,983.00	11,983.00
<b>Total</b>		<b>40,305.51</b>	<b>11,983.00</b>	<b>52,288.51</b>

As on 31st March, 2013

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current	Total
<b>2) Repayable on maturity :</b>				
Maturing 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>

### Note 45 Unsecured borrowings

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

As on 31st March, 2014

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current	Total
<b>1) Repayable on maturity :</b>				
Maturing between 3 years to 5 years	10.50% - 12.00%	7,860.00	-	7,860.00
Maturing beyond 5 years	9.50% - 10.50%	71,550.00	-	71,550.00
<b>Total</b>		<b>79,410.00</b>	<b>-</b>	<b>79,410.00</b>

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs
				Total
<b>2) Repayable on maturity :</b>				
Maturing beyond 5 years	9.80% - 11.75%	52,530.00	-	52,530.00
Maturing between 3 years to 5 years	10.50% - 12.00%	6,880.00	-	6,880.00
Maturing 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>

### ii) Unsecured term loans from banks

As on 31st March, 2014

	Rate range	(a) Non-current	(b) Current	Rs. in Lacs
				Total
<b>1) Repayable on maturity :</b>				
Maturing within 1 year	9.75%	-	2,200.00	2,200.00
Maturing between 1 year to 3 years	10%	10,000.00	-	10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>2,200.00</b>	<b>12,200.00</b>

As on 31st March, 2013 : Nil

### iii) Inter-corporate deposits (ICDs)

As on 31st March, 2014

	Rate range	(a) Short-Term	Long-term		Rs. in Lacs
			(b) Non-current	(c) Current	Total
			<b>1) Repayable on maturity :</b>		
Maturing between 1 year to 3 years	9.40%	-	725.00	-	725.00
Maturing within 1 year	8.75% - 10.25%	3,565.00	-	50.00	3,615.00
<b>Total</b>		<b>3,565.00</b>	<b>725.00</b>	<b>50.00</b>	<b>4,340.00</b>

As on 31st March, 2013

	Rate range	(a) Short-Term	Long-term		Rs. in Lacs
			(b) Non-current	(c) Current	Total
			<b>1) Repayable on maturity :</b>		
Maturing between 1 year to 3 years	9.40% - 9.80%	-	775.00	-	775.00
Maturing 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>

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

### iv) Fixed deposits

As on 31st March, 2014

	Rate range	(a) Short-Term	Long-term		Total
			(b) Non-current	(c) Current	
Maturing beyond 3 years	9.40% - 10.25%	-	7,308.37	-	7,308.37
Maturing between 1 year to 3 years	8.65% - 10.75%	-	2,70,554.77	-	2,70,554.77
Maturing within 1 year	8.65% - 10.75%	5,931.15	-	76,425.51	82,356.66
<b>Total</b>		<b>5,931.15</b>	<b>2,77,863.14</b>	<b>76,425.51</b>	<b>3,60,219.80</b>

Rs. in Lacs

As on 31st March, 2013

	Rate range	(a) Short-Term	Long-term		Total
			(b) Non-current	(c) Current	
Maturing beyond 3 years	8.65% - 10.75%	-	1,16,827.59	-	1,16,827.59
Maturing between 1 year to 3 years	8.65% - 10.75%	-	75,225.60	-	75,225.60
Maturing 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>

Rs. in Lacs

### Note 46 Short-term borrowings

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

As on 31st March, 2014

	Rate range	Rs. in Lacs
		Amount
1) Repayable on maturity :		
Maturing within 1 year	10.25% - 13.25%	1,12,732.21
<b>Total</b>		<b>1,12,732.21</b>

As on 31st March, 2013

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

#### ii) Commercial papers

As on 31st March, 2014 : Nil

As on 31st March, 2013

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



## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 47</b>	<b>Managerial remuneration to Directors included in the Statement of Profit and Loss</b>		
	Salary and perquisites	197.06	167.36
	Contribution to Provident Fund and other funds	13.20	11.57
	Sitting fees and commission (including commission to Managing Director)	147.02	110.34
	<b>Total</b>	<b>357.27</b>	<b>289.26</b>

Above figures are excluding charge for gratuity, provision for leave encashment as separate actuarial valuation figures are not available. Further, perquisites do not include amortisation of Employees Stock Options.

### Note 48

During the current financial year, the Company has incorporated Mahindra Trustee Company Private Limited (MTCPL) and has proposed to subscribe 49,998 equity shares of Rs. 10/- each amounting to Rs. 4.99 Lacs being 99.99% of the shareholding as a promoter shareholder. However, the Company has not made any investment during the year in MTCPL.

### Note 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

		Rs. in Lacs			
		March 2014		March 2013	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
<b>Liabilities side :</b>					
<b>(1) Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid :</b>					
	(a) Debentures : Secured	5,24,148.97	-	4,96,997.56	-
	: Unsecured	-	-	-	-
	(other than falling within the meaning of public deposits)				
	(b) Deferred Credits	-	-	-	-
	(c) Term Loans	13,34,854.96	-	9,85,276.37	-
	(d) Inter-corporate loans and Other Borrowings	4,414.76	-	5,215.39	-
	(e) Commercial Paper	-	-	5,000.00	-
	(f) Public Deposits	3,59,500.62	-	2,28,746.82	-
	(g) Fixed Deposits accepted from Corporates	22,023.38	-	15,880.11	-
	(h) FCNR Loans	52,502.27	-	38,092.45	-
	(i) Subordinate debts	83,663.23	-	65,183.50	-
	(j) Other Short Term Loans and credit facilities from banks	57,232.21	-	77,046.82	-
<b>(2) 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	3,59,500.62	-	2,28,746.82	-

## Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
	Amount outstanding	Amount outstanding
<b>Asset side :</b>		
<b>(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>		
(a) Secured	34,048.00	19,025.00
(b) Unsecured	1,44,926.46	1,33,604.13
<b>(4) 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	-	-
(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	8,752.63	5,310.11
(b) Loans other than (a) above	27,05,765.33	22,01,245.42
<b>(5) Break-up of Investments :</b>		
<b>Current Investments :</b>		
1. Quoted :		
(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	-	-
2. Unquoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Certificate of Deposits with Banks	24,289.13	19,585.34
(vi) Commercial Papers	10,000.00	2,000.00
<b>Long Term Investments :</b>		
1. Quoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	37,895.56	24,168.13
2. Unquoted :		
(i) Shares : (a) Equity	14,032.03	9,643.30
(b) Preference	-	-
(ii) Debentures and Bonds	700.00	700.00
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended 31st March, 2014

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

Category	March 2014			March 2013		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
<b>1. Related Parties</b>						
a) Subsidiaries	-	1,361.61	1,361.61	-	1,818.77	1,818.77
b) Companies in the same group	-	1,091.74	1,091.74	-	4,917.74	4,917.74
c) Other related parties	-	-	-	-	-	-
<b>2. Other than related parties</b>	27,48,565.96	1,42,473.11	28,91,039.07	22,25,580.53	1,26,867.62	23,52,448.15
<b>Total</b>	<b>27,48,565.96</b>	<b>1,44,926.46</b>	<b>28,93,492.42</b>	<b>22,25,580.53</b>	<b>1,33,604.13</b>	<b>23,59,184.66</b>

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

Category	March 2014		March 2013	
	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)
	<b>1. Related Parties</b>			
a) Subsidiaries	6,943.98	6,943.98	4,748.98	4,748.98
b) Companies in the same group	7,788.05	7,788.05	5,594.32	5,594.32
c) Other related parties	-	-	-	-
<b>2. Other than related parties</b>	70,794.00	72,184.69	46,295.02	45,753.47
<b>Total</b>	<b>85,526.03</b>	<b>86,916.72</b>	<b>56,638.32</b>	<b>56,096.77</b>

## (8) Other information :

Particulars	March 2014	March 2013
	Amount	Amount
(i) Gross Non-Performing Assets :		
(a) Related parties	447.71	447.71
(b) Other than related parties	1,40,121.41	75,847.82
(ii) Net Non-Performing Assets :		
(a) Related parties	-	-
(b) Other than related parties	57,564.17	25,992.87
(iii) Assets acquired in satisfaction of debt	-	-

### Note 50

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

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

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

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

**Ramesh Iyer**  
Managing Director

**Pawan Goenka**  
Director

**Rama Bijapurkar**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place : Mumbai  
Date : 23rd April, 2014

## Statement pursuant to Section 212

of the Companies Act, 1956, relating to subsidiary companies

Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Mahindra & Mahindra Financial Services Limited at the financial year ending date		The net aggregate of profits/(losses) of the Subsidiary Companies so far as they concern the members of Mahindra & Mahindra Financial Services Limited			
			For Current Financial Year		For Previous Financial Years	
	Equity	Extent of holding	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2014	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2014	Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2014	Not Dealt with in the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March 2014
	Nos.	%	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Mahindra Insurance Brokers Ltd.	21,90,722	85%	-	3569.71	-	8073.04
Mahindra Rural Housing Finance Ltd.	4,00,00,000	87.5%	-	1969.37	-	3225.75
Mahindra Business & Consulting Services Pvt. Ltd.	10,000	100%	-	281.47	-	248.42
Mahindra Asset Management Company Pvt. Ltd.	49,998	99.996%	-	(0.49)	-	0.00
Mahindra Trustee Company Pvt. Ltd. *	49,998	99.996%	-	-	-	-

- The financial year of the subsidiary companies ended on 31st March 2014.
- \*Mahindra Trustee Company Private Limited (MTCPL) was incorporated as a subsidiary of the Company. The Company has agreed to subscribe to 49,998 equity shares of Rs. 10/- each of MTCPL constituting 99.99% of the equity share capital of MTCPL. The investment is yet to be made by the Company. The first financial year of MTCPL would be from 10th July, 2013 to 30th June, 2014.

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Ramesh Iyer**  
Managing Director

**Pawan Goenka**  
Director

**Rama Bijapurkar**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place : Mumbai  
Date : 23rd April, 2014



# Independent Auditors' Report

To the Board of Directors of

## Mahindra & Mahindra Financial Services Limited

We have audited the accompanying consolidated financial statements of **Mahindra & Mahindra Financial Services Limited** ("the Company"), its subsidiaries and a joint venture (collectively referred to as "the Group"), which comprise the consolidated Balance Sheet as at 31st March, 2014, 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.

## Management's Responsibility for the Consolidated Financial Statements

The Company's 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.

## Auditors' Responsibility

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.

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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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

## Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of other auditor on financial statements of a joint venture entity referred to herein below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

## Other Matter

We did not audit the financial statements of the joint venture entity whose financial statements reflect total assets of Rs. 1,14,118.37 lacs as at 31st March, 2014, total revenues of Rs. 4,993.02 lacs, and net cash flows amounting to Rs 1.71 lacs, respectively for the year then ended as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion in so far as it relates to these financial statements, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number : 105102W

**Naresh Kumar Kataria**

Partner

Place : Mumbai

Dated : 23rd April, 2014

M.No. 37825

## Consolidated Balance Sheet

as at 31st March, 2014

Particulars	Note No.	Rs. in lacs	
		March 2014	March 2013
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	1	11,270.50	11,260.40
b) Reserves and Surplus	2	5,18,099.02	4,46,695.15
		5,29,369.52	4,57,955.55
Minority Interest		3,647.83	2,367.17
<b>2) Non-current liabilities</b>			
a) Long-term borrowings	3	18,25,376.57	13,81,540.40
b) Other Long-term liabilities	4	27,701.56	24,297.19
c) Long term provisions	5	33,309.64	31,838.92
		18,86,387.77	14,37,676.51
<b>3) Current liabilities</b>			
a) Short-Term Borrowings	6	1,51,027.60	1,58,191.25
b) Trade payables	7	45,074.04	48,934.04
c) Other current liabilities	8	6,98,126.60	5,35,330.50
d) Short term provisions	9	92,116.10	66,624.09
		9,86,344.34	8,09,079.88
<b>Total</b>		<b>34,05,749.46</b>	<b>27,07,079.11</b>
<b>II. ASSETS</b>			
<b>1) Non-current assets</b>			
a) Fixed Assets	10		
i) Tangible assets		12,350.21	11,077.90
ii) Intangible assets		498.15	154.37
iii) Capital work-in-progress		22.99	135.51
b) Non-current investments	11	37,895.56	24,168.13
c) Deferred tax assets (Net)	12	32,535.84	24,208.08
d) Long-term loans and advances	13	17,72,994.08	14,16,627.37
e) Other non-current assets	14	13,643.00	17,106.50
		18,69,939.83	14,93,477.86
<b>2) Current assets</b>			
a) Current investments	15	34,289.13	21,585.34
b) Trade receivables	16	2,289.90	1,573.78
c) Cash and cash equivalents	17	57,043.28	36,796.59
d) Short-term loans and advances	18	14,38,062.21	11,51,376.89
e) Other current assets	19	4,125.11	2,268.65
		15,35,809.63	12,13,601.25
<b>Total</b>		<b>34,05,749.46</b>	<b>27,07,079.11</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

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

**Ramesh Iyer**  
Managing Director

**Pawan Goenka**  
Director

**Rama Bijapurkar**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place: Mumbai  
Date: 23rd April, 2014

# Consolidated Statement of Profit and Loss

for the year ended 31st March, 2014

Particulars	Note No.	Rs. in lacs	
		March 2014	March 2013
I. Revenue from operations	20	5,27,522.73	4,09,498.79
II. Other income	21	2,532.55	1,797.35
III. <b>Total Revenue (I + II)</b>		<b>5,30,055.28</b>	<b>4,11,296.14</b>
IV. <b>Expenses:</b>			
Employee benefits expense	22	49,450.51	37,928.82
Finance costs	23	2,28,096.44	1,67,059.05
Depreciation and amortization expense	24	2,608.05	2,365.90
Loan provisions and write offs	25	51,898.42	28,815.02
Other expenses	26	51,849.11	42,913.81
<b>Total expenses</b>		<b>3,83,902.53</b>	<b>2,79,082.60</b>
V. Profit before exceptional and extraordinary items and tax (III - IV)		<b>1,46,152.75</b>	<b>1,32,213.54</b>
VI. Exceptional items (net) - income / (expense)	27	-	3,052.27
VII. Profit before extraordinary items and tax (V - VI)		<b>1,46,152.75</b>	<b>1,35,265.81</b>
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII - VIII)		<b>1,46,152.75</b>	<b>1,35,265.81</b>
X. Tax expense:			
(1) Current tax		58,004.66	46,252.02
(2) Deferred tax		(8,329.33)	(3,876.94)
		49,675.33	42,375.08
XI. <b>Profit (Loss) for the period from continuing operations (IX - X)</b>		<b>96,477.42</b>	<b>92,890.73</b>
XII. Minority Interest		1,035.28	187.19
XIII. <b>Profit (Loss) for the period (XI - XII)</b>		<b>95,442.14</b>	<b>92,703.54</b>
XIV. Earnings per equity share (Rupees) :	31 (h)		
(Face value - Rs. 2/- per share)			
(1) Basic		16.95	17.43
(2) Diluted		16.78	17.23
<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

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

Place: Mumbai  
Date: 23rd April, 2014

**Bharat Doshi**  
Chairman

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Dhananjay Mungale**  
Director

**Pawan Goenka**  
Director

**Uday Y. Phadke**  
Director

**M. G. Bhide**  
Director

**Rama Bijapurkar**  
Director

**V Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

## Consolidated Cash Flow Statement

for the year ended 31st March, 2014

		Rs.in lacs	
		March 2014	March 2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxes and contingencies and exceptional items		1,46,152.75	1,32,213.54
Add/(Less):			
<b>Non Cash Expenses:</b>			
Depreciation and amortisation expense		2,608.05	2,365.90
Exchange Fluctuation		799.17	218.79
Provision for non-performing assets (net)		25,449.51	6,142.43
General provision for Standard assets		2,284.13	1,730.40
Employee stock compensation costs		307.33	443.02
		31,448.19	10,900.54
Add/(Less):			
Income considered separately :			
Income from investing activities		(2,517.32)	(2,235.48)
(Profit)/Loss on sale of assets		(2.80)	2.89
(Profit)/Loss on sale of Investment		(9.15)	(231.18)
Income from Assignment / Securitisation transactions		(21,372.47)	(21,454.93)
		<b>(23,901.74)</b>	<b>(23,918.70)</b>
Operating profit before working capital changes	(I)	1,53,699.20	1,19,195.38
Less:			
(Increase)/Decrease in interest accrued on investment/others		(1,094.49)	23.35
(Increase)/Decrease in Trade receivables		(34,608.46)	(19,834.06)
(Increase)/Decrease in Loans & Advances		(7,41,275.20)	(8,40,395.76)
		(7,76,978.15)	(8,60,206.47)
Add: Increase in Current liabilities		25,910.25	44,219.38
	(II)	(7,51,067.90)	(8,15,987.09)
Cash generated from operations	(I+II)	(5,97,368.69)	(6,96,791.71)
Advance taxes paid		(55,919.65)	(47,379.41)
		(6,53,288.34)	(7,44,171.12)
<b>Net Cash Generated from / (Used In) Operating Activities (A)</b>		<b>(6,53,288.34)</b>	<b>(7,44,171.12)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets / Software		(4,115.88)	(3,493.87)
Sale of fixed assets		104.96	69.15
Purchase of Investments		(2,14,931.38)	(34,790.51)
Investments in / maturity of term deposits with banks		(19,021.00)	(19,062.99)
Sale of Investments		1,88,509.31	29,168.73
Income received from investing activities		2,446.57	3,617.45
(Increase) / Decrease in Earmarked balances with banks		4.58	(8.04)
Proceeds from sale of long-term investments in equity shares of Mahindra Insurance Brokers Limited		-	6,432.99
<b>Net Cash Generated from / (Used In) Investing Activities (B)</b>		<b>(47,002.84)</b>	<b>(18,067.09)</b>



# Consolidated Cash Flow Statement

for the year ended 31st March, 2014

	Rs. in lacs	
	March 2014	March 2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares (net of issue expenses)	399.31	90,191.91
Increase/(Decrease) in Bank borrowings (net)	3,44,064.87	2,00,175.75
Increase/(Decrease) in long term borrowings (net)	1,13,127.04	2,48,354.26
Increase/(Decrease) in short term borrowings (net)	(18,597.74)	(7,237.93)
Increase/(Decrease) in Fixed Deposits (net)	1,24,726.58	95,305.83
Proceeds from Assignment / Securitisation transactions	1,59,029.71	1,61,623.22
Dividend paid (including tax on dividend)	(24,422.32)	(18,786.14)
<b>Net Cash Generated From / (Used In) Financing Activities (C)</b>	<b>6,98,327.45</b>	<b>7,69,626.90</b>
<b>Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>	<b>(1,963.73)</b>	<b>7,388.69</b>
<b>Cash And Cash Equivalents at the beginning of the year</b>	<b>25,400.76</b>	<b>18,012.07</b>
<b>Cash And Cash Equivalents at the end of the year (Refer Note No. 17)</b>	<b>23,437.03</b>	<b>25,400.76</b>

**Note :** The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard 3 'Cash Flow Statement'.

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

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

Place: Mumbai  
Date: 23rd April, 2014

**Bharat Doshi**  
Chairman

**Ramesh Iyer**  
Managing Director

**Piyush Mankad**  
Director

**Dhananjay Mungale**  
Director

**Pawan Goenka**  
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**Uday Y. Phadke**  
Director

**M. G. Bhide**  
Director

**Rama Bijapurkar**  
Director

**V Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### I. Summary of Significant Accounting Policies:

1) The Consolidated Financial Statements relate to Mahindra & Mahindra Financial Services Limited (MMFSL, the Company) and its subsidiaries and its Joint Venture entity. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 27 (AS 27) "Financial Reporting of Interests in Joint Ventures" notified by the Companies (Accounting Standard) Rules, 2006. 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 eliminating inter group balances, inter group transactions and unrealised profits or losses.
- b. The difference between the cost of investment in the subsidiaries and the Company's share of equity at the time of acquisition of shares in the subsidiaries is recognised in the Financial Statements as Goodwill on consolidation or Capital Reserve on consolidation. 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 difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the Statement of profit and loss as profit or loss on disposal of investment in subsidiaries.
- f. Minority Interest in the net assets of consolidated subsidiaries consists of:
  - i) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
  - ii) the minorities' share of movements in equity since the date on which investment in a subsidiary relationship comes into existence.

The subsidiaries 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 Asset Management Company Pvt. Ltd. (MAMCL)	India	99.996%
Mahindra Finance USA, LLC (MFUSA)	USA	49.00%

\* There is no change in the proportion of ownership interest as compared to the previous year.

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

The consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) 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 Section 132 of the Companies Act, 2013.

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 – 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. 32 of notes to the financial statements).

# Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

The joint venture records an allowance for credit losses to provide for estimated losses in the receivable portfolio. Management evaluates the allowance for credit losses on a periodic basis based upon the known and inherent risks in the joint venture's receivable portfolio. Accounts are written off (net of fair value of collateral less costs to sell) when delinquency reaches 360 days or when the joint venture's evaluation indicates the account is uncollectible, if earlier.

### 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 the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized 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. Accordingly, unrealised interest recognised as income in the previous period is reversed in the accounting period in which the loan is classified as Non-Performing Asset and accounted as income when it is actually realised.

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 recognized on receipt basis.

#### ii. Income from loans :

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

b) Service charges, documentation charges and other fees on loan transactions are recognised at the commencement of the contract.

c) Direct costs incurred and fees received related to the origination of finance receivables, relating to joint venture, are deferred and amortized over the estimated term of the related receivables.

#### iii. Subvention income :

Subvention received from dealers/manufacturers on retail cases is booked over the period of the contract.

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

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

#### v. Income from manpower supply services :

Manpower supply services income is recognised on accrual basis when services are rendered and is net of service tax.

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

##### A. Income accounted prior to the issuance of RBI Circular dated August 21, 2012:

i. Receivables assigned/securitised by the Company, the assets are de-recognised as all the rights, title, future receivables and interest thereof are assigned to the purchaser.

ii. On de-recognition, the difference between book value of the receivables assigned/securitised 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.

iii. On the maturity of an underlying assignment/securitisation deal, estimated provision for loss/expenses and incidental expenses in respect of the said deal has been reversed since the actual losses/expenses have already been debited to the Statement of profit and loss over the period.

##### B. Income accounted post the issuance of RBI Circular dated August 21, 2012:

#### i. Securitisation transactions:

a. Securitised receivables are de-recognized in the balance sheet when they are sold i.e. if they fully meet the true sale criteria.

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

- 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.

### ii. Assignment transactions:

- a. Receivables under the assignment transactions are de-recognized in the balance sheet when they are sold subject to the portion of loan assets which is required under the Minimum Retention Criteria and reflected as Loans and Advances (refer note no. 13 and 18).
- b. The amount of profit in cash on such transactions is held under an accounting head styled as "Cash profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at the end of every financial year based on the formula prescribed as per the Circular. The unamortized portion is reflected as "Other long-term liabilities" / "Other current liabilities" (refer note no. 4, 8 and 41 (b)).

### vii. 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) Fixed assets, depreciation and amortisation:

### a) Tangible assets:

- i) Tangible assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.
- ii) Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

### b) Depreciation / Amortisation:

- i. Depreciation on tangible 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 for following assets:
  - a) Office Equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
  - b) Assets costing less than Rs.5000/- are fully depreciated in the period of purchase.
  - 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.
  - d) Repossessed assets that have been capitalised for own use are depreciated at the rate of 15% on SLM over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming part of Company's Tangible assets in note no.10.
- ii. Computer software is amortized over the useful life. The maximum period for such amortization is 36 months.

### c) Intangible assets:

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

### d) Amortisation of Intangible assets:

Intangible assets comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortisation is 36 months.

## 6) Foreign exchange transactions and translations:

### i. Initial recognition

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

### ii. Conversion

- a. 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.



# Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

- b. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.
- c. Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation are accumulated in the Foreign Exchange Fluctuation Reserve until the disposal of the net investment, at which time they are recognized as income or as expenses.

### iii. Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

- a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of profit and loss.
- b. 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.

### iv. Forward exchange contracts entered into to hedge foreign currency risk of an existing assets/liabilities

- a. 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.
- b. Exchange differences on such contracts are recognised in the Statement of profit and loss in the period in which the exchange rate changes.
- c. Any profit or loss arising on cancellation or renewal of forward exchange contracts are recognised as income or expense for the period.
- d. Interest rate swaps in the nature of hedge, taken to manage interest rate risk on foreign

currency liabilities, whereby variable interest rate is swapped for fixed interest rate, are recognized on accrual basis at fixed interest rate and charged to the Statement of Profit and Loss.

### 7) Investments:

In terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. 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 lower of cost or fair value.

### 8) Loans against assets:

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

### 9) Employee benefits:

#### (a) Contribution to provident fund -

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 -

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

#### (c) Superannuation -

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

Corporation of India, which are charged to statement of profit and loss. 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 liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

### 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. All other borrowing costs are charged to the Statement of profit and loss. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

### 11) Current and deferred tax:

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of 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:

The carrying value of assets/cash generating units at each balance sheet date are reviewed for impairment.

If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor.

### 14) Provisions and contingent liabilities:

**Provisions:** Provisions are recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

**Contingent Liabilities:** Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

### 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 the date of grant). Compensation cost is amortized over the vesting period of the option on a straight line basis.

### 16) Lease:

Payments under operating lease arrangements are recognized 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

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

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:

Note 1	Share capital	Rs.in Lacs	
		March 2014	March 2013
<b>Authorised capital:</b>			
	70,00,00,000 equity shares of Rs.2/- each	14,000.00	14,000.00
	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	11,375.30	11,375.30
<b>Subscribed and paid-up capital:</b>			
	56,87,64,960 equity shares of Rs.2/- each fully paid up	11,375.30	11,375.30
	Less : Shares issued to ESOS Trust but not allotted to employees (52,39,841 equity shares of Rs.2/- each (March 2013 : 57,44,785 equity shares of Rs.2/- each))	104.80	114.90
	<b>Total</b>	<b>11,270.50</b>	<b>11,260.40</b>

	March 2014		March 2013	
	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	56,87,64,960	11,375.30	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)	-	-	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	-	-	45,50,11,968	-
<b>Balance at the end of the year</b>	<b>56,87,64,960</b>	<b>11,375.30</b>	<b>56,87,64,960</b>	<b>11,375.30</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	29,12,07,660	5,824.15	29,12,07,660	5,824.15
Percentage of holding (%)	51.20	51.20	51.20	51.20
<b>c) Shareholders holding more than 5 percent shares:</b>				
Mahindra & Mahindra Limited	29,12,07,660	5,824.15	29,12,07,660	5,824.15
Percentage of holding (%)	51.20	51.20	51.20	51.20

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### d) 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.

### e) Shares issued to ESOS trust

The Guidance note issued by The Institute of Chartered Accountants of India on accounting for employee share-based payment requires that shares allotted to a Trust but not transferred to the employees be reduced from Share capital and Reserves. Accordingly, the Company has reduced the Share capital by Rs.104.80 Lacs (March 2013: Rs. 114.90 Lacs), Securities premium reserve by Rs. 86.83 Lacs (March 2013: Rs. 112.70 Lacs) in respect of 52,39,841 equity shares of face value of Rs.2/- each (March 2013 : 57,44,785 equity shares of face value of Rs.2/- each) held by the Trust, as at the year end pending for allotment of shares to eligible employees.

Note 2	Reserves and Surplus	Rs. in Lacs	
		March 2014	March 2013
<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>			
	Balance as at the beginning of the year	2,01,558.08	1,16,689.20
	Add : Additions during the year on account of		
	i) Exercise of employee stock options	266.66	444.18
	ii) Fresh issue of shares	-	85,704.76
		2,01,824.74	2,02,838.14
	Less : Deductions during the year in respect of share issue expenses	-	1,280.06
	Balance as at the end of the year	2,01,824.74	2,01,558.08
	Less : Shares issued to ESOP trust but not allotted to employees	86.83	112.70
	<b>Net balance as at the end of the year</b>	<b>2,01,737.91</b>	<b>2,01,445.38</b>
<b>Statutory reserve:</b>			
	Balance as at the beginning of the year	64,885.68	46,828.55
	Add : Transfers from Surplus in the Statement of profit and loss	18,466.88	18,057.13
		83,352.56	64,885.68
	Less : Deductions during the year	-	-
	<b>Balance as at the end of the year</b>	<b>83,352.56</b>	<b>64,885.68</b>
<b>General reserve:</b>			
	Balance as at the beginning of the year	28,328.60	19,151.60
	Add : Transfers from Surplus in the Statement of profit and loss	9,168.24	9,177.00
		37,496.84	28,328.60
	Less : Deductions during the year	16.39	-
	<b>Balance as at the end of the year</b>	<b>37,480.45</b>	<b>28,328.60</b>



## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 2</b>	<b>Reserves and Surplus (Contd.)</b>		
<b>Foreign exchange fluctuation reserve:</b>			
	Balance as at the beginning of the year	513.62	294.82
	Add : Additions during the year	798.86	218.80
		1,312.48	513.62
	Less : Deductions during the year	-	-
	<b>Balance as at the end of the year</b>	<b>1,312.48</b>	<b>513.62</b>
<b>Employees stock options outstanding:</b>			
<b>A) Employee Stock Option Outstanding:</b>			
	Balance as at the beginning of the year	1,347.77	1,804.70
	Add : Fresh grant of options	289.16	-
		1,636.93	1,804.70
	Less : Transfers / reversals during the year		
	i) Transfers to securities premium reserve on exercise of options	266.66	444.18
	ii) Reversals for options lapsed	36.46	12.75
	<b>Balance as at the end of the year (A)</b>	<b>1,333.81</b>	<b>1,347.77</b>
	Less :		
<b>B) Deferred Employee Compensation:</b>			
	Balance as at the beginning of the year	572.30	1,101.19
	Add : Fresh grant of options	289.16	-
		861.46	1,101.19
	Less : Amortisation during the year		
	i) Transfer to employee compensation expenses	362.82	516.14
	ii) Reversals for options lapsed	36.46	12.75
	<b>Balance as at the end of the year (B)</b>	<b>462.18</b>	<b>572.30</b>
	<b>Balance as at the end of the year (A-B)</b>	<b>871.63</b>	<b>775.47</b>
<b>Surplus in Statement of profit and loss:</b>			
	Balance as at the beginning of the year	1,45,746.40	1,04,326.11
	Add : Profit for the year transferred from the Statement of profit and loss	95,442.14	92,703.54
		2,41,188.54	1,97,029.65
	<b>Less : Appropriations:</b>		
	General reserve	9,151.85	9,177.00
	Statutory reserve	18,466.88	18,057.13
	Corporate tax on interim dividend on equity shares	-	162.31
	Proposed dividend on equity shares	21,613.07	20,475.54
	Corporate dividend tax on equity shares	3,612.75	3,411.84
	Excess provision for corporate dividend tax on equity shares for earlier year	-	(0.57)
		52,844.55	51,283.25
	<b>Balance as at the end of the year</b>	<b>1,88,343.99</b>	<b>1,45,746.40</b>
	<b>Total</b>	<b>5,18,099.02</b>	<b>4,46,695.15</b>

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 3</b>	<b>Long-term borrowings</b>		
<b>a) Secured #</b>			
	Non-convertible debentures (refer note no. 47(i)(a))	3,21,520.00	3,13,960.00
	Term loans :		
	from banks (refer note no. 47(ii)(a))	10,26,884.70	7,45,443.75
	from others (refer note no. 47(iii)(a))	23,544.13	18,774.49
	Foreign currency loans		
	from banks (refer note no. 47(iv)(a))	40,305.51	27,142.50
	from others (refer note no. 47(v)(a))	48,549.09	24,756.47
	<b>Total</b>	<b>14,60,803.43</b>	<b>11,30,077.21</b>
<b>b) Unsecured</b>			
	Unsecured bonds (Subordinate debts ) (refer note no. 48(i)(a))	79,410.00	59,410.00
	Term loans :		
	from banks (refer note no. 48(ii)(a))	10,000.00	-
	Fixed deposits (refer note no. 48(iii)(b))	2,75,163.14	1,92,053.19
	<b>Total</b>	<b>3,64,573.14</b>	<b>2,51,463.19</b>
	<b>Total (a+b)</b>	<b>18,25,376.57</b>	<b>13,81,540.40</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 2014	March 2013
<b>Note 4</b>	<b>Other long-term liabilities</b>		
	Deposits/advances received against loan agreements (refer note no. 38)	1,333.08	1,260.70
	Interest accrued but not due on borrowings	15,552.99	15,983.12
	Deferred subvention income	3,031.55	3,424.05
	Unrealised gains on loan transfers under securitisation transactions (refer note no. 41(d))	6,629.14	3,629.32
	Cash profit on loan transfers under assignment transactions pending recognition (refer note no. 41(b))	140.57	-
	Derivative contract payables	954.49	-
	Other long term liabilities	59.74	-
	<b>Total</b>	<b>27,701.56</b>	<b>24,297.19</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 5</b>	<b>Long-term provisions</b>		
	Provision for employee benefits (refer note no. 39)	1,013.88	742.64
	Provision for Non-performing assets (refer note no. 32(a), 33, and 34)	18,767.00	10,046.85
	Contingent provisions for standard assets (refer note no. 32(b) and 34)	6,772.21	5,484.96
	Provision for estimated loss/expenses on assignments	6,756.55	15,564.46
	<b>Total</b>	<b>33,309.64</b>	<b>31,838.91</b>

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 6</b>	<b>Short term borrowings</b>		
<b>a) Secured #</b>			
	Term loans from banks (refer note no. 49(i))	57,000.00	42,000.00
	Cash credit facilities with banks (refer note no. 49(i))	57,232.21	75,027.03
	Foreign currency loans (refer note no. 49(ii))	28,664.24	30,782.02
	<b>Total</b>	<b>1,42,896.45</b>	<b>1,47,809.05</b>
<b>b) Unsecured</b>			
	Loans from banks:		
	Term Loans (refer note no. 49(iii))	2,200.00	-
	Overdraft facilities	-	2,019.79
	Fixed deposits (refer note no. 48(iii)(a))	5,931.15	3,362.41
	Commercial Papers (CPs) (refer note no. 49(iv))	-	5,000.00
	<b>Total</b>	<b>8,131.15</b>	<b>10,382.20</b>
	<b>Total (a+b)</b>	<b>1,51,027.60</b>	<b>1,58,191.25</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 2014	March 2013
<b>Note 7</b>	<b>Trade payables</b>		
	<b>Trade payables</b>		
	Finance	31,007.53	35,714.53
	Expenses	14,066.51	13,219.51
	<b>Total</b>	<b>45,074.04</b>	<b>48,934.04</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 8</b>	<b>Other current liabilities</b>		
	<b>Current maturities of long-term debt</b>		
<b>a) Secured #</b>			
	Non-convertible debentures (refer note no. 47(i)(b))	1,83,520.00	1,67,840.00
	Term loans		
	from banks (refer note no. 47(ii)(b))	3,12,200.76	2,41,744.28
	from others (refer note no. 47(iii)(b))	6,219.68	4,487.68
	Foreign currency loans		
	from banks (refer note no. 47(iv)(b))	11,983.00	10,809.57
	from others (refer note no. 47(v)(b))	22,539.68	10,158.60
		<b>5,36,463.12</b>	<b>4,35,040.13</b>
<b>b) Unsecured</b>			
	Unsecured bonds (subordinate debt) (refer note no. 48(i)(b))	-	3,100.00
	Fixed deposits (refer note no. 48(iii)(c))	76,425.51	37,377.62
		<b>76,425.51</b>	<b>40,477.62</b>

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 8</b>	<b>Other current liabilities (Contd.)</b>		
	Interest accrued but not due on borrowings	30,615.63	14,929.38
	Unclaimed dividends	57.93	62.52
	Deposits / advances received against loan agreements (refer note no. 38)	1,647.04	1,728.60
	Amount Received in advance from ESOS Trust	191.63	227.60
	Credit balances in current accounts with banks as per books	17,263.80	16,906.56
	Deferred subvention income	2,623.37	1,855.43
	Unrealised gains on loan transfers under securitisation transactions (refer note no. 41(d))	15,910.53	7,447.22
	Cash profit on loan transfers under assignment transactions pending recognition (refer note no. 41(b))	168.42	-
	Insurance premium payable	3,694.88	3,155.66
	Payables under assignment / securitisation transactions	6,157.50	7,590.56
	Taxes deducted at Source	2,465.16	1,621.95
	Others	4,442.08	4,287.27
	<b>Total</b>	<b>6,98,126.60</b>	<b>5,35,330.50</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 2014	March 2013
<b>Note 9</b>	<b>Short-term provisions</b>		
	Provision for employee benefits (refer note no. 39)	6,356.52	4,509.99
	Provision for estimated loss/expenses on assignments	8,807.92	4,189.65
	Provision for Non-performing assets (refer note no. 32(a), 33 and 34)	46,423.23	29,663.34
	Contingent provisions for standard assets (refer note no. 32(b) and 34)	5,370.61	4,373.73
	Proposed dividend on equity shares #	21,613.07	20,475.54
	Corporate dividend tax #	3,544.75	3,411.84
	<b>Total</b>	<b>92,116.10</b>	<b>66,624.09</b>

# The Board of Directors have recommended a dividend of Rs. 3.80 per share on equity share of face value of Rs.2/- each (March 2013 : Rs.3.60 per share on equity share of face value Rs.2/- each) for the current financial year. The dividend will absorb a sum of Rs.25,157.82 Lacs (March 2013: Rs. 23,887.38 Lacs) including dividend distribution tax.



# Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

Asset description	GROSS BLOCK AT COST			DEPRECIATION & AMORTISATION			NET BLOCK		
	As at 1st April, 2013	Additions	Deductions / adjustments	As at 31st March 2014	As at 1st April, 2013	Additions	Deductions / adjustments	As at 31st March, 2014	As at 1st April, 2013
<b>i) Tangible assets:</b>									
Premises	108.92	-	-	108.92	15.82	1.77	-	17.59	91.33
Computers	4,839.75	807.82	1,156.68	4,490.89	2,793.51	598.92	1,154.22	2,238.21	2,046.24
Furniture and fixtures	5,828.77	802.89	258.56	6,373.10	1,856.21	466.77	233.27	2,089.71	4,283.39
Vehicles	4,340.08	1,260.10	318.79	5,281.39	1,795.79	668.37	249.45	2,214.71	3,066.68
Office equipment	4,462.63	991.19	481.64	4,972.18	2,040.92	751.70	476.57	2,316.05	2,421.74
<b>Total (i)</b>	<b>19,580.15</b>	<b>3,862.00</b>	<b>2,215.67</b>	<b>21,226.48</b>	<b>8,502.25</b>	<b>2,487.53</b>	<b>2,113.51</b>	<b>8,876.27</b>	<b>11,077.90</b>
31st March, 2013	16,371.68	3,423.93	215.46	19,580.15	6,374.67	2,270.98	143.40	8,502.25	11,077.90
<b>ii) Intangible assets:</b>									
Computer software	1,150.30	464.30	-	1,614.60	999.98	120.52	-	1,120.50	494.10
Goodwill*	4.05	-	-	4.05	-	-	-	-	4.05
<b>Total (ii)</b>	<b>1,154.35</b>	<b>464.30</b>	<b>-</b>	<b>1,618.65</b>	<b>999.98</b>	<b>120.52</b>	<b>-</b>	<b>1,120.50</b>	<b>498.15</b>
31st March, 2013	1,004.93	150.13	0.71	1,154.35	905.06	94.92	-	999.98	154.37
<b>Total (i+ii)</b>	<b>20,734.50</b>	<b>4,326.30</b>	<b>2,215.67</b>	<b>22,845.13</b>	<b>9,502.23</b>	<b>2,608.05</b>	<b>2,113.51</b>	<b>9,996.77</b>	<b>11,232.27</b>
31st March, 2013	17,376.61	3,574.06	216.17	20,734.50	7,279.73	2,365.90	143.40	9,502.23	10,096.88

\* Goodwill arising on consolidation

## Notes 10 Fixed Assets

Rs. in Lacs

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

Note 11	Non-current investments	Rs. in Lacs	
		March 2014	March 2013
<b>i) Quoted (at cost): Trade</b>			
	Government securities (refer note no. 11 (i) below)	37,895.56	24,168.13
	<b>Total</b>	<b>37,895.56</b>	<b>24,168.13</b>

Additional Information:	Rs. in Lacs	
	March 2014	March 2013
<b>Aggregate amount of quoted investments and market value -</b>		
i) Aggregate amount	37,895.56	24,168.13
ii) Market value	36,504.87	24,709.68

Note: Having regard to the long-term nature of the investments, the decline in market value as compared to carrying value is considered other than temporary, hence no provision for diminution in value is considered necessary.

### (i) Details of quoted Long-term investments in Government stock as on 31st March, 2014

	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 6.35% - 02/01/2020	100	1000000	885.25
Govt Stock 7.80% - 03/05/2020	100	500000	488.65
Govt Stock 10.25% - 30/05/2021	100	1000000	1,098.16
Govt Stock 8.13% - 21/09/2022	100	1500000	1,508.00
Govt Stock 8.20% - 15/02/2022	100	1000000	1,007.06
Govt Stock 8.20% - 15/02/2022	100	1000000	1,002.06
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 9.15% - 14/11/2024	100	2500000	2,683.23
Govt Stock 9.15% - 14/11/2024	100	1000000	1,123.16
Govt Stock 8.28% - 21/09/2027	100	1500000	1,380.75
Govt Stock 8.28% - 21/09/2027	100	2000000	1,868.10
Govt Stock 8.28% - 21/09/2027	100	2000000	1,867.90
Govt Stock 8.97% - 05/12/2030	100	1000000	1,029.99
Govt Stock 8.97% - 05/12/2030	100	1000000	1,031.42
Govt Stock 8.97% - 05/12/2030	100	500000	517.58
Govt Stock 8.97% - 05/12/2030	100	1000000	1,035.60
Govt Stock 8.97% - 05/12/2030	100	500000	528.28
Govt Stock 8.97% - 05/12/2030	100	1000000	1,045.56
Govt Stock 8.97% - 05/12/2030	100	1500000	1,607.06
Govt Stock 8.97% - 05/12/2030	100	1000000	1,118.72
Govt Stock 8.97% - 05/12/2030	100	1000000	1,100.08

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### (i) Details of quoted Long-term investments in Government stock as on 31st March, 2014 (Contd.)

			Rs. in Lacs
	Face value (Rs.)	Units	Amount
Govt Stock 8.97% - 05/12/2030	100	1500000	1,450.20
Govt Stock 8.28% - 15/02/2032	100	2500000	2,401.50
Govt Stock 8.30% - 02/07/2040	100	1500000	1,359.30
Govt Stock 8.83% - 12/12/2041	100	1000000	1,018.81
Govt Stock 8.83% - 12/12/2041	100	1000000	1,024.52
Govt Stock 8.83% - 12/12/2041	100	1500000	1,469.33
<b>Total</b>		<b>38000000</b>	<b>37,895.56</b>

#### As on 31st March, 2013

			Rs. in Lacs
	Face value (Rs.)	Units	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 6.35% - 02/01/2020	100	1000000	885.25
Govt Stock 7.80% - 03/05/2020	100	500000	488.65
Govt Stock 10.25% - 30/05/2021	100	1000000	1,111.85
Govt Stock 8.13% - 21/09/2022	100	1500000	1,508.95
Govt Stock 8.20% - 15/02/2022	100	1000000	1,007.96
Govt Stock 8.20% - 15/02/2022	100	1000000	1,002.32
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 9.15% - 14/11/2024	100	2500000	2,700.47
Govt Stock 8.97% - 05/12/2030	100	1000000	1,031.78
Govt Stock 8.97% - 05/12/2030	100	1000000	1,033.30
Govt Stock 8.97% - 05/12/2030	100	500000	518.64
Govt Stock 8.97% - 05/12/2030	100	1000000	1,037.74
Govt Stock 8.97% - 05/12/2030	100	500000	529.97
Govt Stock 8.97% - 05/12/2030	100	1000000	1,048.29
Govt Stock 8.97% - 05/12/2030	100	1500000	1,613.47
Govt Stock 8.30% - 02/07/2040	100	1500000	1,359.30
Govt Stock 8.83% - 12/12/2041	100	1000000	1,019.49
Govt Stock 8.83% - 12/12/2041	100	1000000	1,025.41
<b>Total</b>		<b>24000000</b>	<b>24,168.13</b>

Quoted investments of Rs. 37,895.56 Lacs (March 2013: Rs. 24,168.13 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.

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 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	27,470.24	20,134.68
	Provision for standard assets	4,127.35	3,350.97
	Other disallowances	987.39	775.52
	(a)	32,584.98	24,251.17
	<b>Deferred tax liabilities</b>		
	Difference between written down value of books of account and Income Tax Act, 1961	49.14	43.09
	(b)	49.14	43.09
	<b>Net Deferred tax assets</b>	<b>(a) - (b)</b>	<b>32,535.84</b>
		<b>32,535.84</b>	<b>24,208.08</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 13</b>	<b>Long-term loans and advances</b>		
	<b>Unsecured, considered good unless otherwise stated:</b>		
	Capital advances	39.20	137.09
	Deposits for office premises / others	1,718.46	1,453.47
	Loans and advances to related parties (Portfolio purchased from Mahindra Holidays & Resorts India Ltd. and Loan to Mahindra Retail Pvt. Ltd.)	-	1,091.74
	Other loans and advances	38.46	68.80
	Loans against assets (secured, including overdue loans) #	17,59,954.85	14,03,412.17
	Retained interest in Pass Through Certificates under securitization transactions (refer note no. 41(f))	828.43	2,041.02
	Retained interest under assignment transactions (refer accounting policy no. 3 (IV) (B) (ii) (a) refer note no. 41(b))	703.85	-
	Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 41(d))	6,629.14	3,629.32
	Loans and advances (including overdue loans) @	3,081.69	4,793.76
	<b>Total</b>	<b>17,72,994.08</b>	<b>14,16,627.37</b>

# Includes non-performing assets of Rs. 37570.89 Lacs (March 2013 : Rs. 17507.79 Lacs) (refer note no. 5, 9 , 32(a) and 33)

@ Includes non-performing assets of Rs. 57.80 Lacs (March 2013 : Rs. 56.91 Lacs) (refer note no. 5, 9 and 32(a))

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 14</b>	<b>Other non-current assets:</b>		
	Term deposits with banks with maturity greater than 12 months		
	Free	2,500.00	5,000.00
	Under lien [refer note no. 17 (a)]	11,143.00	11,827.00
	Derivative contract receivables	-	279.50
	<b>Total</b>	<b>13,643.00</b>	<b>17,106.50</b>



# Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

Note 15	Current investments	Rs. in Lacs	
		March 2014	March 2013
<b>i) Unquoted (at cost):</b>			
	Certificate of deposits with banks #	24,289.13	19,585.34
	Commercial Papers (2000 CPs, face value of Rs. 5.00 Lacs each issued by Citicorp Finance (India) Limited ; March 2013 : 400 CPs, face value of Rs. 5.00 Lacs each issued by Manappuram Finance Limited)	10,000.00	2,000.00
<b>Total</b>		<b>34,289.13</b>	<b>21,585.34</b>

	March 2014	March 2013
<b>Additional Information:</b>		
Aggregate amount of unquoted investments	34,289.13	21,585.34

# Details of unquoted current investments in certificate of deposits

As on 31st March, 2014:

	Rs. in Lacs		
	Face Value (Rs.)	Units	Amount
Indian Bank	100000	5000	4,924.83
Punjab National Bank	100000	2500	2,297.66
Punjab National Bank	100000	2500	2,297.66
Canara Bank	100000	5000	4,944.74
Union Bank of India	100000	5000	4,917.75
Indian Bank	100000	5000	4,906.50
<b>Total</b>		<b>25,000</b>	<b>24,289.13</b>

As on 31st March 2013:

	Rs. in Lacs		
	Face Value (Rs.)	Units	Amount
Indian Overseas Bank	100000	20000	19,585.34
<b>Total</b>		<b>20000</b>	<b>19,585.34</b>

Note 16	Trade receivables	Rs. in Lacs	
		March 2014	March 2013
<b>Secured, considered doubtful:</b>			
	Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	377.66	379.57
<b>Unsecured, considered good unless otherwise stated :</b>			
	Outstanding for a period exceeding six months #	33.52	53.62
	Outstanding for a period not exceeding six months #	1,878.72	1,140.59
<b>Total</b>		<b>2,289.90</b>	<b>1,573.78</b>

# Includes non-performing assets of Rs. 392.31 Lacs (March 2013 : Rs.391.92 Lacs) (refer note no. 5, 9 and 32(a))

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 17</b>	<b>Cash and bank balance</b>		
<b>Cash and cash equivalents:</b>			
	Cash on hand	2,859.48	2,216.70
	Cheques and drafts on hand	608.52	487.75
	Bank balance in current accounts	19,967.25	22,696.31
	Balance with Scheduled Bank in Cash Credit Accounts	1.78	-
		23,437.03	25,400.76
<b>Other bank balances:</b>			
	Earmarked balances with banks -		
	Unclaimed dividend accounts with banks	59.25	63.83
	Term deposits with maturity less than 12 months	5,450.00	1,190.00
	Term deposits under lien [refer note no. 17 (a)]	28,097.00	10,142.00
	<b>Total</b>	<b>57,043.28</b>	<b>36,796.59</b>

		Rs. in Lacs					
		March 2014			March 2013		
		Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
<b>Note 17a</b>	<b>Details of term deposits under lien:</b>						
(i)	Term deposits for SLR	17,963.00	501.00	18,464.00	6,780.00	5,960.00	12,740.00
(ii)	Collateral deposits for securitization transactions	9,621.00	10,575.00	20,196.00	3,349.00	5,800.00	9,149.00
(iii)	Legal deposits	3.00	17.00	20.00	3.00	17.00	20.00
(iv)	Margin deposits towards Constituent Subsidiary General Ledger (CSGL) account	500.00	-	500.00	-	-	-
(v)	Under lien with IRDA for broking license	10.00	50.00	60.00	10.00	50.00	60.00
	<b>Total</b>	<b>28,097.00</b>	<b>11,143.00</b>	<b>39,240.00</b>	<b>10,142.00</b>	<b>11,827.00</b>	<b>21,969.00</b>

# Term deposits with scheduled banks under lien include:

i) Rs. 18,464.00 Lacs (March 2013: Rs. 12,740.00 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. 20,196.00 Lacs (March 2013: Rs. 9,149.00 Lacs) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitization transactions (refer note no. 41(f)).

iii) Rs. 20.00 Lacs (March 2013: Rs.20.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.

iv) Rs.500.00 Lacs (March 2013 : Nil) as collateral deposits kept with banks towards Constituent Subsidiary General Ledger (CSGL) account for holding securities for SLR purpose.

v) Term deposit with IRDA for broking licence Rs. 50.00 Lacs (March 2013: Rs. 50.00 Lacs).

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

Note 18	Short-term loans and advances	Rs. in Lacs	
		March 2014	March 2013
<b>Unsecured, considered good unless otherwise stated:</b>			
	Loans against assets (secured, including overdue loans) #	12,65,089.60	10,03,335.55
	Retained interest in Pass Through Certificates (PTC) under securitization transactions (refer note no.41(f))	1,387.00	1,813.53
	Retained interest under assignment transactions (refer accounting policy no. 3 (IV) (B) (ii) (a) and note no. 41(b))	914.35	-
	Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 41(d))	15,910.53	7,447.22
	Loans and advances (including overdue loans) ®	7,932.85	13,625.08
	Bills of Exchange	12,333.78	7,442.71
	Trade Advances ®	1,18,411.37	91,907.73
	Inventory funding (secured, including overdue loans)	7,674.70	4,093.91
	Inter corporate deposits given ®	100.00	10,445.00
	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.)	1,091.74	1,817.37
	Deposits for office premises / others	274.72	266.65
	Advance payment of taxes (net of provisions)	6,204.81	8,288.16
	Other Short term advances	736.76	893.98
	<b>Total</b>	<b>14,38,062.21</b>	<b>11,51,376.89</b>

# Includes non-performing assets of Rs. 87,726.30 Lacs (March 2013 : Rs. 47,738.90 Lacs) (refer note no. 5, 9, 32(a) and 33)

® Includes non-performing assets of Rs. 1485.66 Lacs (March 2013 : Rs. 1,232.23 Lacs) (refer note no.5, 9 and 32(a))

Note 19	Other current assets	Rs. in Lacs	
		March 2014	March 2013
	Interest accrued on		
	a) Investments	741.98	505.57
	b) Others deposits	2,300.13	753.51
	Derivative contract receivables	1,083.00	1,009.57
	<b>Total</b>	<b>4,125.11</b>	<b>2,268.65</b>

Note 20	Revenue from operations	Rs. in Lacs	
		March 2014	March 2013
	<b>a) Interest</b>		
	Income from loans	4,65,926.82	3,55,401.38
	Income from hire purchase	61.35	53.30
	Interest on term deposits / Inter-corporate deposits / Bonds etc.	3,377.31	1,624.45
	Interest on retained interest in PTCs under securitization transactions	211.79	26.92
	Interest on government securities :		
	Long term	2,477.24	1,432.49
	Income from insurance business / services	9,750.51	7,886.96
	<b>(a)</b>	<b>4,81,805.02</b>	<b>3,66,425.50</b>

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 20</b>	<b>Revenue from operations (Contd.)</b>		
<b>b)</b>	<b>Other financial services</b>		
	Service charges and other fees on loan transactions	22,961.42	20,072.80
	Income from hire purchase	0.21	0.58
	Income from bill discounting	1,383.25	1,544.64
	Income from lease	0.36	0.34
	Income from assignment / securitisation transactions (refer note no. 41)	21,372.47	21,454.93
	<b>(b)</b>	<b>45,717.71</b>	<b>43,073.29</b>
	<b>Total (a+b)</b>	<b>5,27,522.73</b>	<b>4,09,498.79</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 21</b>	<b>Other income</b>		
	Dividend income on		
	Current investments in mutual fund units	56.61	10.62
	Profit/premium on sale/redemption of:		
	Current investments	9.15	231.18
	Profit on sale / retirement of owned assets (net)	2.80	-
	Income from shared services	1,793.00	1,123.88
	Others	670.99	431.67
	<b>Total</b>	<b>2,532.55</b>	<b>1,797.35</b>

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 22</b>	<b>Employee benefits expense</b>		
	Salary, bonus and incentives	44,455.92	33,566.51
	Company's contribution to Provident Fund and other funds	2,937.03	2,504.38
	Employee stock compensation costs # (refer note no.31(f))	368.14	524.09
	Staff welfare expenses	1,689.42	1,333.84
	<b>Total</b>	<b>49,450.51</b>	<b>37,928.82</b>

# Above is inclusive of ESOP costs reimbursement (net) to the holding company Rs. 5.32 Lacs (March 2013: Rs. 7.97 Lacs).

		Rs. in Lacs	
		March 2014	March 2013
<b>Note 23</b>	<b>Finance costs</b>		
	Interest expense	2,25,990.70	1,65,207.20
	Other borrowing costs	2,105.74	1,851.85
	<b>Total</b>	<b>2,28,096.44</b>	<b>1,67,059.05</b>



## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

Note 24 Depreciation and amortisation expense	Rs. in Lacs	
	March 2014	March 2013
Depreciation on tangible assets	2,487.53	2,270.98
Amortization of intangible assets	120.52	94.92
<b>Total</b>	<b>2,608.05</b>	<b>2,365.90</b>

Note 25 Loan provisions and write offs	Rs. in Lacs	
	March 2014	March 2013
Bad debts and write offs (refer note no. 32(c))	24,164.78	20,942.19
Provision for Non performing assets (Net) (refer note no. 32(a), 33 and 34)	25,449.51	6,142.43
General provision for standard assets (refer note no. 32(b) and 34)	2,284.13	1,730.40
<b>Total</b>	<b>51,898.42</b>	<b>28,815.02</b>

Note 26 Other expenses	Rs. in Lacs	
	March 2014	March 2013
Electricity charges	1,446.48	1,132.51
Rent	4,868.71	4,219.89
Repairs and maintenance -		
Building	460.97	757.48
Others	147.28	79.80
Insurance	1,218.73	1,066.54
Rates and taxes, excluding taxes on income	841.43	260.47
Directors' sitting fees and commission	147.32	110.34
Commission and brokerage	14,747.89	12,024.69
Legal and professional charges	7,437.38	5,983.79
Loss on sale / retirement of owned assets (net)	-	2.89
Payments to the auditor -		
Audit fees	68.87	59.53
Taxation matters	4.49	6.39
Other services	17.50	45.80
Reimbursement of expenses	1.67	0.67
General and administrative expenses	20,440.39	17,163.02
<b>Total</b>	<b>51,849.11</b>	<b>42,913.81</b>

Above expenses includes following expenditure incurred in foreign currency:

	Rs. in Lacs	
	March 2014	March 2013
Travelling expenses	42.75	30.94
Legal and professional fees	115.24	62.75
Other expenses	68.44	38.35

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
<b>Note 27</b> <b>Exceptional items (net) – income / (expense)</b>		
Profit on sale of investments in shares of subsidiary company #	-	6,620.27
Additional general provision for standard assets (refer note no. 32(b))	-	(3,568.00)
<b>Total</b>	<b>-</b>	<b>3,052.27</b>

# 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. for a consideration aggregating Rs.6,432.98 Lacs.

**Note 28** Disclosure under the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS-27). the Company has interest in the following jointly controlled entity:

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

### Note 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.

### Note 30

The Composite Broking License of MIBL, has been renewed by IRDA w.e.f. May 17, 2013 for next 3 years.

### Note 31 Employee Stock Option Plan

a) The Company had allotted 134,32,750 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 and 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 1,30,37,934 equity shares to employees (March 2013 : 1,25,32,990 equity shares) up to 31st March, 2014, of which 5,04,944 equity shares (March 2013 : 8,31,035 equity shares) were issued during the current year.

The details of Employees stock option schemes are as under:

	Scheme 2005	Scheme 2010
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 years 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 31st March, 2014

- b) During the year, the Company has granted 1,17,625 stock options to the eligible employees under the Employees' Stock option scheme 2010. The details are as under:

	Grant dated 22nd July, 2013	Grant dated 21st October, 2013
No. of options granted	48,130	69,495
Intrinsic value of shares based on latest available closing market price (Rs.)	210.35	270.40
Total amount to be amortized over the vesting period (Rs. in Lacs)	101.24	187.92
Charge to Statement of profit and loss for the year (Rs. in Lacs)	34.67	40.38
Compensation in respect of lapsed cases (Rs. in Lacs)	Nil	11.05
Unamortised amount carried forward (Rs. in Lacs)	66.57	136.48

The key assumptions used in black-scholes model for calculating fair value as on the date of grant are:

Vesting period in years	Grant dated 22nd July, 2013		Grant dated 21st October, 2013	
	Expected Vesting	Fair Value (Rs.)	Expected Vesting	Fair Value (Rs.)
1	9,626		13,899	
2	9,626		13,899	
3	9,626	198.64	13,899	259.46
4	9,626		13,899	
5	9,626		13,899	
	<b>48,130</b>		<b>69,495</b>	

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

Variables	Grant dated 22nd July, 2013	Grant dated 21st October, 2013
1) Risk free interest rate	7.61%	8.60%
2) Expected life	3.5 years	3.25 years
3) Expected volatility	35.53%	39.27%
4) Dividend yield	1.70%	1.32%
5) Price of the underlying share in the market at the time of option grant (Rs.)	212.35	272.40

- c) Summary of Stock Options:

	March 2014		March 2013	
	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	16,44,675	21.61	24,85,550	24.59
Options granted during the year	1,17,625	2.00	-	-
Options forfeited/lapsed during the year #	94,107	37.64	9,840	7.11
Options exercised during the year	5,04,944	34.57	8,31,035	30.69
Options outstanding at the end of the year	11,63,249	12.70	16,44,675	21.61
Options vested but not exercised at the end of the year	4,36,039	30.55	6,04,090	45.81

\* including 4085 (March 2013: Nil) options forfeited/lapsed out of the options granted during the year

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### d) Information in respect of options outstanding:

Grant date/Exercise price	March 2014		March 2013	
	No. of stock options	Weighted average remaining life	No. of stock options	Weighted average remaining life
Scheme 2005:				
24th July, 2007 at Rs.42.20	-	-	82,985	12 months
25th March, 2008 at Rs.60.80	-	-	1,99,915	11 months
18th September, 2008 at Rs.46.60	2,79,150	5 months	3,84,680	17 months
(a)	2,79,150		6,67,580	
Scheme 2010:				
7th February, 2011 at Rs.2.00	6,34,749	18 months	7,90,985	27 months
25th January, 2012 at Rs.2.00	1,35,810	26 months	1,86,110	31 months
22nd July, 2013 at Rs.2.00	48,130	34 months	-	-
21st October, 2013 at Rs.2.00 #	65,410	37 months	-	-
(b)	8,84,099		9,77,095	
<b>Total</b>	<b>(a+b)</b>	<b>11,63,249</b>	<b>16,44,675</b>	

# net of 4085 options forfeited/lapsed out of the options granted during the year

### e) 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.)
25-Apr-2013	228.46
16-May-2013	251.69
20-Jun-2013	266.69
19-Jul-2013	251.01
20-Aug-2013	240.09
21-Aug-2013	234.40
23-Sep-2013	258.45
17-Oct-2013	270.36
22-Nov-2013	293.20
16-Dec-2013	303.71
17-Jan-2014	277.86
19-Feb-2014	254.59
21-Mar-2014	257.16
25-Mar-2014	253.40

### f) 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. Employee stock compensation cost is amortized over the vesting period.

### g) Fair value of options

The fair value of options used to compute proforma net profit and earnings per share in note 31(h) 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:



# Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

## Grants covered under Scheme 2005

Variables	7-Dec-2005	24-Jul-2007	25-Mar-2008	18-Sep-2008
1) Risk free interest rate	5.8% to 6.6%	8.17%	7.31%	8.20%
2) Expected life	2.5 - 5 years	4.17 years	4.17 years	4.18 years
3) Expected volatility	0.50%	43.69%	43.61%	43.66%
4) Dividend yield	5%	1.59%	1.59%	1.64%
5) Price of the underlying share in the market at the time of option grant (Rs.)	13.11 *	46.00	63.62	50.35

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

## Grants covered under Scheme 2010

Variables	7-Feb-2011	25-Jan-2012	22-Jul-2013	21-Oct-2013
1) Risk free interest rate	7.73%	8.11%	7.61%	8.60%
2) Expected life	4.5 years	5.5 years	3.5 years	3.25 years
3) Expected volatility	42.38%	46.08%	35.53%	39.27%
3) Dividend yield	2.28%	2.11%	1.70%	1.32%
4) Price of the underlying share in the market at the time of option grant (Rs.)	138.60	133.14	212.35	272.40

## h) 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 2014	March 2013	March 2014	March 2013
Net profit after tax (Rs. in Lacs)	95,442.14	92,703.54	95,473.03	92,742.93
Weighted average number of equity shares of Rs.2/- each – Basic	56,31,84,678	53,19,49,491	56,31,84,678	53,19,49,491
Weighted Average number of equity shares of Rs.2/- each – Diluted	56,87,64,960	53,81,78,537	56,87,64,960	53,81,78,537
Basic Earnings Per Share (Rs.)	16.95	17.43	16.95	17.43
Diluted Earnings Per Share # (Rs.)	16.78	17.23	16.79	17.23

# Dilution in Earnings per share is on account of 52,39,841 equity shares (March 2013 : 57,44,785 equity shares 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 as compared to intrinsic value method is lower by Rs.30.89 Lacs (March 2013: Rs. 39.39 Lacs).

### Note 32 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. As per the practice consistently followed, the Company has also made additional provision on a prudential basis. The cumulative additional provision made by the Company as on 31st March, 2014 is Rs. 35,253.77 Lacs (March 2013: Rs. 19,692.65 Lacs).
- b. In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated 17.01.2011 issued by The Reserve Bank of India (RBI) vide its directions to all NBFC's to make a general provision of 0.25% on the Standard assets, the Company has made a provision of Rs. 2,110.00 Lacs (March 2013 : Rs. 5,165.00 Lacs, including additional / accelerated provision of Rs. 3,568.00 Lacs, refer note no. 27).

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The total amount of provision on Standard assets of Rs.11,625.00 Lacs (March 2013 : Rs. 9,515.00 Lacs) is shown separately as "Contingent provision for Standard assets" under Long-term and Short-term provisions in the balance sheet (refer note no. 5 and 9). The said amount includes additional / accelerated provision of 0.15% for Rs.4,370.00 Lacs as at 31st March, 2014 (March 2013 : Rs.3,568.00 Lacs).

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.

### Note 33

MRHFL has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognizing Non-performing assets in preparation of accounts.

### Classification of loans are given below:

	Rs in Lacs			
	Standard assets	Sub standard assets	Bad and doubtful assets	Total
<b>As at 31st March, 2014</b>				
Housing loans	1,29,200.71	4,923.87	1,372.19	1,35,496.77
Other loans	227.74	-	-	227.74
Percentage to total loans	95.36%	3.63%	1.01%	100.00%
<b>As at 31st March, 2013</b>				
Housing loans	85,895.40	1,368.94	682.24	87,946.58
Other loans	21.85	-	-	21.85
Percentage to total loans	97.67%	1.56%	0.78%	100.00%

### Note 34

MRHFL has made adequate provision on Non Performing Assets as prescribed under Housing Finance Companies (NHB) Directions, 2010. The company also makes additional provision on prudential basis. The cumulative additional

provision made by the company as on 31st March 2014 is Rs. 140.91 Lacs (previous year Rs. 33.94 Lacs).

In line with notification no.NHB.HFC.DIR.3/CMD/2011 issue by National Housing Bank, MRHFL has made a provision @ 0.40 % on outstanding Standard Assets.

	Rs. in Lacs			
	Standard	Sub Standard	Doubtful	Loss
Provisions made :				
<b>As at 31st March, 2014</b>				
Housing loans	516.90	857.61	397.04	152.33
Other loans	0.92	-	-	-
<b>As at 31st March, 2013</b>				
Housing loans	343.60	230.89	135.40	203.54
Other loans	0.09	-	-	-

### Note 35

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 amount to Special Reserve in terms of 36(1)(viii) of the Income Tax Act, 1961 and section 29C of the

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

National Housing Bank Act, 1987, as amended, at the year end. MRHFL does not anticipate any withdrawal from Special Reserve in foreseeable future.

### Note 36

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

### Note 39 Employee Benefits:

**Defined benefit plans – as per actuarial valuation:**

**Leave Benefits (Non-funded):**

Defined Benefit Plans - As per actuarial valuation on 31st March, 2014

	Rs. in Lacs	
	March 2014	March 2013
I. Expense recognised in the Statement of Profit and Loss for the year ended 31st March		
Current service cost	1,060.34	526.67
Interest cost	171.65	36.11
Expected return on plan assets	-	-
Actuarial (Gains)/Losses	(812.68)	205.42
<b>Total expense</b>	<b>419.30</b>	<b>768.20</b>
II. Net asset/(liability) recognised in the Balance Sheet as at 31st March		
Present Value of Defined Benefit obligation as at 31st March	1,194.65	950.53
Fair value of plan assets as at 31st March	-	-
Funded status (Surplus/(Deficit))	(1,194.65)	(950.53)
<b>Net asset/(liability) as at 31st March</b>	<b>(1,194.65)</b>	<b>(950.53)</b>
III. Change in the obligations during the year ended 31st March		
Present Value of Defined Benefit obligation at the beginning of the year	950.53	282.84
Current service cost	1,060.34	526.67
Interest cost	171.65	36.11
Actuarial (Gains)/Losses	(812.68)	214.02
Benefits paid	(175.19)	(109.11)
<b>Present Value of Defined Benefit obligation at the end of the period</b>	<b>1,194.65</b>	<b>950.53</b>
IV. Major category of plan assets as a percentage of total plan		
Funded with LIC	-	-
Others	-	-
V. Actuarial Assumptions		
Discount Rate (p.a.)	8%	8%
Rate of Salary increase (p.a.)	5%	5%
In-service Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

## Significant Accounting Policies and Notes

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### Gratuity (funded):

Defined Benefit Plans - As per actuarial valuation on 31st March, 2014

		Rs. in Lacs	
		March 2014	March 2013
I.	Expense recognised in the Statement of Profit and Loss Account for the year ended 31st March		
	Current service cost	838.04	666.65
	Interest cost	94.61	70.44
	Expected return on plan assets	(90.83)	(64.23)
	Actuarial (Gains)/Losses	(408.01)	(337.09)
	Adjustment due to change in opening balance of plan assets	(193.03)	-
	<b>Total expense</b>	<b>240.77</b>	<b>335.77</b>
II.	Net asset/(liability) recognised in the Balance Sheet as at 31st March		
	Present Value of Defined Benefit obligation as at 31st March	1,371.09	1,046.46
	Fair value of plan assets as at 31st March	1,320.08	967.88
	Funded status (Surplus/(Deficit))	(51.01)	(78.58)
	Net asset/(liability) as at 31st March	<b>(51.01)</b>	<b>(78.58)</b>
III.	Change in the obligations during the year ended 31st March		
	Present Value of Defined Benefit obligation at the beginning of the year	1,046.46	764.35
	Current service cost	838.04	666.65
	Interest cost	94.61	70.44
	Actuarial (Gains)/Losses	(488.66)	(382.33)
	Benefits paid	(119.36)	(72.65)
	Present Value of Defined Benefit obligation at the end of the period	<b>1,371.09</b>	<b>1,046.46</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	967.88	564.89
	Expected return on plan assets	90.83	64.23
	Contributions by employer	271.57	444.41
	Actuarial (Gains)/Losses	(85.00)	(33.00)
	Adjustment due to change in opening balance of Plan assets	193.03	-
	Actual Benefits paid	(118.24)	(72.65)
	Fair value of plan assets at the end of the year	<b>1,320.08</b>	<b>967.88</b>
V.	Major category of plan assets as a percentage of total plan		
	Funded with LIC	100%	100%
VI.	Actuarial Assumptions		
	Discount Rate (p.a.)	8%	8%
	Expected rate of return on plan assets (p.a.)	8%	8%
	Rate of Salary increase (p.a.)	5%	5%
	In-service Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate



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to the Consolidated financial statements for the year ended 31st March, 2014

## Experience adjustment Gratuity:

	Rs. in Lacs				
	Year ending				
	31/03/2010	31/03/2011	31/03/2012	31/03/2013	31/03/2014
Defined Benefit obligation at the end of the year	374.27	489.26	764.35	1,046.46	1,371.09
Plan assets at the end of the year	342.02	428.44	564.89	967.88	1,320.08
Funded status Surplus / (Deficit)	(32.25)	(60.82)	(199.46)	(78.58)	(51.01)
Experience adjustments on plan liabilities (gain) / loss	(43.39)	(56.66)	(112.32)	(111.33)	(65.61)
Experience adjustments on plan assets gain / (loss)	(6.69)	(8.53)	(10.77)	(18.89)	(25.00)

### Note 40 Disclosure on Derivatives :

Outstanding derivative instrument and un-hedged foreign currency exposures as on 31st March, 2014:

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of US \$ 872.71 Lacs (March 2013: US \$ 699.13 Lacs). The said loan has been fixed to INR liability using a cross currency swap and floating interest thereon in LIBOR plus rate has been swapped for fixed rate in Indian rupee. There is no un-hedged foreign currency exposure as on 31st March, 2014.

### Note 41 Securitisation / assignment transactions :

- During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 47,122 contracts (March 2013: 54374 contracts) amounting to Rs. 1,26,292.70 Lacs (March 2013: Rs. 1,43,361.38 Lacs) for a consideration of Rs.1,26,292.70 Lacs (March 2013: Rs. 1,43,361.38 Lacs) and de-recognised the assets from the books.
- During the year, the Company has without recourse assigned loan receivables of 6,490 contracts (March 2013: NIL contracts) amounting to Rs.19,850.83 Lacs (March 2013 : Rs.NIL) for a consideration of Rs.15,554.19 Lacs (March 2013 : Rs.NIL) towards 90% of receivables assigned and de-recognised the assets from the books. Out of the total receivables, an amount of Rs.1,985.08 Lacs equivalent to 10% of the receivables have been recognized as "Retained interest in assignment transactions" representing Minimum Retention Requirement (MRR) as required under revised guidelines on securitization transactions vide RBI Circular dated August 21, 2012 (refer note no. 13 and 18).

The amount of profit in cash of Rs.314.94 Lacs on this assignment transaction has been held under an accounting head "Cash profit on loan transfers under assignment transactions pending recognition" and the same is amortized in line with above referred guidelines (refer note no. 4 and 8).

- Income from assignment / securitization transactions include write back of provision for loss / expenses in respect of matured assignment transactions amounting to Rs.4,189.65 Lacs (March 2013 : Rs. 3,193.08 Lacs) considered no longer necessary (refer accounting policy 4 (vi) A (iii)).
- In terms of the accounting policy stated in 4 (vi) (B) (i) (c), securitisation income is recognized as per RBI Guidelines dated 21st August, 2012. Accordingly, interest only strip representing present value of interest spread receivable has been recognized 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).
- 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 transactions amounting to Rs.5,146.47 Lacs (March 2013 : Rs. 106.98 Lacs).
- Disclosures in the notes to the accounts in respect of securitisation transactions as required under revised guidelines on securitization transactions issued by RBI vide circular no.DNBS.PD.No.301/3.10.01/2013-13 dated August 21, 2012.

## Significant Accounting Policies and Notes

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Applicable for transactions effected after the date of circular:

Sr. No.	Particulars	March 2014	March 2013
1	No of SPVs sponsored by the NBFC for securitization transactions	8	5
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,92,645.41	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))	4,782.00	2,922.00
	b) On-balance sheet exposures		
	* First loss - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	18,040.00	7,293.00
	* Others - Retained interest in Pass Through Certificates (refer note no.13 and 18)	2,213.95	3,844.37
4	Amount of exposures to securitization transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitizations		
	* First loss	-	-
	ii) Exposure to third party securitizations		
	* First loss	-	-
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitizations		
	* First loss	-	-
	* Others - Cash collateral term deposits with banks (refer note no.17 (a) (ii))	2,156.00	1,856.00
	ii) Exposure to third party securitizations		
	* First loss	-	-
	* Others	-	-

### Note 42

There were 77 cases (March 2013: 28 cases) of frauds amounting to Rs. 560.32 Lacs (March 2013 : Rs 450.31 Lacs) reported during the year. The Company has recovered an amount of Rs. 46.38 Lacs (March 2013 : Rs 31.53 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.

### Note 43

The gold loans outstanding as a percentage of total assets is at 0.03% (March 2013: 0.05%)

### Note 44

Related Party Disclosure as per Accounting Standard 18:

# Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

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

<b>Holding Company</b>	:	Mahindra and Mahindra Limited
<b>Fellow subsidiary Companies</b>	:	Mahindra Trucks & Buses Ltd. (merged with Mahindra & Mahindra Ltd. w.e.f. April 01, 2013) Mahindra USA, Inc. Mahindra Holidays and Resorts India Ltd. Bristlecone India Limited Mahindra Yueda (Yancheng) Tractor Co.Ltd. NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra Construction Company Ltd. Mahindra Two Wheelers Ltd.
<b>Key Management Personnel</b>	:	Mahindra First Choice Services Ltd. Mr. Ramesh Iyer (Managing Director)
<b>Relatives of Key Management Personnel</b>	:	Ms Janaki Iyer Ms Ramlaxmi Iyer Mr. Risheek Iyer

## B) Related Party transactions are as under:

Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	Key Management Personnel	
1	Income				
		Loan income	-	1.79	-
			-	(10.51)	-
		Subvention income [Note (iii)]	2,322.68	-	-
		(1,048.52)	(431.58)	-	
	Other income	812.85	54.11	-	
		(691.66)	(10.18)	-	
2	Expenses				
		Interest	339.45	-	18.09
			(334.41)	-	(16.75)
		Other Expenses	1,414.56	168.99	-
		(1,422.08)	(58.66)	-	
	Remuneration to Key Management Personnel	-	-	274.80	
		-	-	(235.02)	
3	Purchase of Fixed Assets	524.84	9.51	-	
		(213.36)	-	-	
4	Finance				
		Fixed deposits	-	-	207.50
			-	-	(168.00)
		Fixed deposits matured	-	-	187.50
		-	-	-	
	Dividend paid – for previous year	10,483.48	-	18.99	
		(8,153.81)	-	(15.11)	

## Significant Accounting Policies and Notes

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Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	Key Management Personnel
	Inter corporate deposits taken	50,000.00	-	-
		(50,000.00)	-	-
	Inter corporate deposits repaid	50,000.00	-	-
		(50,000.00)	-	-
	Inter corporate deposits given	-	-	-
		-	(2,000.00)	-
	Inter corporate deposits refunded	-	2,000.00	-
		-	-	-
<b>5</b>	<b>Other transactions</b>			
	Reimbursement from parties	112.54	-	-
		-	-	-
	Reimbursement to parties	-	113.75	-
		-	-	-
<b>6</b>	<b>Balances at the year end</b>			
	Receivables [Note (iii)]	437.39	1,091.74	-
		(101.84)	(3,289.26)	-
	Loans given (including interest accrued but not due) [Note (ii)]	-	334.33	-
		-	(334.33)	-
	Inter Corporate Deposits given (including interest accrued but not due) [Note (ii)]	-	113.38	-
		-	(2,122.01)	-
	Payables	-	107.79	-
		-	(66.33)	-
	Fixed deposits held (including interest accrued but not due)	-	-	214.79
		-	-	(195.24)

Notes:

- Figures in bracket represent corresponding figures of previous year.
- An amount of Rs. 113.38 lacs of inter corporate deposits and Rs 334.33 lacs of loan given to Mahindra Construction Company Ltd. is provided as Non Performing Asset in the books of account.
- Mahindra Trucks and Buses Ltd is merged with Mahindra & Mahindra Ltd. (holding company) w.e.f. April 01, 2013. However, transactions in the form of subvention income of the previous year amounting to Rs. 431.52 lacs and balance receivable as at 31st March, 2013 amounting to Rs 380.15 lacs is disclosed in the column pertaining to fellow subsidiary companies.

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

Nature of transactions		Rs. in Lacs		
		Holding Company	Fellow subsidiary Companies	Key Management Personnel
<b>Income</b>				
<i>Revenue from operations</i>				
Subvention income	Mahindra and Mahindra Limited	2,322.68 (1,048.52)	-	-
<b>Other income</b>				
Manpower supply income	Mahindra and Mahindra Limited	811.83 (691.66)	-	-
<b>Expenses</b>				
<i>Interest</i>				
Interest expense on inter corporate deposits and nonconvertible debentures	Mahindra and Mahindra Limited	339.45 (334.41)	-	-
<i>Purchase of fixed assets</i>				
	Mahindra and Mahindra Limited	524.84 (213.36)	-	-
<i>Finance</i>				
Fixed deposits	Ramesh Iyer	-	-	44.50 (25.00)
	Janaki Iyer	-	-	153.00 (133.00)
Fixed deposits matured	Ramesh Iyer	-	-	44.50
	Janaki Iyer	-	-	133.00
Dividend paid - for previous year	Mahindra and Mahindra Limited	10,483.48 (8,153.81)	-	-
Inter corporate deposits taken	Mahindra and Mahindra Limited	-	113.38 (113.38)	-
Inter corporate deposits repaid	Mahindra and Mahindra Limited	-	334.33 (334.33)	-
Inter corporate deposits given	Mahindra Two Wheelers Limited	-	-	-
Inter corporate deposits refunded	Mahindra Two Wheelers Limited	-	(2,000.00)	2,000.00
<i>Balances at the year end</i>				
Receivables	Mahindra Holidays & Resorts India Limited	-	1,091.74	-
	Mahindra & Mahindra Limited	437.39 (101.84)	-	-
Inter Corporate Deposits given (including interest accrued but not due)	Mahindra Construction Company Limited	-	113.38 (113.38)	-
Loans given (including interest accrued but not due)	Mahindra Construction Company Limited	-	334.33 (334.33)	-

Figures in bracket represent corresponding figures of previous year.



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		Rs. in Lacs	
		March 2014	March 2013
<b>Note 45</b>	<b>Contingent liabilities and commitments (to the extent not provided for)</b>		
<b>Contingent liabilities</b>			
a)	Demands against the Company not acknowledged as debts -		
	Income tax	7,476.70	5,472.52
	Value Added Tax (VAT)	60.92	-
b)	Corporate guarantees towards assignment transactions	55,631.29	71,572.12
c)	Credit enhancement in terms of corporate guarantee for securitization transactions (refer note no. 41 (f))	4,782.00	2,922.00
d)	Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	2,755.55	2,036.07
		<b>70,706.46</b>	<b>82,002.71</b>
<b>Commitments</b>			
a)	Estimated amount of contracts remaining to be executed on capital account	445.74	624.91
b)	Uncalled liability on shares and other investments partly paid (On 1,75,20,003 partly paid equity shares of Mahindra Rural Housing Finance Ltd. @ Rs. 12.50/- per share)	2,190.00	-
		<b>2,635.74</b>	<b>624.91</b>
<b>Total</b>		<b>73,342.20</b>	<b>82,627.62</b>

		Rs. in Lacs			
		March 2013	Additional Provisions	Utilizations/ reversals	March 2014
<b>Note 46</b>	<b>Changes in provisions</b>				
	Provision for Standard assets	9,858.69	2,284.13	-	12,142.82
	Provision for Non-performing assets	39,736.94	41,956.51	16,503.21	65,190.23

### Note 47 Secured long-term borrowings:

#### i) Secured non-convertible debentures

As on 31st March, 2014

		Rs. in Lacs			
		Rate range	(a) Non-current	(b) Current	Total
<b>1) Repayable on maturity:</b>					
	Maturity between 3 years to 5 years	9.25% - 10.25%	44,550.00	-	44,550.00
	Maturity between 1 year to 3 years	9.00% - 10.20%	2,52,470.00	-	2,52,470.00
	Maturity within 1 year	9.04% - 10.25%	-	1,69,020.00	1,69,020.00
<b>Total</b>			<b>2,97,020.00</b>	<b>1,69,020.00</b>	<b>4,66,040.00</b>
<b>2) Repayable in installments:</b>					
Yearly installments -					
	Maturity between 1 year to 3 years	9.95%	24,500.00	-	24,500.00
	Maturity within 1 year	9.95% - 13.00%	-	14,500.00	14,500.00
<b>Total</b>			<b>24,500.00</b>	<b>14,500.00</b>	<b>39,000.00</b>
<b>Total (1+2)</b>			<b>3,21,520.00</b>	<b>1,83,520.00</b>	<b>5,05,040.00</b>

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As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs Total
<b>1) Repayable on maturity:</b>				
Maturity beyond 5 years	9.34% - 9.43%	7,350.00	-	7,350.00
Maturity between 3 years to 5 years	9.25% - 9.45%	5,100.00	-	5,100.00
Maturity between 1 year to 3 years	9.23% - 10.25%	2,62,510.00	-	2,62,510.00
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>				
Yearly installments -				
Maturity beyond 3 years	9.95% - 13.00%	25,000.00	-	25,000.00
Maturity between 1 year to 3 years	9.95%	14,000.00	-	14,000.00
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>

## ii) Secured term loans from banks

As on 31st March, 2014

	Rate range	(a) Non current	(b) Current	Total
<b>1) Repayable on maturity:</b>				
Maturing between 3 years to 5 years	10.20% - 10.25%	73,500.00	-	73,500.00
Maturing between 1 year to 3 years	9.70% - 10.40%	2,94,000.00	-	2,94,000.00
Maturing within 1 year	7.75% - 10.35%	-	62,500.00	62,500.00
<b>Total</b>		<b>3,67,500.00</b>	<b>62,500.00</b>	<b>4,30,000.00</b>
<b>2) Repayable in installments:</b>				
<b>i) Bi-monthly</b>				
Maturing between 1 year to 3 years	10.25%	6,200.00	-	6,200.00
Maturing within 1 year	-	-	-	-
<b>Total</b>		<b>6,200.00</b>	<b>-</b>	<b>6,200.00</b>
<b>ii) Quarterly</b>				
Maturing between 3 years to 5 years	10.00%	27,445.87	-	27,445.87
Maturing between 1 year to 3 years	10.00% - 10.50%	54,972.18	-	54,972.18
Maturing within 1 year	10.00% - 10.25%	-	49,167.42	49,167.42
<b>Total</b>		<b>82,418.04</b>	<b>49,167.42</b>	<b>1,31,585.47</b>
<b>iii) Half yearly</b>				
Maturing beyond 3 years	10.25%	85,233.33	-	85,233.33
Maturing between 1 year to 3 years	10.20% - 10.25%	3,30,533.34	-	3,30,533.33
Maturing within 1 year	10.20% - 10.25%	-	1,45,533.33	1,45,533.33
<b>Total</b>		<b>4,15,766.67</b>	<b>1,45,533.33</b>	<b>5,61,300.00</b>

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### ii) Secured term loans from banks

As on 31st March, 2014

	Rate range	(a) Non current	(b) Current	Total
<b>iv) Yearly</b>				
Maturing between 3 years to 5 years	10.20% - 10.25%	81,666.66	-	81,666.66
Maturing between 1 year to 3 years	10.20% - 10.25%	73,333.33	-	73,333.33
Maturing within 1 year	9.25% - 10.25%	-	55,000.00	55,000.00
<b>Total</b>		<b>1,54,999.99</b>	<b>55,000.00</b>	<b>2,09,999.99</b>
<b>Total for repayable in installments</b>		<b>6,59,384.70</b>	<b>2,49,700.76</b>	<b>9,09,085.46</b>
<b>Total (1+2)</b>		<b>10,26,884.70</b>	<b>3,12,200.76</b>	<b>13,39,085.46</b>

As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current maturity	Total
<b>1) Repayable on maturity:</b>				
Maturity beyond 3 years	10.15% - 10.35%	49,000.00	-	49,000.00
Maturity between 1 year to 3 years	7.75% - 10.35%	1,75,000.00	-	1,75,000.00
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>				
Maturity beyond 3 years	7% - 10.30%	2,710.53	-	2,710.53
Maturity between 1 year to 3 years	6% - 10.30%	62,933.22	-	62,933.22
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>				
Maturity beyond 3 years	10.25%	94,400.00	-	94,400.00
Maturity between 1 year to 3 years	10.20% - 10.25%	2,71,400.00	-	2,71,400.00
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>				
Maturity between 1 year to 3 years	9.25% - 10.25%	90,000.00	-	90,000.00
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>5,21,443.75</b>	<b>1,13,244.28</b>	<b>6,34,688.03</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 31st March, 2014

### iii) Secured term loans from others:

As on 31st March, 2014

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current maturity	Total
1	Repayable on installments:			
	Maturity beyond 5 years	9.45% - 10.25%	3,579.68	-
	Maturity between 3 years to 5 years	6.5% - 10.25%	8,554.79	8,554.79
	Maturity between 1 year to 3 years	6% - 10.30%	11,409.66	11,409.66
	Maturity within 1 year	6% - 10.30%	-	6,219.68
	<b>Total for repayable on installments</b>	<b>23,544.13</b>	<b>6,219.68</b>	<b>29,763.81</b>

As on 31st March, 2013

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current maturity	Total
1	Repayable on installments:			
	Maturity beyond 5 years	7% - 10.30%	3,130.11	-
	Maturity between 3 years to 5 years	6% - 10.25%	6,751.15	6,751.15
	Maturity between 1 year to 3 years	6% - 10.30%	8,893.23	8,893.23
	Maturity within 1 year	6% - 10.30%	-	4,487.68
	<b>Total for repayable on installments</b>	<b>18,774.49</b>	<b>4,487.68</b>	<b>23,262.17</b>

### iv) Foreign currency loans from banks

As on 31st March, 2014

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current maturity	Total
1	Repayable on installments:			
	Maturity between 1 year to 3 years	9.05% - 9.98%	40,305.51	-
	Maturity within 1 year	9.60%	-	11,983.00
	<b>Total</b>	<b>40,305.51</b>	<b>11,983.00</b>	<b>52,288.51</b>

As on 31st March, 2013

				Rs. in Lacs
	Rate range	(a) Non-current	(b) Current maturity	Total
1	Repayable on installments:			
	Maturity between 1 year to 3 years	9.05% - 9.98%	27,142.50	10,809.57
	<b>Total</b>	<b>27,142.50</b>	<b>10,809.57</b>	<b>37,952.07</b>

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### v) Foreign currency loans from others

As on 31st March, 2014

	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs Total
<b>1 Repayable on installments:</b>				
Maturity beyond 5 years	1.99% - 3.17%	2,980.32	-	2,980.32
Maturity between 3 years to 5 years	1.99% - 3.17%	13,942.47	-	13,942.47
Maturity between 1 year to 3 years	1.99% - 3.17%	31,626.30	-	31,626.30
Maturity within 1 year	1.99% - 3.17%	-	22,539.68	22,539.68
<b>Total</b>		<b>48,549.09</b>	<b>22,539.68</b>	<b>71,088.77</b>

As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs Total
<b>1 Repayable on installments:</b>				
Maturity beyond 5 years	2.07% - 3.17%	1,200.37	-	1,200.37
Maturity between 3 years to 5 years	2.07% - 3.17%	7,579.31	-	7,579.31
Maturity between 1 year to 3 years	2.07% - 3.17%	15,976.80	-	15,976.80
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>

### Note 48 Unsecured borrowings:

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

As on 31st March, 2014

	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs Total
Repayable on maturity:				
Maturing beyond 5 years	9.50% - 10.50%	71,550.00	-	71,550.00
Maturing between 3 years to 5 years	10.50% - 12.00%	7,860.00	-	7,860.00
<b>Total</b>		<b>79,410.00</b>	<b>-</b>	<b>79,410.00</b>

As on 31st March, 2013

	Rate range	(a) Non-current	(b) Current maturity	Rs. in Lacs Total
Repayable on maturity:				
Maturing beyond 5 years	9.80% - 11.75%	52,530.00	-	52,530.00
Maturing between 3 years to 5 years	10.50% - 12.00%	6,880.00	-	6,880.00
	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>



## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### ii) Term loan from banks

As on 31st March, 2014

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

As on 31st March, 2013 - NIL

### iii) Fixed deposits

As on 31st March, 2014

	Rate range	(a) Short-Term	Long-term		Total	Rs. in Lacs
			(b) Non-current	(c) Current		
Maturing beyond 3 years	9.4% - 10.25%	-	4,608.37	-	4,608.37	
Maturing between 1 year to 3 years	8.65% - 10.75%	-	2,70,554.77	-	2,70,554.77	
Maturing within 1 year	8.65% - 10.75%	5,931.15	-	76,425.51	82,356.66	
<b>TOTAL</b>		<b>5,931.15</b>	<b>2,75,163.14</b>	<b>76,425.51</b>	<b>3,57,519.80</b>	

As on 31st March, 2013

	Rate range	(a) Short-Term	Long-term		Total	Rs. in Lacs
			(b) Non-current	(c) Current		
Maturing beyond 3 years	8.65% - 10.75%	-	1,16,827.59	-	1,16,827.59	
Maturing between 1 year to 3 years	8.65% - 10.75%	-	75,225.60	-	75,225.60	
Maturing 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>	

#### Note 49 Short – term borrowings

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

As on 31st March, 2014

	Rate range	Rs. in Lacs	
		Amount	
Repayable on maturity:			
Maturing within 1 year	10.50% - 14%	1,14,232.21	
<b>Total</b>		<b>1,14,232.21</b>	

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

As on 31st March, 2013

	Rate range	Rs. in Lacs Amount
Repayable on maturity:		
Maturing within 1 year	9.20% - 13.65%	1,17,027.03
<b>Total</b>		<b>1,17,027.03</b>

### ii) Foreign currency loans from others (secured)

As on 31st March, 2014

	Rate range	Rs. in Lacs Amount
Repayable on maturity:		
Maturing within 1 year	0.63%	28,664.24
<b>Total</b>		<b>28,664.24</b>

As on 31st March, 2013

	Rate range	Rs. in Lacs Amount
Repayable on maturity:		
Maturing within 1 year	0.71%	30,782.02
<b>Total</b>		<b>30,782.02</b>

### iii) Unsecured term loans from banks

As on 31st March, 2014

	Rate range	Rs. in Lacs Amount
Repayable on maturity:		
Maturing within 1 year	9.75%	2,200.00
<b>Total</b>		<b>2,200.00</b>

As on 31st March, 2013 : Nil

### iv) Commercial papers

As on 31st March, 2014: NIL

As on 31st March, 2013

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

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### Note 50

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.

### Note 51 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.

#### Segment report for the year ended 31st March, 2014:

	Rs. in Lacs					
	Year ended 31st March, 2014			Year ended 31st March, 2013		
	Financing activities	Other reconciling items	Total	Financing activities	Other reconciling items	Total
External revenue	5,20,167.77	9,887.51	5,30,055.28	4,03,237.91	8,058.23	4,11,296.14
Inter segment revenue	1,377.80	18,067.13	19,444.93	3,124.40	14,770.11	17,894.51
<b>Total revenue</b>	<b>5,21,545.57</b>	<b>27,954.64</b>	<b>5,49,500.21</b>	<b>4,06,362.31</b>	<b>22,828.34</b>	<b>4,29,190.65</b>
Segment results (Profit before tax and after interest on financing segment)	1,39,338.73	6,928.56	1,46,267.29	1,29,891.57	5,548.50	1,35,440.07
Less: Interest on unallocated reconciling items	-	114.54	114.54	-	174.26	174.26
Net Profit before tax	1,39,338.73	6,814.02	1,46,152.75	1,29,891.57	5,374.24	1,35,265.81
Less: Income tax	-	-	49,675.33	-	-	42,375.08
Net profit	-	-	96,477.42	-	-	92,890.73
<b>Other information:</b>						
Segment assets	33,64,910.73	2,098.08	33,67,008.81	26,71,894.61	2,688.26	26,74,582.87
Unallocated corporate assets	-	-	38,740.65	-	-	32,496.24
<b>Total assets</b>	<b>33,64,910.73</b>	<b>2,098.08</b>	<b>34,05,749.46</b>	<b>26,71,894.61</b>	<b>2,688.26</b>	<b>2,707,079.11</b>
Segment liabilities	28,46,319.65	1,254.64	28,47,574.29	22,45,088.86	1,667.53	2,246,756.39
Unallocated corporate liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>28,46,319.65</b>	<b>1,254.64</b>	<b>28,47,574.29</b>	<b>2,245,088.86</b>	<b>1,667.53</b>	<b>2,246,756.39</b>
Capital expenditure	4,279.71	46.59	4,326.30	3,501.15	72.91	3,574.06
Depreciation / amortisation	2,572.84	35.21	2,608.05	2,332.59	33.31	2,365.90
Non cash expenditure other than depreciation	28,060.24	2.30	28,062.54	11,911.24	2.05	11,913.29

## Significant Accounting Policies and Notes

to the Consolidated financial statements for the year ended 31st March, 2014

### Note 52

During the current financial year, the Company has incorporated Mahindra Trustee Company Private Limited (MTCPL) and has proposed to subscribe 49,998 equity shares of Rs. 10/- each amounting to Rs. 4.99 lacs being 99.99% of the shareholding as a promoter shareholder. However, the Company has not made any investment during the year in MTCPL.

### Note 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

**Bharat Doshi**  
Chairman

**Dhananjay Mungale**  
Director

**M. G. Bhide**  
Director

**V Ravi**  
Chief Financial Officer

**Naresh Kumar Kataria**  
Partner  
Membership No. 37825

**Ramesh Iyer**  
Managing Director

**Pawan Goenka**  
Director

**Rama Bijapurkar**  
Director

**Arnavaz Pardiwala**  
Company Secretary

**Piyush Mankad**  
Director

**Uday Y. Phadke**  
Director

Place: Mumbai

Date: 23rd April, 2014

## Details of Subsidiary Companies

- 1) Mahindra Insurance Brokers Limited (MIBL)
- 2) Mahindra Rural Housing Finance Limited (MRHFL)
- 3) Mahindra Business & Consulting Services Private Limited (MBCSPL)
- 4) Mahindra Asset Management Company Private Limited (MAMCL)
- 5) Mahindra Trustee Company Private Limited (MTCPL)\*

Sr. No.	Particulars	Rs. in Lacs				
		MIBL	MRHFL	MBCSPL	MAMCL	MTCPL*
a	Capital	257.73	5,572.57	1.00	5.00	-
b	Reserves	13,035.34	6,579.42	529.86	(0.49)	-
c	Total Assets	14,506.36	1,37,764.06	1,837.54	4.68	-
d	Total Liabilities	14,506.36	1,37,764.06	1,837.54	4.68	-
e	Details of Investments (except in case of investment in subsidiaries)	2,700.00	-	-	-	-
f	Turnover	11,117.53	21,243.53	16,842.60	-	-
g	Profit before taxation	6,376.32	3,680.21	438.18	(0.49)	-
h	Provision for taxation	2,176.66	972.36	156.62	-	-
i	Profit after taxation	4,199.66	2,707.85	281.56	(0.49)	-
j	Proposed dividend & tax thereon	301.53	717.16	-	-	-

\*MTCPL was incorporated as a subsidiary of the Company. The Company has agreed to subscribe to 49,998 equity shares of Rs. 10/- each of MTCPL constituting 99.99% of the equity share capital of MTCPL. The investment is yet to be made by the Company. The first financial year of MTCPL would be from 10th July, 2013 to 30th June, 2014.

## Awards

Mahindra & Mahindra Financial Services Limited won the prestigious **Golden Peacock Award 2013 for Excellence in Corporate Governance.**





## **Mahindra** FINANCE

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

CIN: L65921MH1991PLC059642

[www.mahindrafinance.com](http://www.mahindrafinance.com)

*This Annual Report is printed on environment friendly paper.*

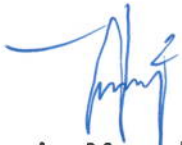


## FORM A

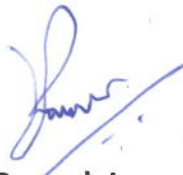
Covering letter of the Annual Audit Report for the Financial Year 2013-14 to be filed with the Stock Exchange pursuant to Clause 31(a) of the Listing Agreement

1	Name of the Company	Mahindra & Mahindra Financial Services Limited
2	Annual financial statements for the year ended	31 <sup>st</sup> March, 2014
3	Type of Audit observation	Un-qualified
4	Frequency of observation	Repetitive

For Mahindra & Mahindra Financial Services Limited



Dhnanjay Mungale  
Audit Committee Chairman

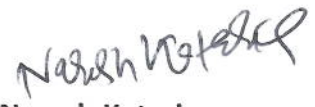


Ramesh Iyer  
Managing Director



V.Ravi  
Chief Financial Officer

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



Naresh Kataria  
Partner

M. No. 37825

Date: 23<sup>rd</sup> April, 2014

