

MODEL BUSINESS

Large
Opportunity



Strong
Fundamentals



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We have been successful over the years because of our ability to anticipate market needs and business trends and responded with the right combination of products and partnerships. We believe that to be successful, we must consistently perform and deliver results responsibly.

We are well positioned to deliver profitable growth – and continue our vision of improving lives across the rural and semi-urban landscape of India.



A consistent focus on our customers leads us to create tailor-made solutions and match their aspirations



Empowering Rural India by providing affordable finance for a variety of needs



Cultivating long-term relationships across the ecosystem, from OEMs to Financial Institutions



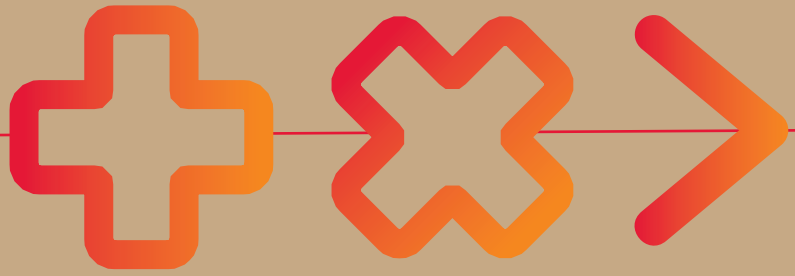
Leveraging reach and technology to ensure efficient service delivery and deeper market presence



Growing our people strength and enhancing the competencies of our team in line with our vision and growth agenda

A business model is more than a mere representation of operations. It is the culmination of an idea and the blueprint of how that idea is put into motion. If successful, a business model represents the outcome of hope, courage, entrepreneurship and dogged determination. The real challenge for a business model comes when it is tested against adversity. When an organisation and its approach sustain through the challenges of volatile and uncertain business cycles, and still deliver for their stakeholders, they can be safely called a Model Business!





Over two decades ago, long before the word 'business model' came to be commonplace, Mahindra Finance embarked on a journey to empower rural lives through making affordable credit available. It was an audacious exercise then, and on many counts, remains one till date. However, the distance covered in these years is significant. Today, we are present in over 2.8 lacs villages across the length and breadth of India. We have over four million customers whom we have helped with financial freedom and credit to pursue their dreams.

Like any business, ours is not devoid of risks and challenges. Two years of insufficient monsoons and a gradually recovering economy means that sentiments will take time to improve. It also means that credit offtake will be muted and the recovery will be gradual. For a company like Mahindra Finance, this is the time to reinforce our faith and confidence in the opportunities

that Rural India offers, as it is to remain committed to our business model. It is also time to ensure that customers and their interests remain at the heart of what we do. 2015-16 was a year that tested our business. And our resolve.

However, we continued growing and resourcing our business. We nurtured relationships with stakeholders

across the board. We continued to enrich our offerings to ensure that we are aligned to the specific needs of our customers, and have their interest in mind. We continued to invest in talent and growing our presence. And reaching farther and deeper into Rural India, where we believe the largest opportunity lies.

**WE ARE A
BUSINESS
DRIVEN BY A
LARGE
OPPORTUNITY.
AND ROBUST
FUNDAMENTALS.
SOME MAY CALL
IT A MODEL
BUSINESS.**

Transforming Rural Lives





**Rs. 26,706
crores**

Estimated Value of assets
financed in 2015-16

**Rs. 40,933
crores**

Total Assets under
Management (AUM) as on
March 31, 2016

At Mahindra & Mahindra Financial Services Limited (MMFSL), our overarching objective has always been to help transform semi-urban and rural India by making affordable credit available to those in need. We began our journey with a strong set of values, a distinguished lineage and a group of dynamic and highly motivated individuals. Over the last two decades, we have partnered many aspirations in the remote corners of India and empowered people from grassroots. Our socially inclusive business model facilitates loans to customers not on the basis of their current financial status, but their future earning capacity. Today, as one of India's leading non-banking finance companies, we are proud to have touched over 4 million lives.

Mahindra Finance is a subsidiary of the Indian conglomerate Mahindra & Mahindra (M&M). We are a leading Non-Banking Financial Company (NBFC) which serves the financing needs of a huge population residing in rural and semi-urban areas of India. We provide a wide range of retail products and services, such as financing vehicles for commercial and personal use, tractors, SME loans, and many other financial products.

Through Mahindra Rural Housing Finance Limited (MHRFL) – our housing finance subsidiary, we are playing our role in helping many low and middle income households build their own home. We also provide Mutual Fund Distribution, Fixed Deposit Schemes and Personal Loans. Our subsidiary, Mahindra Insurance Brokers Limited, is in the business of distributing life and non-life insurance products through tie-ups with various leading insurance companies.

'Mahindra Mutual Fund' has recently received license to operate Mutual Fund Schemes.

Vision

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

Mission

To transform rural lives and drive positive change in the communities.

Core Values

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

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

Financial Performance

FINANCIAL HIGHLIGHTS

Total Income (Rs. in Lacs)

15-16	5,90,510
14-15	5,58,471
13-14	4,95,300
12-13	3,89,470
11-12	2,79,459

Reserves & Surplus (Rs. in Lacs)

15-16	5,97,519
14-15	5,55,658
13-14	4,98,151
12-13	4,34,197
11-12	2,84,832

Total Assets (Rs. in Lacs)

15-16	39,57,948
14-15	35,07,415
13-14	31,66,572
12-13	25,49,242
11-12	18,56,156

Networth (Rs. in Lacs)

15-16	6,08,811
14-15	5,66,941
13-14	5,09,422
12-13	4,45,458
11-12	2,95,101

OPERATIONAL HIGHLIGHTS

Number of Contracts

15-16	41,56,944
14-15	36,34,688
13-14	31,19,034
12-13	25,57,172
11-12	20,24,038

Estimated Value of Assets Financed (Rs. in Lacs)

15-16	26,70,633
14-15	24,33,110
13-14	25,40,002
12-13	23,83,858
11-12	19,50,433

Profit Before Tax (Rs. in Lacs)

15-16	1,03,818
14-15	1,25,364
13-14	1,34,577
12-13	1,27,920
11-12	92,526

Profit After Tax (Rs. in Lacs)

15-16	67,260
14-15	83,178
13-14	88,723
12-13	88,269
11-12	62,012

EPS (Basic) (Rs.)

15-16	11.92
14-15	14.75
13-14	15.75
12-13	16.59
11-12	12.09

Dividend (%)

15-16	200
14-15	200
13-14	190
12-13	180
11-12	140

Number of Offices

15-16	1,167
14-15	1,108
13-14	893
12-13	657
11-12	607

Number of Employees Engaged

15-16	15,821
14-15	14,197
13-14	12,816
12-13	11,270
11-12	9,715

Enriched Portfolio

At Mahindra Finance, we are consistently rolling out new products, foraying into new markets and business segments and empowering people as an agent of positive change.



Vehicle Financing

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

Pre-Owned Vehicle Financing

- ◆ Cars
- ◆ Multi-utility Vehicles
- ◆ Tractors
- ◆ Commercial Vehicles

SME Financing

- ◆ Project Finance
- ◆ Equipment Finance
- ◆ Working Capital Finance

Housing Finance *

- ◆ New House
- ◆ House renovation and improvements

* Through our subsidiary Mahindra Rural Housing Finance Limited

Personal Loan

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

Insurance Broking *

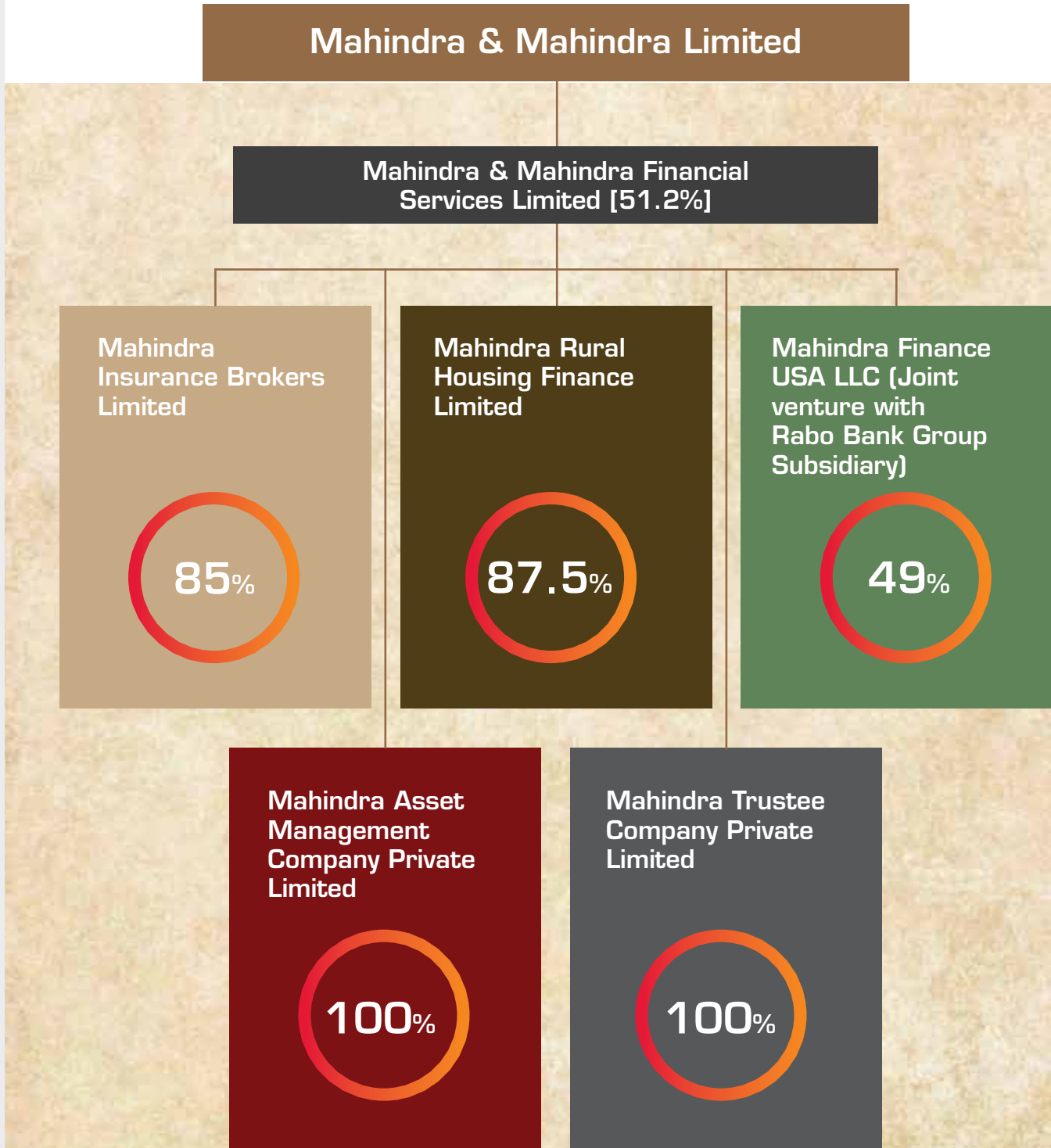
- ◆ Retail Customers
- ◆ Corporates

* Through our subsidiary Mahindra Insurance Brokers Limited

Investments and Advisory

- ◆ Investment Products
 - Fixed Deposits
- ◆ Advisory Services
 - Investment planning (under the brand Mahindra Finance Finsmart)

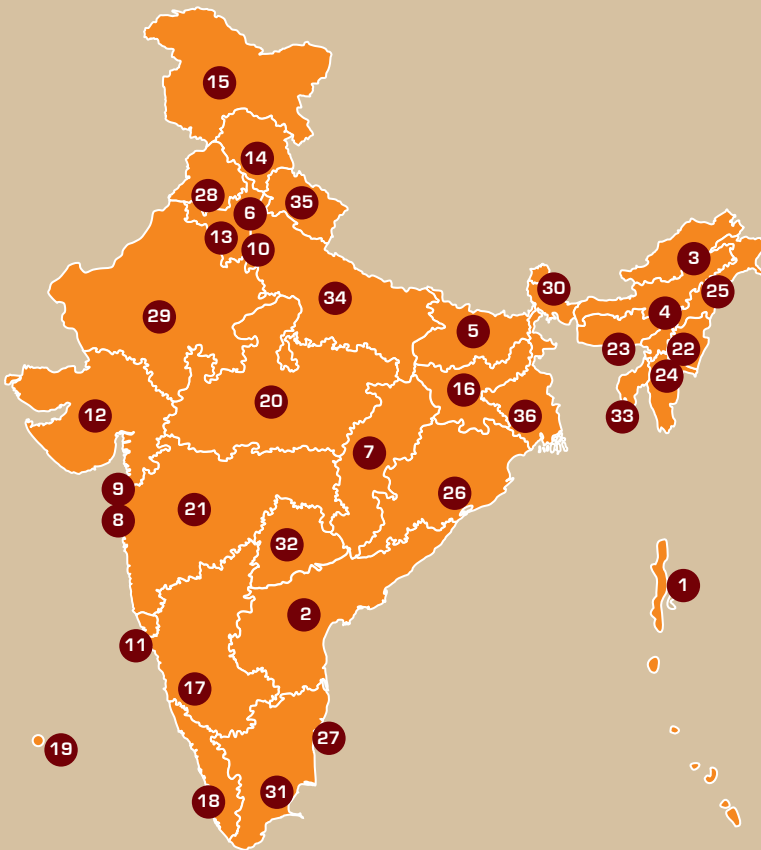
Group Structure



Note: Figures above represent shareholding percentage

Geographic Presence

Presence in villages across India



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

States	No. of Villages Our Presence
1 Andaman and Nicobar Islands	317
2 Andhra Pradesh	9269
3 Arunachal Pradesh	162
4 Assam	4791
5 Bihar	24215
6 Chandigarh	22
7 Chhattisgarh	10688
8 Dadra and Nagar Haveli	68
9 Daman and Diu	25
10 Delhi	265
11 Goa	18
12 Gujarat	13246
13 Haryana	5460
14 Himachal Pradesh	6615
15 Jammu and Kashmir	1934
16 Jharkhand	8477
17 Karnataka	15636
18 Kerala	1642
19 Lakshadweep	2
20 Madhya Pradesh	29161
21 Maharashtra	22915
22 Manipur	3
23 Meghalaya	1317
24 Mizoram	74
25 Nagaland	2
26 Odisha	13138
27 Puducherry	83
28 Punjab	7289
29 Rajasthan	21519
30 Sikkim	325
31 Tamil Nadu	11694
32 Telangana	8726
33 Tripura	419
34 Uttar Pradesh	44374
35 Uttaranchal	3122
36 West Bengal	18994
GRAND TOTAL	286007

The Indian economy can grow rapidly and sustainably in a world that is facing uncertainty and slow growth only if rural India is given the opportunity to realise its full potential.



**LARGE
OPPORTUNITY**



We, at Mahindra Finance, are playing the role of a catalyst in the fast economic growth of Rural India. Our model of doing business is socially inclusive to help empower India at the grassroots. From a humble farmer to an aspiring entrepreneur, we help millions of dreams take flight with confidence. And with it, an entire nation.

RURAL INDIA IS RISING



At Mahindra Finance, our agenda has always been to act as a catalyst for change by catering to the financial requirements of semi-urban and rural India. Our business model is socially inclusive; and we have empowered millions of ambitious individuals in the course of our journey for over two decades.

Today, many players and financial services providers are suddenly realising the potential of Rural India and its attractiveness as a market. Mahindra Finance realised this decades ago, and made it our mission to empower rural lives. Therefore, we enjoy a natural first-mover-advantage, because of our familiarity with this difficult terrain.

The Government of India is now reorienting its interventions in the various farm and non-farm sectors to double the income of farmers by 2022. These steps will naturally boost the demand for financial products and services, and will further strengthen our vision to partner rural communities in their journey towards economic independence and prosperity.

Big picture

There was a prominent rural push in the Union Budget 2016-17, Rs. 87,765 crores was allocated to the rural sector. These allocations will drive the rural economy and lead to higher job creation among the

farm labourers. The result will be higher disposable income and consumption, with a corresponding effect on the rural economy and its constituent sectors.

Enhancing rural consumption

The Government's focus on the rural sector will drive demand for all categories of products. Key among them will be personal and commercial vehicles, FMCG products and white goods. The fast-tracking of irrigation projects, increase in farm credit, higher allocation to MNREGA and extension of interest rate subvention to farmers will boost rural income. All of this is also likely to boost the SME sector and lead to a demand for higher credit.

Together with this, social security initiatives, crop insurance, and the increasing affordability of credit are other factors that will aggressively drive economic activity, prosperity and demand in Rural India.

Rural infrastructure development

The Government has also enhanced focus on rural roads, electrification and irrigation. This is with a view to accelerate the pace of socio-economic development. Allocations for Pradhan Mantri Gram Sadak Yojana have been increased substantially. Enhanced allocation to the railway sector will also help drive better connectivity and commerce, and hence be beneficial to rural incomes.

With forecasts of above normal rainfall in 2016-17 (Source: IMD), crop yields are likely to improve. Besides, Government spending in rural India, coupled with pick up in infra activities are likely to improve non-agri income. Apart from these, a series of measures such as transparent procurement system, accelerated irrigation benefit programme, improved market access and better road connectivity have been definite positives for the rural sector.





Union Budgetary allocation for rural development expenditure

(Rs. in billions)

Particulars	2016-17	2015-16	y-o-y (%)
MGNREGA	385	347	11
National Livelihood Mission (rural)	15.3	14.6	4.9
Rural Housing (PMAY)	150	100	50
Rural Roads (PMGSY)	175.8	151.9	15.8
Rural Sanitation (Swachh Bharat)	90	60	50
Irrigation (PMKSY)	58.4	53	10.2
Total	874.5	726.5	20.4

All of this means that the rural economy is likely to grow significantly. For Mahindra Finance, our deep reach and understanding will enable us to leverage this opportunity and serve our stakeholders better.



The interests of our customers focus is core to our approach. We are able to leverage our understanding of rural consumers and specifically design products around their needs.

New Products

In 2015-16, we focused on the specific financing needs of the rural and semi-urban SME sector in a big way. As a result, we played the role of a catalyst in the entrepreneurial journey of many by providing finance that is otherwise not available to them from the traditional banking channel.

Our specialised approach means that we focus on industries that are most relevant. Mahindra Finance uses its rural expertise to create solutions that are relevant to customers, and complement our vehicle financing business.

The Asset Management foray, that is currently underway, is also designed to suit rural investment patterns, signifying our commitment to bring innovative products to customers.

Vehicle Financing

Our core offering of vehicle financing continues to enjoy a strong franchise, driven by strong OEM relationships, an understanding of the customer and our service delivery standards.

India's automotive sector, given its potential contribution to GDP and employment, presents a significant opportunity to be one of the biggest growth drivers for the economy. Even though the rural economy was subdued given the two



EVOLVING ASPIRATIONS. BROADENED OFFERINGS.

At Mahindra Finance, our effort has always been to provide a wide range of financial products and services to our customers through our nationwide distribution network. Our businesses are a logical extension of being a facilitator of rural transformation in more ways than one.

We have evolved our business strategy from time to time to leverage emerging opportunities. We have consistently added new products and services to our portfolio to ensure that the financial needs of our customers are met.

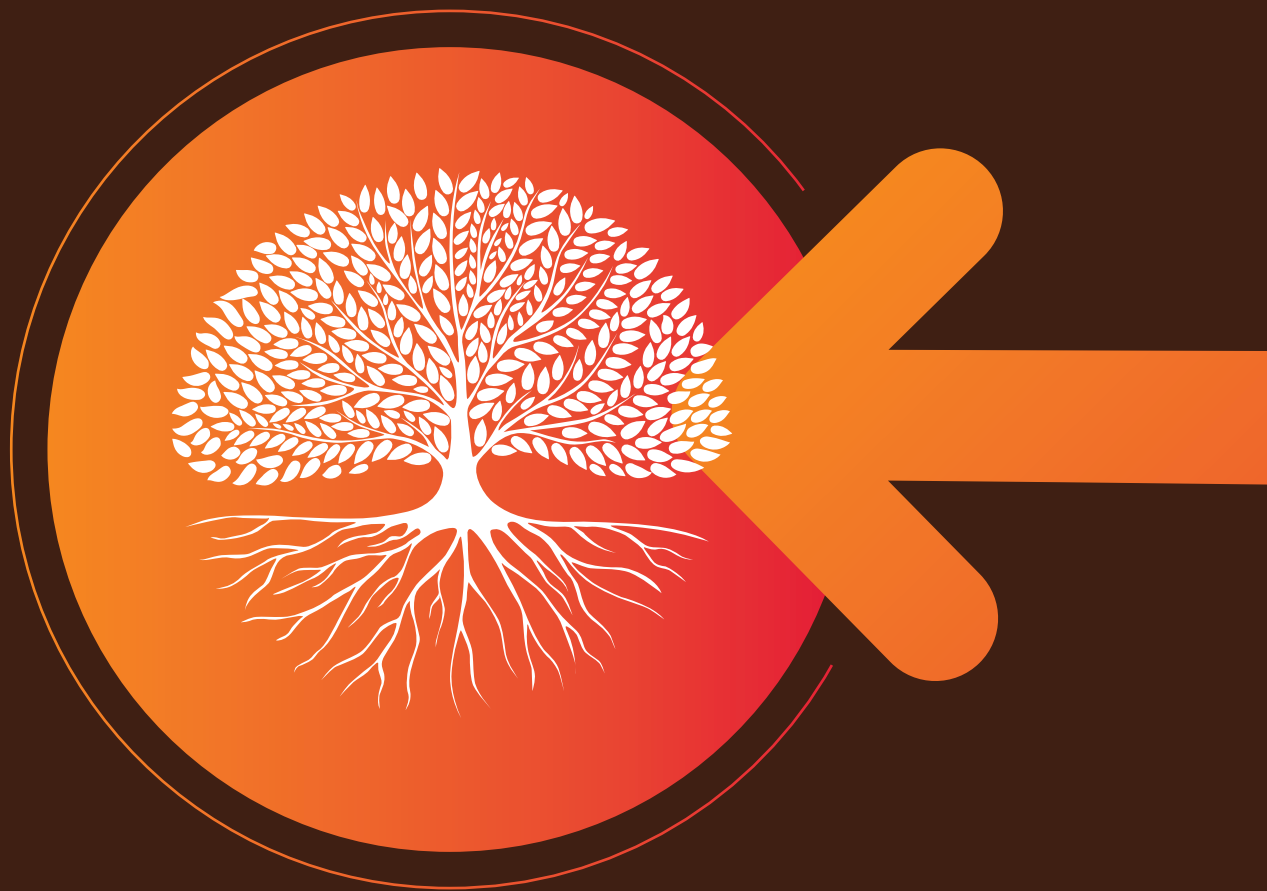
years of insufficient rains, the automotive sector did well in both the Commercial and Passenger Vehicles segments, registering above GDP growth rates. A large part of this demand was attributable to the rural economy, and infrastructure creation.

Housing Finance

India's housing finance industry is expected to be driven by commendable economic performance, high disposable income and the Government's sustained focus on affordable housing. Over the last decade, housing finance in India has emerged as one of the most

secured asset classes with low delinquencies. An easing interest rate environment, rising affordability in Tier 2 and 3 cities are expected to drive future growth. The reclassification of loans under 'affordable housing', bringing smaller housing loans under Priority Sector Lending and increase of Loan to Value ratio to 90% for loans up to Rs.30 lacs are positive steps. The launch of the 'Housing-for-All by 2022' scheme will further create an enabling environment to boost the demand for affordable housing. These factors allow our subsidiary, MRHFL, to chart an attractive growth trajectory.

Going forward, we aim to further improve the diversity of our product portfolio to cater to various financial requirements of our customers. At Mahindra Finance, we have built flexibility in our business model, so we can evolve it in line with the needs of a transforming rural economy.



For decades Mahindra Finance has supported a large number of first-time borrowers with little or no credit history; but a passion to realise their dreams. We have partnered their ambitions passionately and diligently. Today, they are confident participants in India's inclusive growth story.



FUNDAMENTALLY STRONG

In the process, we have built a robust balance sheet, supported by strong fundamentals, that can withstand the challenges of economic cycles. Our prudent provisioning, excellent credit rating and long-standing relationships with stakeholders is a testimony to the manner in which we have created and protected value, over the years.

GROWTH IN CHALLENGING TIMES



Our well-balanced, high-quality product portfolio has enabled us to grow sustainably over the years. Our fund mix is also evenly distributed across major financial instruments and institutions. We have built our business on the foundation of strong governance standards and a strict compliance ethos. Our culture of transparency, customer centricity and ethical approach have helped us emerge as one of India's most respected NBFCs. The challenges of the external environment notwithstanding, Mahindra Finance continues to invest in growth, on the strength of our conviction and business fundamentals.

Strong Financials

We adopt a very cautious approach in our financing practices, without compromising our business objectives. We maintain a high asset quality by adhering to stringent credit evaluation standards, thorough customer profiling and maintain a regular and direct interaction. We ensure that prudent LTV ratios, based on product and customer risk, are adhered to while lending. Mahindra Finance enjoys the highest safety credit rating on its financial instruments, which enables it to raise funds at competitive rates. Together, with this, our diversified borrowing profile enables us to access funds from multiple sources ensuring that our liability side is not skewed.

Risk-focused business

We have a diverse product portfolio, which reduces the risk of over-exposure to any particular market segment. This is in line with our objective to impact as many lives as we can, by providing relevant solutions. An equal focus on all products, greater efficiency in operations and leveraging cross-selling options continue to be our priorities, going forward. We are also able to price our risk effectively, and that ensures that we are able to maintain our margins.

Rs. 5,905 crores

Total Income in 2015-16

Rs. 6,088 crores

Net Worth as on March 31, 2016



Consistent Innovation

We were first movers in the rural and semi-urban markets in India. Driven by the insight that a large section of the rural population did not have access to credit. This was largely due to their inability to meet the credit requirements of banks. The moneylenders in the unorganised

sector sought to take advantage of this situation by charging exorbitant rates. Mahindra Finance identified this as an opportunity and created a product profile that was well suited to the needs of the rural customers. Over time, our knowledge and insights have helped us evolve, grow and innovate across our

products and service delivery to ensure that customers value us. We have harnessed technology to streamline business processes, ensure deeper market coverage and deliver a better customer experience. This is an important strength of our resilient business model.



The cornerstone of our continued growth over the years has been the ability to have a deep local connect and engagement with our markets and over 4 million customers, without losing sight of national opportunities. We have a strong sales team who visit customers across the length and breadth of India. As a result, we have built a deep brand franchise and nurtured long-standing relationships, developed painstakingly over the years. This is our single biggest competitive advantage, and ensures that we are the partner of choice for new customers as well as evolving requirements of the existing ones.

Our conviction in our business model is demonstrated by our consistent investments in growing our branch network and people strength, despite a challenging environment. We are resourcing for the future, to ensure that our presence aids our ability to leverage opportunities.

Strong on-ground presence

As part of our customer-centric approach, we recruit employees locally to enhance our familiarity with the local geography and demographics. Frequent interactions and deep discussions with customers enhance the

14,000+
Dealer Relationships

5,22,256
Total customers
funded in 2015-16



THRIVING ON RELATIONSHIPS AND REACH

In the business of financial services, success is derived from the capability to graduate from the role of a mere financier to that of a partner. Our objective is to stand by our customers in their hour of need. Such an approach strengthens the trust quotient of customers and enhances brand respect and recall.

Wide reach

Our network transcends geographic, linguistic and cultural barriers. We operate an extensive network of 1,167 offices, spanning 26 states and 5 union territories. Our widespread office network provides the following advantages:

- ◆ Reduces dependence on any one region in India; and allows us to follow best practices developed in one region to other regions
- ◆ Mitigates some of the regional, climatic and cyclical risks, such as heavy monsoons or droughts
- ◆ Decentralised approval system within defined controls allows each office to grow its business organically by leveraging customer relationships and presence. This also aids cross-selling of other products

likelihood of repayment, drive repeat business and help position ourselves as a customer-centric brand.

Dealer and OEM Relationships

We also believe that our close relationships with automotive dealers help us develop and maintain strong customer relationships. Mahindra Finance is also a preferred partner of prominent Indian and global OEMs, which ensures that we are present across multiple product categories.

With an increasing number of new business partners we are transforming ourselves into a financial services company with multi-sector presence, with a consistently growing brand franchise. We ensure higher satisfaction ratings from customers by streamlining our procedures. The approach has widened our customer base, and simultaneously reduced risks. This is why reach is a critical component of our growth engine.

IN STEP WITH DIGITAL INDIA



At Mahindra Finance, we have always been at the forefront of technology adoption to improve customer experience. We believe technology can be a crucial enabler in our drive for empowerment. It goes hand-in-hand with the expanding physical network that we are putting in place. In line with the growing digital ecosystem of India, we are investing in technology that helps our customers and business.

Speed is crucial to ensure high asset quality and business continuity. Automation at every level is therefore the key to improved efficiency and faster turnaround time. As we continue to expand our geographic reach and enhance the scale of operations, we intend to further develop and integrate our technology to support our growth and improve the quality of our services. This will complement our brick-and-click philosophy, where only a combination of effective physical presence and efficient technology adoption will lead to sustainable business success.

Even in the adoption of technology, we have chosen the most relevant solutions for serving rural customers. At

Mahindra Finance we handle large volumes of physical cash and our customers are located in the remotest of areas. We have equipped our sales force with hand-held, GPRS enabled devices that can provide details of collections and business on a real-time basis.

Centralised management system

A structured prompt warning system and past know-how has helped us to develop a strong MIS system with quick recovery action. Use of innovative technology allows us to provide streamlined approvals to aid disbursements, and reduce the incidence of errors. Besides, our continued focus on the effective use of technology is aimed at allowing employees across

our office network to collect and feed data to a centralised management system. This provides our management team prompt operational data which aids decision making and effective business intelligence.



We believe that technology is a means, not an end to achieving higher customer service delivery levels. To this end, we are investing in relevant technology, and upgrading our digital presence to suit the needs of our customers. We believe technology can be a business enabler to leverage the strength of our consistently expanding physical network.



5,473

No. of new employees
recruited in 2015-16

15,821

Employees engaged as
on March 31, 2016

NURTURING OUR TALENT POOL

Our people are our foot soldiers and brand ambassadors, who drive the business forward by turning challenges into opportunities. They are the ones who bring a smile to millions of people, and give wings to aspirations. We value innovation, ethics, integrity and teamwork, and maintain a company-wide culture that supports and promotes these principles.

We encourage people to explore opportunities and support them to grow. Our processes and systems ensure that people at all levels are acknowledged and given an opportunity to prosper.



Sense of Pride and Belonging

We foster a sense of belonging and take pride in the Company's vision of empowerment. Our team derives satisfaction and a sense of accomplishment from their involvement and participation at Mahindra Finance. There is a sense of camaraderie when dealing with colleagues. Communication channels are open at all levels, including the top management. Hierarchical barriers do not hamper personal and professional growth.

Learning & Development

Consistent learning and development are a part of our people initiatives. The training programmes undertaken from time to time ensure that the team is up-to-date and well versed on latest industry trends. We invest a significant amount of time and resources for training our employees. It fosters mutual trust, improves the quality of our customer service and helps in continued retention.

Corporate Social Responsibility

Our social responsibility initiatives are aligned to the mission of transforming rural lives, while contributing to the wellbeing of people and the planet. The policy focuses on addressing social, economic and environmental priorities of the nation, especially the marginalised sections.



▶ Blood Donation Camp



▶ Scholarship Distribution, Ranchi



▶ Scholarship Project



▶ Tree Plantation Drive

The CSR initiatives undertaken during the year include:

Mahindra Finance Scholarship

Scholarships were provided to meritorious graduate and post-graduate students from economically-disadvantaged sections.

Project Hunnar – Vocational Training

Through Hire-Train-Deploy (HTD) Model, we conducted vocational training programme for rural educated youth to make them employable. This was done in collaboration with NGOs.

Swachh Bharat Swachh Vidyalaya

We are supporting the Prime Minister's clean India campaign by constructing toilets for girls in Government Schools as well as maintenance of such toilets.

Project Hunnar: Drivers Training for Women

We empower underprivileged women and provide them with opportunities to become professional and commercial drivers.

Nanhi Kali

It was an effort to provide educational support to underprivileged girls from poor urban, remote rural and conflict afflicted communities across India.



➤ Lifeline Project

Mahindra Pride School

It is a livelihood training programme for youth from socially and economically-disadvantaged sections.

Lifeline Express

It is a hospital on wheels, catering medical needs in remote rural areas.

Healthcare Equipment Donation

The project aims at increasing access to healthcare by offering quality services through a well-equipped facility.

Financial Literacy

We distributed financial literacy kits to school students to inculcate the habit of saving from childhood.

Ambulance Donation

It is an effort to improve health infrastructure and provide medical services to rural communities at their doorstep.

Mahindra Hariyali

It is an initiative to improve green cover and protect bio-diversity in the country.

Technology Incubator

We are supporting social entrepreneurship in India by providing venture capital to early-stage social enterprises.



➤ Tree Plantation Drive at Mumbai



➤ Financial Literacy Kits Distribution, Patna



➤ Blood Donation Camp



➤ Lifeline Project, Bhadohi

Awards & Recognitions



Mr. Ramesh Iyer received "Business Leadership Award" at the Indian Achievers Forum.

Mr. V. Ravi was conferred with the "Most Influential CFOs of India" Award by Chartered Institute of Management Accountants (CIMA).



Mr. Ramesh Iyer received an Award in the category "CEO - FINANCIAL SERVICES" at the CEO Awards 2015.

Mahindra Finance was declared winner in the Best Innovative CSR Project Category by India CSR Awards.



Mahindra Finance was bestowed with **'Best Innovative Workplace Practices'** and **'Excellence in HR'** at the **Business World HR Excellence Award**.

Mahindra Finance made it to the **Dow Jones Sustainability Emerging Markets Index (DJSI 2015) for the third consecutive year**.

Mahindra Finance has been appraised at level 3 of the People Capability Maturity Model (People-CMM). An appraisal rating level 3 indicates that the organisation is performing at a defined level, and its processes are well characterised and understood and described in standards, procedures, tools and methods.

Mahindra Finance won an award in **Cooperatives Summit Gujarat 2015 for DSMS** (Document Storage Management System) as the Best Infrastructure Solution.

Mahindra Finance received the **"Best Integrated Rural Marketing Campaign"** Award for "Bharat ko Pehchante Hai Hum" campaign at "The Rural Marketing Forum and Awards" organised by CMO Asia.

Mahindra Finance was bestowed with an award by **Indian Development Foundation (IDF)** for its CSR initiative.

Board of Directors



Mr. Dhananjay Mungale
Chairman and Independent
Director



Mr. M. G. Bhide
Independent Director



Mr. Piyush Mankad
Independent Director



Mr. C. B. Bhave
Independent Director



Ms. Rama Bijapurkar
Independent Director



Mr. V. S. Parthasarathy
Director



Dr. Anish Shah
Director



Mr. Ramesh Iyer
Vice-Chairman &
Managing Director



Mr. V. Ravi
Executive Director &
Chief Financial Officer

Corporate Information

Directors

Dhananjay Mungale (Chairman)
M. G. Bhide
Piyush Mankad
C. B. Bhave
Rama Bijapurkar
V. S. Parthasarathy
Dr. Anish Shah
Ramesh Iyer (Vice-Chairman & Managing Director)
V. Ravi (Executive Director & Chief Financial Officer)

Company Secretary

Arnavaz M. Pardiwala

Registered Office

Gateway Building,
Apollo Bunder,
Mumbai - 400 001.
CIN: L65921MH1991PLC059642
Website: www.mahindrafinance.com
E-mail: investorhelpline_mmfsl@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

C. B. Bhave (Chairman)
Dhananjay Mungale
M. G. Bhide
Piyush Mankad
Rama Bijapurkar
V. S. Parthasarathy
Dr. Anish Shah

Nomination and Remuneration Committee

Piyush Mankad (Chairman)
M. G. Bhide
Dhananjay Mungale
C. B. Bhave

Stakeholders Relationship Committee

Rama Bijapurkar (Chairperson)
M. G. Bhide
Ramesh Iyer
V. Ravi

Asset Liability Committee

M. G. Bhide (Chairman)
Dhananjay Mungale
V. S. Parthasarathy
Ramesh Iyer
V. Ravi

Risk Management Committee

C. B. Bhave (Chairman)
Dhananjay Mungale
M. G. Bhide
Rama Bijapurkar
V. S. Parthasarathy

Corporate Social Responsibility Committee

Piyush Mankad (Chairman)
Ramesh Iyer
V. Ravi
Dr. Anish Shah

Strategy Committee for Acquisitions

M. G. Bhide
Dhananjay Mungale
V. S. Parthasarathy

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,
Pandurang Budhkar Marg, Worli,
Mumbai - 400 025.
Ph: 022 2425 5215/16
Fax: 022 2425 4200
E-mail: debenturetrustee@axistrustee.com

Registrar and Share Transfer Agents

Karvy Computershare Private Limited
Karvy Selenium, Tower B,
Plot Number 31 & 32,
Gachibowli, Financial District,
Nanakramguda,
Hyderabad - 500 032.
Tel.: + 91 40 67162222
Fax: + 91 40 23001153
Website: www.karvy.com
E-mail: support@karvy.com;
einward.ris@karvy.com

Bankers

Abu Dhabi Commercial Bank
Allahabad Bank
Andhra Bank
Axis Bank
Bank of America
Bank of Baroda
Bank of India
Bank of Maharashtra
Canara Bank
Central Bank of India
Citibank N.A.
Corporation Bank
Credit Suisse AG
Dena Bank
Deutsche Bank
FirstRand Bank
HDFC Bank
The Hongkong and Shanghai Banking Corporation Limited
ICICI Bank
IDBI Bank
Indian Bank
IndusInd Bank
Kotak Mahindra Bank
Oriental Bank of Commerce
Punjab and Sind Bank
Punjab National Bank
Standard Chartered Bank
State Bank of Bikaner and Jaipur
State Bank of India
State Bank of Patiala
Syndicate Bank
The Bank of Novascotia
UCO Bank
Union Bank of India
United Bank of India
United Overseas Bank
Vijaya Bank
Yes Bank

Summary of Results

(Rs. in Lacs unless indicated otherwise)

SR. NO.	PARTICULARS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
1	Estimated Value of Assets Financed	2670633	2433110	2540002	2383858	1950433	1441987	891536	628122	584972	544094
2	No. of Contracts	4156944	3634688	3119034	2557172	2024038	1557622	1189848	973493	815665	641087
3	Total Assets	3957948	3507415	3166572	2549242	1856156	1368297	942578	775898	723857	640343
4	Total Income	590510	558471	495300	389470	279459	197751	155026	137787	121827	83290
5	Profit before depreciation & tax	107907	129516	137006	130144	94482	71824	53047	33435	28070	21014
6	Depreciation	4089	4152	2430	2224	1956	1579	990	873	873	743
7	Profit before tax	103818	125364	134577	127920	92526	70245	52057	32562	27197	20272
8	Profit after tax	67260	83178	88723	88269	62012	46311	34271	21452	17702	13288
9	Dividend %	200	200	190	180	140	100	75	55	45	40
10	Equity Share Capital	11292	11283	11271	11260	10269	10245	9598	9571	9529	8402
11	Reserves & Surplus	597519	555658	498151	434197	284832	238764	163258	137345	121898	69422
12	Net Worth	608811	566941	509422	445458	295101	249009	172856	146916	131426	77823
13	No. of Employees Engaged	15821	14197	12816	11270	9715	8723	6972	5981	5690	4730
14	No. of Offices	1167	1108	893	657	607	547	459	436	436	403
15	Earnings Per Share - Basic (Rs.) (Face value - Rs.2/- per share)	11.92	14.75	15.75	16.59	12.09	9.57	7.16	4.49	4.16	3.16
16	Earnings Per Share - Diluted (Rs.) (Face value - Rs.2/- per share)	11.83	14.62	15.60	16.40	11.93	8.91	7.07	4.43	3.65	3.07

Statutory Reports

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Directors' Report

To,

The Members of
Mahindra & Mahindra Financial Services Limited

Your Directors are pleased to present their Twenty-Sixth Report together with the audited financial statements of your Company for the Financial Year ended 31st March, 2016.

The performance highlights and summarised financial results of the Company are given below:

Performance Highlights

- ◆ Consolidated income for the year increased by 9% to Rs.6,597.52 Crores as compared to Rs. 6,060.91 Crores in 2014-15;
- ◆ Consolidated income from operations for the year was Rs. 6,553.87 Crores as compared to Rs. 6,021.14 Crores in 2014-15, a growth of 9%;
- ◆ Consolidated profit before tax for the year was Rs.1,224.12 Crores as compared to Rs. 1,399.87 Crores in 2014-15;
- ◆ Consolidated profit after tax and minority interest for the year was Rs. 772.29 Crores as compared to Rs.912.91 Crores in 2014-15.

Financial Results

Rs. in Crores

	CONSOLIDATED		STANDALONE	
	March 2016	March 2015	March 2016	March 2015
Total Income	6,597.5	6,060.9	5,905.1	5,584.7
Less : Finance Costs	2,868.3	2,643.0	2,639.3	2,496.7
Expenditure	2,459.4	1,972.5	2,186.7	1,792.9
Depreciation/Amortisation	45.7	45.5	40.9	41.5
Total Expenses	5,373.4	4,661.0	4,866.9	4,331.1
Profit Before Tax	1,224.1	1,399.9	1,038.2	1,253.6
Less : Provision For Tax				
Current Tax	614.4	576.1	535.6	520.0
Deferred Tax	(177.7)	(101.1)	(170.0)	(98.2)
Profit After Tax for the Year before Minority Interest	787.4	924.9	672.6	831.8
Less : Minority Interest	15.1	12.0	-	-
Profit After Tax for the Year after Minority Interest	772.3	912.9	672.6	831.8
Add : Amount brought forward from Previous Years	2,245.6	1,883.4	2,040.9	1,728.3
Add : Transfer of opening balance in profit and loss statement on amalgamation of Mahindra Business & Consulting Services Private Ltd.	-	-	-	5.3
Less : Transitional depreciation charge/Special Reserve	-	9.6	-	3.2
Amount available for Appropriation	3,017.9	2,786.7	2,713.5	2,562.2
Appropriations				
General Reserve	67.2	88.8	67.2	83.2
Statutory Reserve	154.9	179.3	134.5	166.4
Proposed Dividend on Equity Shares	227.5	227.5	227.5	227.5
Income-tax on Proposed Dividend	45.8	45.5	43.8	44.2
Surplus carried to Balance Sheet	2,522.5	2,245.6	2,240.5	2,040.9

Transfer to Reserves

The Company proposes to transfer an amount of Rs. 67.2 Crores to the General Reserve and Rs.134.5 Crores to the Statutory Reserve. An amount of Rs. 2,240.5 Crores is proposed to be retained in the Statement of Profit and Loss.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 4 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. 271.3 Crores [as against Rs. 271.7 Crores on account of dividend of Rs. 4 per Equity Share paid for the previous year].

Operations

Your Company continued to offer a wide range of financial products and services to its customers during the year under review. Your Company is continuously expanding its product offerings beyond vehicle financing and diversifying its skill sets along product lines to meet the various lifecycle needs of its customers in the rural and semi-urban geographies. Despite difficult market conditions, the overall disbursement registered a growth of 9.8% at Rs. 26,706.3 crores as compared to Rs. 24,331.1 crores in the previous year. Your Company was able to retain its leadership position in financing the Mahindra range of vehicles and tractors in addition to extending its lending to vehicles of other Original Equipment Manufacturers (OEMs).

Your Company has consolidated its position as a leading financier for Maruti vehicles in semi-urban and rural India by financing over 1,00,000 vehicles during this fiscal. The Company continues to take pioneering effort in introducing technology based solutions and demonstrate effective use of its resources to enhance customer service.

Your Company has a pan-India presence with a network of 1167 offices, which is one of the largest amongst Non-Banking Financial Companies. The new branches opened by the Company in the villages have enabled speedier collections and providing services closer to the customers' doorsteps. Your Company's nationwide network of branches and locally recruited employees have facilitated in catering to the diverse financial requirements of its customers. Your Company has earned the trust and confidence of its customers with its consistent, transparent and reliable services. With its wide presence covering even the most remote areas of the country, your Company is helping customers everywhere to 'RISE' in line with its 'RISE' philosophy.

Your Company has cumulatively financed over four million customers since its inception.

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. 2,180 crores during the period under review, covering more than 1,316 customers.

Total Income grew by 6% to Rs. 5,905.1 Crores for the year ended 31st March, 2016 as compared to Rs. 5,584.7 Crores for the previous year. Profit Before Tax (PBT) declined by 17% to Rs. 1,038.2 Crores as compared to Rs. 1,253.6 Crores for the previous year. Profit After Tax (PAT) declined by 19% to Rs. 672.6 Crores as compared to Rs. 831.8 Crores in the previous year.

During the year under review, the Assets Under Management stood at Rs. 40,933 Crores as at 31st March, 2016 as against Rs. 36,878 Crores as at 31st March, 2015.

There is no change in the nature of business of the Company during the year under review.

Distribution of Mutual Fund Products

During the year under review, the activity of distribution of Mutual Fund Products (MFP) was carried out across 158 branches covering 23 States. As on 31st March, 2016, the amount of Assets Under Management outstanding through the Company's Advisory and Distribution Services on MFP, aggregate of institutional and retail segment, was Rs. 1,724.08 Crores and the number of clients stood at 52,454.

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 in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraph C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are annexed to this Report.

Share Capital

The issued, subscribed and paid-up Equity Share Capital as on 31st March, 2016 was Rs.113.75 Crores comprising of 56,87,64,960 Equity Shares of the face value of Rs.2 each. During the year under review, the Company has neither issued shares with differential

rights as to dividend, voting or otherwise, nor has issued sweat equity, other than Employee Stock Options under the Employees' Stock Option Scheme referred to in this Report. As on 31st March, 2016, none of the Directors of the Company holds instruments convertible into Equity Shares of the Company.

Stock Options

During the year under review, on the recommendation of the Nomination and Remuneration Committee of your Company, the Trustees of the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust have granted 57,920 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 (hereinafter collectively referred to as "the Schemes"). The Company does not have any scheme to fund its employees to purchase the shares of the Company. No employee has been issued stock options during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.

The Schemes of the Company are in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and there were no material changes to the Schemes. The details of the Employees Stock Options and the Company's Employees Stock Option Trust as required under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 read with SEBI Circular CIR/CFD/POLICY CELL/2/2015 dated 16th June, 2015 have been uploaded on the Company's website and can be accessed at the web-link : <http://www.mahindrafinance.com/annual-reports.aspx>.

Voting rights on the Shares issued to employees under the aforesaid schemes are either exercised by them directly or through their appointed proxy.

Economy

In 2015, global economic activity remained subdued. Growth in emerging market and developing economies—while still accounting for over 70% of global growth—declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. Monetary easing in the euro area and Japan is proceeding broadly as previously envisaged, while in December 2015 the U.S. Federal Reserve lifted

the federal funds rate from the zero lower bound. Overall, financial conditions within advanced economies remain very accommodative. Prospects of a gradual increase in policy interest rates in the United States as well as bouts of financial volatility amid concerns about emerging market growth prospects have contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging market economies.

Domestic economic activity lost pace in the second half of 2015-16, slowed down by muted investment and a prolonged contraction in exports. While private consumption has been the mainstay in holding up aggregate demand, it has largely been an urban phenomenon; coincident indicators of rural consumption have generally remained weak or in negative territory. Aggregate supply moderated with the impact of deficient monsoons on agriculture. Gross value added in industry benefited from the decline in input costs while services remained in expansion mode. Headline Consumer Price Index inflation is projected to moderate in 2016-17 to around 5 % while real GDP growth is projected to improve gradually to 7.6% in 2016-17.

By contrast, rural consumption remained weak in H2; with moderation in wage growth, rural incomes have been depressed by shocks to farm activity from back-to-back deficient monsoons. In Q4, however, there was a pick-up in sales of tractors and two-wheelers which could be indicative of a turning point in the rural economy. The prospects for Consumption Expenditure have been brightened by the proposal to implement the 7th Pay Commission award and one-rank-one-pension for retired defence personnel. The focus of the Union Budget 2016-17 on reviving the rural economy and doubling rural incomes could support rural consumption demand more enduringly going forward.

With easing of inflationary conditions, the Reserve Bank of India (RBI) signalled softening of the monetary policy stance by cutting policy repo rates by 25 bps in June and 50 bps in September to 6.75%. RBI through active liquidity management operations ensured that Liquidity conditions remained broadly stable and it continued to provide liquidity through overnight and term repos. Liquidity conditions are expected to be comfortable in the coming year. These conditions should augur well for a reinvigoration of private consumption demand. This coupled with a stable government, thrust on rural infrastructure and reforms, it is expected that India's growth will be strong.

Your Company has maintained its leadership position for vehicles and tractors in the rural and semi-urban markets. Despite unfavourable monsoons affecting the tractor segment, the Company maintained a healthy growth of business backed by growth in the overall

auto industry. All vehicle categories were in the positive territory except for Tractors, which are gradually moving towards positive territory.

Finance

During the year under review, the Reserve Bank of India (RBI) maintained its accommodative stance and remained focused on keeping the economy on a disinflationary glide path. The RBI remained vigilant about inflation, geo-political risks, global oil and commodity prices, monsoon, domestic demand and external volatility impacting the exchange rate. In FY15-16, the RBI intermittently cut the policy rates on the basis of available data, first by 25bps in the month of June 2015 and then a frontloaded 50 bps in the month of September 2015. With this, in this rate-cutting cycle that began on January 2015, the RBI has brought down the repo rate by 125 bps (75 bps in FY 2015-16). Liquidity conditions remained in a deficit but stable mode throughout the year barring last quarter wherein the pace of Government expenditure slowed and liquidity deficit increased substantially. RBI through active liquidity management operations ensured that liquidity conditions remained broadly stable and it continued to provide liquidity through overnight and term repos. Sovereign and corporate bond yields which had started to ease ahead of the monetary policy easing cycle – got increasingly disconnected and firmed up through the second half of 2015-16. However, after the announcement of the Union Budget, yields steadily eased.

During FY 2015-16, the median base rate of Banks, declined by around 50 bps (in a late reaction to the rate cutting cycle). Your Company was able to take advantage of reduction in interest rates by having appropriate borrowing strategies and 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 debentures and loans from banks and other institutions at attractive rates.

Your Company also issued Subordinated Debt amounting to Rs. 175 Crores and successfully completed four at par securitisation transactions aggregating to Rs. 855.9 Crores.

Public Issuance of Non-Convertible Debentures

During the year under the review, the Board of Directors of your Company approved the proposal of raising of funds by way of a public issue of Non-Convertible Debentures including Subordinated Debentures (NCDs) for an amount not exceeding Rs. 1,000 Crores, in one or more tranches, pursuant to the provisions of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and other applicable laws.

The Company has filed the Draft Shelf Prospectus with the Securities and Exchange Board of India and the BSE Limited, being the designated Stock Exchange for the proposed NCD issue and has received the in-principal approval for listing of the NCDs from the BSE Limited on 28th March, 2016.

Investor Relations

During the year under review, your Company continued to engage with investors in many ways, including one on one meetings, telepresence meetings, participation in investor conferences and quarterly earnings calls. Your Company interacted with Indian and overseas investors and analysts in a number of investor meets organised by reputed Global and Domestic Broking Houses, both in India and abroad, to communicate details of performance, important developments and exchange of information. Your Company ensures that critical information about the Company is available to all the investors by hosting all such information on the Company's website.

Capital Adequacy

As on 31st March, 2016, the Capital to Risk Assets Ratio (CRAR) of your Company was 17.3%, which is well above 15.0% CRAR prescribed by the RBI.

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 0.30% mandated by the RBI.

Credit Rating

The credit rating details of the Company as on 31st March, 2016 were as follows:

Rating Agency	Type of Instrument	Rating*	Remarks
India Ratings & Research Private Limited	National Long-term instrument and Lower Tier II Subordinated Debt programme	'IND AAA/Stable'	The 'AAA' ratings denote the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
CARE Ratings	Long-term debt instrument and Lower Tier II Subordinated Debt programme	'CARE AAA'	
Brickwork Ratings India Private Limited	Company's Long-term Subordinated Debt Issue	'BWR AAA/Stable'	The 'AA' rating indicates a high degree of safety with regard to timely payment of financial obligations.
CRISIL Limited	Fixed Deposit Programme	'FAAA/Stable'	
	Long-term Debt Instruments and Bank Facilities	'CRISIL AA+/Stable'	The 'A1'+ rating indicates the Highest Level of Rating. Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
	Short-term Debt and Bank Loans	'CRISIL A1+'	

* The ratings mentioned above were reaffirmed by the Rating Agencies during the Financial Year 2015-16.

Achievements

During the year under review, your Company won several awards. Select few awards are enumerated hereunder:

- ◆ Best Innovative Workplace Practices
- ◆ 'Excellence in HR' at the Business World HR Excellence Award
- ◆ Indian Development Foundation (IDF) Award for CSR initiatives
- ◆ Best Innovative CSR Project Category by India CSR Awards
- ◆ "Best HR and Talent Practice" (in NBFC Category) in the "Inspiring Workplaces Awards 2015"
- ◆ "Best Integrated Rural Marketing Campaign" for "Bharat ko Pehchante Hai Hum" campaign in "The Rural Marketing Forum and Awards" organised by CMO Asia
- ◆ "Cooperatives Summit Gujarat 2015 Award" for the Best Infrastructure Solutions 'Document Storage Management System'

During the year your Company was appraised and rated at level 3 of the People Capability Maturity Model (People-CMM).

Fixed Deposits and Loans/Advances

Your Company offers Fixed Deposit schemes that cater to various classes of investors. The Deposits carry attractive interest rates with superior service enabled by robust processes and technology. In order to tap rural savings your Company proposes to expand its network and make its presence felt in the most remote areas of the country.

As on 31st March, 2016, your Company has mobilized funds from Fixed Deposits to the tune of Rs. 4,784.3 Crores, with an investor base of over 1,60,457 investors.

Your Company has initiated several customer centric measures on an ongoing basis to further strengthen its processes in sync with the requirements of the Fixed Deposit holders. The Company communicates various intimations via SMS, e-mails, post, etc., to its investors. During the year under review your Company has introduced:

- ◆ Online renewal facility
- ◆ Online generation of TDS certificates from customer/broker portal
- ◆ Reminder emails to clients whose TDS is likely to be

deducted before any payout/accrual.

- ◆ Seamless Investment process for employees

As at 31st March, 2016, 1,592 deposits amounting to Rs. 6.87 Crores had matured for payment and remained unclaimed. The unclaimed deposits have since reduced to 1,177 deposits amounting to Rs. 5.26 Crores.

Your Company being a Non-Banking Financial Company, the disclosures required as per Rule 8 (5)(v) and (vi) of the Companies (Accounts) Rules, 2014 read with sections 73 and 74 of the Companies Act, 2013, are not applicable to it.

The information pursuant to Part III - Direction 5 of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, regarding overdue of public deposits/unclaimed public deposits as on 31st March, 2016 is furnished below:

- i. total number of accounts of public deposits of the Company which have not been claimed by the depositors or not paid by the Company after the date on which the deposit became due for repayment: 1,579.
- ii. the total amounts due under such accounts remaining unclaimed or unpaid beyond the dates referred to in clause (i) as aforesaid: Rs. 6,86,51,124.

Your Company sends intimation letters via registered post every 3 months to all those fixed deposit holders whose deposits have matured as well as to those whose deposits remain unclaimed.

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 Regulation 34 read with paragraph A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, are furnished separately.

Particulars of Loans, Guarantees or Investments in Securities

Pursuant to section 186(11) of the Companies Act, 2013 ('the Act'), the provisions of section 186 (4) of the Act requiring disclosure in the financial statements of the full particulars of the loans made and guarantees given or securities provided by a Non-Banking Financial Company in the ordinary course of its business and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security are exempted from disclosure in the Annual Report.

Further, pursuant to the provisions of section 186 (4) of the Act, the details of investments made by the Company are given in the Notes to the Financial Statements.

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; i.e., People, Profit and Planet since the Financial Year 2008-09 through the Mahindra Group Sustainability Report.

During the Financial Year 2015-16, your Company released its third standalone Sustainability Report for the previous Financial Year 2014-15. This Report portrays a balanced approach towards economic activity, environmental and social dimensions on aspects important and material for the organisation. This Report is externally assured and in line with international reporting standards of latest Global Reporting Initiative (GRI) G4 Guidelines. The theme of the Report is 'Inspiring Transformation, Realizing Aspirations' and the same has been hosted on the Company's website at the web-link: www.mahindrafinance.com/sustainability.aspx.

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 93,500 saplings across the country. Various initiatives were also taken for road safety, energy, paper and waste conservation and e-waste management.

In addition to this, your Company continues to report on Carbon Disclosure Project (CDP) from the Financial Year 2011-12. CDP seeks information on carbon emissions disclosures from world's largest companies and focuses on how companies are geared up, to deal with the challenges of climate change in a carbon constrained economy. During the year under review, your Company also became part of CDP's Carbon Disclosure Leadership Index (CDLI) 2015 in India for second time in a row, acknowledging the Company's efforts for climate change mitigation.

Your Company has been listed on the Dow Jones Sustainability Index (DJSI) Emerging Market Trends for the third consecutive 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 only Indian Company from amongst the Diversified Financial Services Companies in India to have made it to this list.

Your Company is working comprehensively on sustainability. During the year under review your Company has constituted a Sustainability Council which comprises of senior members representing different

functions of the organization. This cross functional team approach facilitates optimum use of all relevant resources, experience and knowledge from all levels to guide sustainability initiatives.

Business Responsibility Report

In accordance with Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”), the inclusion of Business Responsibility Report (BRR) as a part of the Annual Report is mandated for top 100 listed entities for the year 2015-16 based on the market capitalization. Although the BRR is not mandatory for the Company for the year 2015-16, as a responsible corporate citizen, your Company has proactively decided to prepare the BRR in the format prescribed by SEBI. The Company’s BRR will be available on its website at the web-link: www.mahindrafinance.com/sustainability.aspx. Any shareholder interested in obtaining a physical copy of the same may write to the Company Secretary of the Company.

Corporate Social Responsibility

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 by innovatively supporting them through programs in the domains of education, health and environment.

The Company has duly constituted a CSR Committee in accordance with section 135 of the Companies Act, 2013 to assist the Board and the Company in fulfilling the corporate social responsibility objectives of the Company. The CSR Committee presently comprises Mr. Piyush Mankad (Chairman), Mr. Ramesh Iyer, Mr. V. Ravi and Dr. Anish Shah.

During the year under review, your Company organized a nationwide Blood Donation Drive, Health check-up camps, visits to municipal schools, visits to Orphanages/ Differently-abled Homes/Old-age homes, to re-affirm its pledge to the society. The ‘Lifeline Express’, a hospital on wheels, in association with Impact India Foundation, catered to the medical needs of 7,421 underprivileged people in Bhadohi (Uttar Pradesh).

As a part of its commitment to Corporate Social Responsibility, during the year your Company implemented projects for scholarships to undergraduate and graduate students, vocational training and financial literacy, supported technology incubators, ambulance and medical care equipment donation and sanitation. The Company also continued to offer assistance to Nanhi Kali which provides educational support to the underprivileged

girls from poor urban, remote rural and conflict afflicted communities across India and Mahindra Pride School to empower youth from socially and economically disadvantaged sections of society by providing them with livelihood training, to enable them to gain employment based on their skills, implemented by the K.C. Mahindra Education Trust.

Your Company also participated in the Prime Minister’s clean India campaign “Swachh Bharat Swachh Vidyalaya” by constructing toilets for girls in Government Schools as well as maintenance of such toilets.

The Company’s Employee Social Options (Esops) program supports employees in creating volunteering projects based on the needs of underprivileged communities in and around their places of work.

During the year under review, your Company has spent Rs. 29.06 Crores towards Corporate Social Responsibility on CSR projects/programs. Your Company is in compliance with the statutory requirements in this regard.

The CSR Policy of the Company is hosted on the Company’s website at the link <http://www.mahindrafinance.com/csr.aspx> and a brief outline of the CSR Policy and the CSR initiatives undertaken by the Company during the year as per Annexure prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been appended as **Annexure I** to this Report.

Extract of Annual Return

Pursuant to sub-section 3(a) of section 134 and sub-section (3) of section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at 31st March, 2016 forms part of this Report and is appended herewith as **Annexure II**.

Board Meetings and Annual General Meeting

The calendar of the Board/ Committee Meetings and the Annual General Meeting are circulated to the Directors in advance to enable them to plan their schedule for effective participation at the respective meetings. Additional Board Meetings are convened by giving appropriate notice to address business exigencies. At times certain decisions are taken by the Board/Committee through circular resolutions.

All the decisions and urgent matters approved by way of circular resolutions are placed and noted at the subsequent Board/Committee Meeting.

The Board met five times in the financial year 2015-16 viz., on 23rd April, 2015, 24th July, 2015, 21st October, 2015, 21st January, 2016 and 18th March, 2016. The gap between two Meetings did not exceed one hundred and twenty days. The 25th Annual General Meeting (“AGM”) of the Company was held on 24th July, 2015.

Detailed information on the meetings of the Board, its Committees and the AGM is included in the Report on Corporate Governance, which forms part of this Annual Report.

Meetings of Independent Directors

The Independent Directors met twice during the year under review. The Meetings were conducted in an informal manner without the presence of the Whole-time Directors, the Non-Executive Non-Independent Directors, or any other Management Personnel.

Committees of the Board of Directors

The Company has various Committees which have been constituted as a part of the good corporate governance practices and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes.

Your Company has an adequately qualified and experienced Audit Committee with Mr. C. B. Bhave as the Chairman and Mr. Dhananjay Mungale, Mr. M. G. Bhide, Ms. Rama Bijapurkar, Mr. Piyush Mankad, Mr. V. S. Parthasarathy and Dr. Anish Shah as Members. The recommendations of the Audit Committee were duly approved and accepted by the Board during the year under review.

The other Committees of the Board are:

- i) Nomination and Remuneration Committee
- ii) Stakeholders Relationship Committee
- iii) Corporate Social Responsibility Committee
- iv) Risk Management Committee
- v) Asset Liability Committee
- vi) Strategy Committee for Acquisitions

The details with respect to the composition, powers, roles, terms of reference, Meetings held and attendance of the Directors at such Meetings of the relevant Committees are given in detail in the Report on Corporate Governance of the Company which forms part of this Annual Report.

Directors and Key Managerial Personnel Directors

Mr. Bharat N. Doshi, Non-Executive Non-Independent Director of the Company, resigned as the Chairman and Member of the Board of Directors of the Company with effect from 9th March, 2016, in view of his appointment as a Director on the Central Board of Reserve Bank of India.

Mr. Doshi has been associated with the Company since its inception in 1991. He led the initiative of conceptualizing, establishing and then nurturing and growing the Company far beyond the captive status it had in its formative years. He was a Member of the Board of Directors of the Company from March 1992, and its Chairman from April 2008.

The Board Members unanimously complimented Mr.

Doshi on the illustrious services rendered by him to the Company and the Financial Services Sector. The Board also acknowledged Mr. Doshi's contribution to the Company and placed on record its deep appreciation on the invaluable counsel rendered by him to the Company and his immense contribution in guiding the management during his tenure as the Chairman of the Company.

In the light of Mr. Doshi relinquishing his office as the Chairman and Director of the Company, the Board at its Meeting held on 18th March, 2016 unanimously decided to appoint Mr. Dhananjay Mungale, Independent Director, as the Chairman of the Company with effect from the date of the said Board Meeting.

Mr. Dhananjay Mungale has been a Member of the Board of Directors of the Company since 1st March, 1999 and was also the Chairman of the Audit Committee of the Board from 27th October, 2008.

Further, the Board at its Meeting held on 18th March, 2016, had on the recommendation of the Nomination and Remuneration Committee, unanimously decided to elevate Mr. Ramesh Iyer, Managing Director to the position of Vice-Chairman, designated as "Vice-Chairman & Managing Director" of the Company.

Mr. Ramesh Iyer has been associated with the Company since 1995 and was promoted to the position of Chief Executive Officer in May 1999. Mr. Iyer was then appointed as Managing Director of the Company with effect from 30th April, 2001.

Further, on the recommendation of the Nomination and Remuneration Committee, the Board at its Meeting held on 18th March, 2016 has appointed Dr. Anish Shah, as an Additional Director of the Company.

Dr. Anish Shah holds office upto the date of the ensuing AGM of the Company.

The Board at its adjourned Meeting held on 24th July, 2015 [after conclusion of the Annual General Meeting (AGM)] had appointed Mr. V. Ravi as an Additional Director with effect from 25th July, 2015 and subject to the approval of the Shareholders, appointed Mr. V. Ravi as the Whole-time Director designated as "Executive Director & Chief Financial Officer" effective from 25th July, 2015. Mr. V. Ravi holds office upto the date of the ensuing AGM of the Company.

The Board at its Meeting held on 23rd April, 2016 has decided to place the aforesaid proposals for the appointment of Mr. V. Ravi and Dr. Anish Shah for the approval of the Members by means of a Postal Ballot.

The Company has received notices from the Members under section 160 of the Act, signifying their intention to

propose Mr. V. Ravi and Dr. Anish Shah as a candidate for the office of Director of the Company to be placed for approval of the Members by way of a Postal Ballot voting process.

The term of office of Mr. Ramesh Iyer, Vice-Chairman & Managing Director of the Company, expires on 29th April, 2016.

On the recommendation of the Nomination and Remuneration Committee, the Board at its Meeting held on 23rd April, 2016, has approved the re-appointment of Mr. Ramesh Iyer, as the Vice-Chairman & Managing Director of the Company from 30th April, 2016 to 29th April, 2021, subject to the approval of the Members to be obtained by way of Postal Ballot.

As mentioned in the previous Annual Report, Mr. Uday Y. Phadke did not seek re-appointment and accordingly ceased to be a Director upon expiry of his term at the 25th Annual General Meeting held on 24th July, 2015.

Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director, retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

None of the Independent Directors are due for re-appointment.

Key Managerial Personnel

Mr. Ramesh Iyer, Vice-Chairman & Managing Director, Mr. V. Ravi, Executive Director & Chief Financial Officer and Ms. Arnava M. Pardiwala, Company Secretary of the Company have been designated as the Key Managerial Personnel of the Company (KMP) pursuant to the provisions of sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

None of the KMP has resigned during the year under review.

Declaration by Independent Directors

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 Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

Directors' Responsibility Statement

Pursuant to the provisions of section 134(5) of the Companies Act, 2013, ('the Act') your Directors confirm that:

i. In the preparation of the annual accounts for financial year ended 31st March, 2016, the

applicable accounting standards have been followed and there are no material departures in adoption of these standards;

ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit of the Company for the year ended on that date.

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The Directors have prepared the annual accounts for financial year ended 31st March, 2016 on a going concern basis.

v. The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and have been operating efficiently.

vi. The Directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

Performance Evaluation of the Board

The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") stipulate the evaluation of the performance of the Board, its Committees, Individual Directors and the Chairperson.

The Company has formulated a Policy for performance evaluation of the Independent Directors, the Board, its Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors.

The evaluation framework for assessing the performance of Directors comprises of various key areas such as attendance at Board and Committee Meetings, quality of contribution to Board discussions and decisions, strategic insights or inputs regarding future growth of the Company and its performance, ability to challenge views in a constructive manner, knowledge acquired with regard to the Company's business/activities, understanding of industry and global trends, etc.

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Board of

Directors. A member of the Board will not participate in the discussion of his/her evaluation.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually (including Independent Directors) as well as the evaluation of the working of its Committees.

Well-defined and structured questionnaires were prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, oversight of Company's subsidiaries, etc.

A separate exercise was carried out to evaluate the performance of individual Directors who were evaluated on several parameters such as level of engagement and contribution, independence of judgment safeguarding the interest of the Company and its minority shareholders and knowledge acquired with regard to the Company's business/activities.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee. The Directors have expressed their satisfaction with the evaluation process.

Familiarisation Programme for Independent Directors

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters along with details of number of programmes and number of hours spent by each of the Independent Directors during the Financial Year 2015-16, as required pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are available on the website of the Company at the link: <http://www.mahindrafinance.com/pdf/familiarisation-programme-for-IDs.pdf>.

Policies on Appointment of Directors and Remuneration of Directors, Key Managerial Personnel and Employees

In accordance with the provisions of section 134(3)

(e) of the Companies Act, 2013 ("the Act") read with section 178(2) of the Act and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has adopted a Policy on Appointment of Directors and Senior Management and succession planning for orderly succession to the Board and the Senior Management, which inter alia, includes the criteria for determining qualifications, positive attributes and independence of Directors.

Your Company has also adopted the Policy on Remuneration of Directors and the Remuneration Policy for Key Managerial Personnel and Employees of the Company in accordance with the provisions of sub-section (4) of section 178, and the same are appended as **Annexure III-A** and **Annexure III-B** and form part of this Report.

The criteria for determining qualifications, positive attributes and independence of a Director and the Remuneration Policy for Directors, Key Managerial Personnel and other employees have been discussed in detail in the Report on Corporate Governance.

Auditors

Statutory Auditors

Messrs. B. K. Khare & Co., Chartered Accountants, [ICAI Firm Registration No.105102W] the Statutory Auditors of the Company, hold office till the conclusion of the forthcoming Annual General Meeting (AGM) and are eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint Messrs. B. K. Khare & Co., as the Statutory Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the next AGM.

As required under the provisions of section 139(1) of the Companies Act, 2013 the Company has received a written consent from Messrs. B. K. Khare & Co., Chartered Accountants to their re-appointment and a Certificate, to the effect that their re-appointment, if made, would be in accordance with the provisions of the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in section 141 of the Companies Act, 2013 read with Rule 4(1) of the Companies (Audit and Auditors) Rules, 2014.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

Secretarial Auditor

The Board of Directors of the Company has appointed KSR & Co., Company Secretaries LLP to conduct the Secretarial Audit of the Company pursuant to the provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In accordance with the provisions of sub-section (1) of section 204, the

Secretarial Audit Report for the Financial Year 2015-16 is appended to this Report as **Annexure IV**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Reporting of Frauds by Auditors

During the year under review, the Statutory Auditors and the Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

Particulars of Contracts or Arrangements with Related Parties

All contracts/arrangements/ transactions entered into by the Company during the Financial Year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the Policy on Related Party Transactions. Pursuant to section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable.

The Policy on Related Party Transactions as approved by the Audit Committee and the Board of Directors of the Company is uploaded on the website of the Company and same can be accessed on the web link: <http://www.mahindrafinance.com/policies.aspx>.

Material Changes and Commitments affecting the Financial Position of the Company

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

Risk Management Policy

Your Company has a comprehensive Risk Management Policy in place and has laid down a well-defined risk management framework to identify, assess and monitor risks and strengthen controls to mitigate risks. Your Company has established procedures to periodically place before the Risk Management Committee and the Board of Directors, the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate these risks.

The development and implementation of Risk Management Policy adopted by the Company is discussed in detail in

the Management Discussion and Analysis chapter, which forms part of this Annual Report.

Whistle Blower Policy/Vigil Mechanism

The Company promotes ethical behaviour in all its business activities and has established a vigil mechanism for its Directors, Employees and Stakeholders associated with the Company to report their genuine concerns.

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed thereunder and the Listing Regulations is implemented through the Whistle Blower Policy, to provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

As per the amended Whistle Blower Policy implemented by the Company, the Employees, Directors, customers, dealers, vendors, suppliers, or any Stakeholders associated with the Company 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 Convenor of the Corporate Governance Cell.

The Whistle Blower Policy provides for protected disclosure and protection to the Whistle Blower. Under the Whistle Blower Policy, the confidentiality of those reporting violation(s) is protected and they are not subject to any discriminatory practices. Protected disclosures can also be made by sending an email at the designated email id : mmfsl_whistleblower@mahindra.com.

The Whistle Blower Policy has been appropriately communicated within the Company and has also been hosted on the website of the Company: http://www.mahindrafinance.com/pdf/MMFSL_VigilMechanism.pdf. No personnel have been denied access to the Audit Committee.

Subsidiaries, Joint Venture and Associates

A Report on the performance and financial position of each of the subsidiaries and the joint venture company as per the Companies Act, 2013 is provided in Form AOC-1 as Annexure A to the Consolidated Financial Statement and hence not repeated here for the sake of brevity. The policy for determining material subsidiaries as approved may be accessed on the Company's website at the web link: <http://www.mahindrafinance.com/policies.aspx>

Subsidiaries

Mahindra Insurance Brokers Limited

During the year under review, Mahindra Insurance Brokers Limited (MIBL) serviced 1.3 million insurance

cases, with a total of 13,30,929 cases for both Life and Non-Life Retail business. The customized Life insurance cover "Mahindra Loan Suraksha" (MLS) increased from 4,59,781 lives covered with a Sum Assured of Rs. 13,515.4 crores in the Financial Year 2014-15 to 5,13,093 lives covered with a Sum Assured of Rs. 14,792.8 crores in the Financial Year 2015-16. This is in spite of the general economic slowdown witnessed during the year having a cascading impact on the auto-manufacturing and auto financing industry. A substantial portion of MLS continues to be covered in the rural markets.

MIBL achieved a growth of 24% in Gross Premium facilitated for the Corporate and Retail business lines, increasing from Rs. 1,002.7 crores in the Financial Year 2014-15 to Rs. 1,238.6 crores in the Financial Year 2015-16.

The Total Income of MIBL increased by 18% from Rs. 126.2 crores in the Financial Year 2014-15 to Rs. 149.2 crores in the Financial Year 2015-16. The Profit before Tax increased by 15% from Rs. 65.3 crores to Rs. 75.2 crores, and the Profit after Tax increased by 13% from Rs. 42.9 crores to Rs. 48.5 crores during the same period.

Mahindra Rural Housing Finance Limited

Mahindra Rural Housing Finance Limited (MRHFL) has during the year ended 31st March, 2016, disbursed loans aggregating Rs. 1,552.5 crores (previous year Rs. 989.6 crores) achieving a growth of 57% over the previous year. Profit after tax was 42% higher at Rs. 62.7 crores as compared to Rs. 44.2 crores for the previous year. The outstanding loan portfolio as at 31st March, 2016 stood at Rs. 3,264.5 crores.

MRHFL continued its focus on serving customers in rural India. Majority of the loans disbursed were to customers in villages with an average annual household income of less than Rs. 1.5 lakhs. During the year under review, around 1,25,074 families were given home loans (in addition to around 2,63,080 existing families as on 31st March, 2015).

MRHFL has been expanding its geographical presence, to provide affordable services for rural households and has also entered the semi-urban market segment.

Mahindra Asset Management Company Private Limited

The Securities and Exchange Board of India vide its letter dated 4th February, 2016 has granted the certificate of registration to 'Mahindra Mutual Fund' ("the Fund") and approval to the Company's wholly-owned subsidiary Mahindra Asset Management Company Private Limited (MAMCPL), to act as the asset management company/

investment manager to the Fund. During the year under review, MAMCPL has not commenced any business activities.

Mahindra Trustee Company Private Limited

The Securities and Exchange Board of India vide its letter dated 4th February, 2016 has granted the certificate of registration to 'Mahindra Mutual Fund' ("the Fund"). Mahindra Trustee Company Private Limited (MTCPL), the wholly-owned subsidiary of the Company, will be engaged as a Trustee to the Fund. During the year under review, MTCPL has not commenced any business activities.

Joint Venture

Mahindra Finance USA LLC.

The joint venture company's disbursement registered a growth of 27.5% to USD 6,807.75 Lacs for the year ended 31st March, 2016 as compared to USD 5,337.09 Lacs for the previous year.

Income grew by 42.04% to USD 313.09 Lacs for the year ended 31st March, 2016 as compared to USD 220.43 Lacs for the previous year. Profit Before Tax was 26.36% higher at USD 89.70 Lacs as compared to USD 70.99 Lacs for the previous year. Profit After Tax grew at a healthy rate of 26.02% to USD 57.30 Lacs as compared to USD 45.47 Lacs in the previous year.

Names of companies which have become or ceased to be subsidiaries, joint ventures or associate companies during the year

During the year under review, no company has become or ceased to be a subsidiary, joint venture or associate of the Company.

The Company shall provide the copy of the annual accounts of its subsidiary companies and the related information to the Members of the Company on their request. The annual accounts of the subsidiary companies will also be kept open for inspection by any Member at the Registered Office of the Company and also at the Registered Office of the respective subsidiary companies during working hours upto the date of the Annual General Meeting.

The Annual Reports of the subsidiaries will also be available on your Company's website at the link: <http://www.mahindrafinance.com/annual-reports.aspx>.

Material Subsidiary

Pursuant to Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, if the income or net worth of any subsidiary company exceeds 20% of the consolidated income or net worth respectively of the listed holding company and its subsidiaries in the immediately preceding accounting year; that subsidiary would be termed as a 'Material Subsidiary'.

In view of the above, there is no material subsidiary of your Company for the Financial Year 2015-16.

Consolidated Financial Statements

The Consolidated Financial Statements of the Company and its four subsidiaries viz. Mahindra Insurance Brokers Limited, Mahindra Rural Housing Finance Limited, Mahindra Asset Management Company Private Limited and Mahindra Trustee Company Private Limited 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.

Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future

There are no significant and material orders passed by the regulators or courts or tribunals that would impact

the going concern status of the Company and its future operations.

Details in respect of adequacy of internal financial controls with reference to the Financial Statements

Your Company has in place adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Review of the internal financial controls environment of the Company was undertaken during the year which covered verification of entity level control, process level control and IT controls, identification, assessment and definition of key business processes and analysis of risk control matrices, etc.

Reasonable Financial Controls are operative for all the business activities of the Company and no material weakness in the design or operation of any control was observed.

Particulars of Remuneration and related disclosures

Disclosures pursuant to Section 197(12) of the Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are as under:

Sr. Disclosure Requirement No.	Disclosure Details		
	Name of Director/KMP	Designation	Ratio of the remuneration of each Director to median remuneration of employees
1. Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2015-16.	Mr. Dhananjay Mungale	Chairman	9.88X
	Mr. Bharat Doshi#	Former Chairman	21.45X
	Mr. Uday Y. Phadke*	Non-Executive Director	NIL
	Mr. M. G. Bhide	Independent Director	10.51X
	Mr. Piyush Mankad	Independent Director	10.21X
	Mr. C. B. Bhave	Independent Director	9.62X
	Ms. Rama Bijapurkar	Independent Director	9.58X
	Mr. V. S. Parthasarathy	Non-Executive Director	NIL**
	Dr. Anish Shah	Non-Executive Director	NIL**
	Mr. Ramesh Iyer	Vice-Chairman & Managing Director	184.02X
	Mr. V. Ravi	Executive Director & Chief Financial Officer	85.14X
Ms. Arnavaz M. Pardiwala	Company Secretary & Compliance Officer	18.49X	

Mr. Bharat Doshi has resigned as Chairman and Member of the Board w.e.f. 9th March, 2016

* Mr. Uday Y. Phadke has ceased to be Director of the Company w.e.f. 24th July, 2015.

** Mr. V. S. Parthasarathy and Dr. Anish Shah do not receive any remuneration from the Company.

Sr. Disclosure Requirement No.	Disclosure Details		
	Name of Director/KMP	Designation	% increase in Remuneration
2. Percentage increase in Remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2015-16.	Mr. Dhananjay Mungale	Chairman	3.17
	Mr. Bharat Doshi#	Former Chairman	0.87
	Mr. Uday Y. Phadke*	Non-Executive Director	NIL
	Mr. M. G. Bhide	Independent Director	8.50
	Mr. Piyush Mankad	Independent Director	3.42
	Mr. C. B. Bhave	Independent Director	N.A.@
	Ms. Rama Bijapurkar	Independent Director	18.23
	Mr. V. S. Parthasarathy	Non-Executive Director	NIL**
	Dr. Anish Shah	Non-Executive Director	NIL**
	Mr. Ramesh Iyer	Vice-Chairman & Managing Director	-32.43
	Mr. V. Ravi	Executive Director & Chief Financial Officer	-38.06
	Ms. Arnavaz M. Pardiwala	Company Secretary & Compliance Officer	4.56
	#	Mr. Bharat Doshi has resigned as Chairman and Member of the Board w.e.f. 9th March, 2016	
*	Mr. Uday Y. Phadke has ceased to be Director of the Company w.e.f. 24th July, 2015.		
@	Details not given as Mr. C. B. Bhave was a Director only for part of the Financial Year 2014-15		
**	Mr. V. S. Parthasarathy and Dr. Anish Shah do not receive any remuneration from the Company.		
3.	Percentage increase in the median Remuneration of employees in the Financial Year	9.93% considering employees who were in employment for the whole of the Financial Year 2014-15 and Financial Year 2015-16.	
4.	Number of Permanent employees on the rolls of the Company as on 31st March, 2016	15,955	
5.	Explanation on relationship between average increase in Remuneration and Company performance	The increase in the Remuneration is in line with the financial performance of the Company, market trends and Industry benchmarking. On an average, employees received an annual increase of 9.93%. The individual increment varied from 8% to 12% based on individual performance	
6.	Comparison of Remuneration of the Key Managerial Personnel against the performance of the Company	The Key Managerial Personnel were paid approximately 0.65% in aggregate of the Profit Before Tax during the Financial Year 2015-16.	
7.	a) Variations in the market capitalisation of the Company	The market capitalisation as on 31st March, 2016 was Rs. 13,881 crores (Rs. 14,441 crores as on 31st March, 2015) indicating a decline of 3.88%.	
	b) Price Earnings ratio of the Company as at the closing date of current financial year and previous financial year	Price Earnings ratio of the Company was 20.47 as at 31st March, 2016 and was 17.21 as at 31st March, 2015.	
	(c) Percent increase / decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer.	The Company's stock price as at 31st March, 2016 has increased by 510.12% to Rs. 244.05 (NSE closing) over the last public offering i.e. IPO in February 2006 at the price of Rs. 200 per share (subdivision adjusted price Rs. 40).	
8.	Average percentile increase already made in the salaries of employees other than the Managerial Personnel in the last Financial Year i.e. 2015-16 and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	For employees other than Managerial Personnel who were in employment for the whole of Financial Year 2014-15 and Financial Year 2015-16, the average increase is 9.91%. Average decrease for Managerial Personnel is 32.71%	

Sr. No.	Disclosure Requirement	Name of KMP	Designation	% to Profit Before Tax for F.Y. 2015-16
9.	Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company	Mr. Ramesh Iyer	Vice-Chairman & Managing Director	0.42
		Mr. V. Ravi	Executive Director & Chief Financial Officer	0.19
		Ms. Arnavaz M. Pardiwala	Company Secretary & Compliance Officer	0.04
10.	Key parameters for any variable component of remuneration availed by the directors	The key parameters for the variable component of remuneration availed by the Directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee in accordance with the Remuneration Policy for Directors. The Performance Pay of the Managing Director is aggregate of Individual Key Result Areas and Company's Key Performance Indicators. Non-Executive Directors (NEDs) are paid commission upto 1% of the Net Profits of the Company computed as per the applicable provisions of the Companies Act, 2013 and as approved by the Shareholders in the General Meeting. The said commission is decided each year by the Board of Directors and distributed amongst the NEDs.		
11.	Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	Not Applicable		
12.	Affirmation that the remuneration is as per the Remuneration Policy of the Company.	The remuneration paid/payable is as per the Policy on Remuneration of Directors and Remuneration Policy for Key Managerial Personnel and Employees of the Company.		

Notes:

- 1) The remuneration calculated is as per section 2(78) of the Companies Act, 2013 and includes the perquisite value of Stock Options of the Company exercised during the year.
- 2) The calculations are based on Employees who were on the rolls of the Company for the whole of the Financial Year 2014-15 and Financial Year 2015-16.

Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer of the Company do not receive any remuneration or commission from any of the subsidiaries of the Company. However, Mr. Iyer has been granted stock options under the Employees' Stock Option Scheme of the holding Company, Mahindra & Mahindra Limited.

The Company had 19 employees who were in receipt of remuneration of not less than Rs.60 lakhs during the year ended 31st March, 2016 or not less than Rs. 5,00,000 per month during any part of the year.

A Statement giving details of employee remuneration as required under provisions of section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended separately and forms part of this Report. In terms of the first proviso to section 136 of the Act, the Report and Accounts are being sent to the Shareholders excluding these particulars. The details are also available at the Registered Office of the Company during working hours 21 days before the Annual General Meeting and shall be made available to any Shareholder on request. Such details are also available on your Company's website at:

<http://www.mahindrafinance.com/annual-reports.aspx>

None of the employees listed in the said Statement is a relative of any Director of the Company.

None of the employees holds either by himself/herself or along with his/her spouse or dependent children, more than two per cent of the Equity Shares of the Company.

Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

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 upholding the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited.

The Company has in place an appropriate Policy in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, to prevent sexual harassment of its employees.

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

All employees (permanent, contractual, temporary and trainees) are covered under this Policy.

The Company ensures that no employee is disadvantaged by way of gender discrimination.

The following is a summary of Sexual Harassment complaints received and disposed off during the year 2015-16, pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder:

- (a) Number of complaints of Sexual Harassment received during the year – 3
- (b) Number of complaints disposed off during the year – 3
- (c) Number of cases pending for more than 90 days – 0
- (d) Number of workshops/awareness programme against sexual harassment carried out – 10 workshops were conducted. Awareness on sexual harassment was carried out in branches pan-India for all employees of the Company.
- (e) Nature of action taken by the employer or District Officer – one case was withdrawn, two warning letters have been issued by the Company.

Conservation of Energy, Technology Absorption, and Foreign Exchange Earnings and Outgo

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under sub-section (3) (m) of section 134 of the Companies Act, 2013 read with Rule (8)(3) of the Companies (Accounts) Rules, 2014 are given as under :

(A) Conservation of Energy

- (i) The steps taken or impact on conservation of energy: The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption. Select few steps are listed :
 - a) Installation of Solar UPS in different States.
 - b) LED Light in office in place of CFL in offices.

- c) Installation of windmills and solar panels in various offices.

- (ii) The steps taken by the Company for utilizing alternate sources of energy:

During the year the Company has spent Rs.O.11 crores towards implementing solar power system in various branches.

- (iii) The capital investment on energy conservation equipments: Nil

(B) Technology Absorption

- (i) The efforts made towards technology absorption: Not Applicable.
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution: Not Applicable.
- (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year): Not Applicable.
 - (a) Details of Technology Imported;
 - (b) Year of Import;
 - (c) Whether the Technology has been fully absorbed;
 - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof.
- (iv) Your Company has not incurred any expenditure on Research and Development during the year under review.

(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

Dhananjay Mungale
Chairman

Place: Mumbai
Date : 23rd April, 2016

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 REGULATION 34 READ WITH PARAGRAPH A OF SCHEDULE V OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

Loans and advances in the nature of loans to subsidiaries:

Name of the Company	Balance as on 31st March, 2016	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	46.56	46.56

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 at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan, pursuant to section 186 of the Companies Act, 2013.

Annexure I to the Directors' Report for the Year ended 31st March, 2016

Annual Report on Corporate Social Responsibility Activities as prescribed under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:

CSR Policy

At Mahindra & Mahindra Financial Services Limited (MMFSL or 'the Company') we sincerely believe that the actions of the organization and its community are highly inter-dependent. Both on its own and as part of the Mahindra Group, through constant and collaborative interactions with our external stakeholders, MMFSL strives to become an asset in the communities where it operates. As part of our Corporate Social Responsibility (CSR), we actively implement projects and initiatives for the betterment of society, communities and the environment.

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.

The CSR Policy and details of the projects undertaken by the Company are available at the link <http://www.mahindrafinance.com/csr.aspx>.

2. The Composition of the CSR Committee: Mr. Piyush Mankad (Chairman), Mr. Ramesh Iyer, Mr. V. Ravi and Dr. Anish Shah.
3. Average net profit of the Company for last three Financial Years: Rs. 1,45,163.90 Lacs
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) : Rs. 2,903.28 Lacs
5. Details of CSR spent during the financial year.
 - (a) Total amount spent for the financial year; : Rs. 2,905.95 Lacs
 - (b) Amount unspent, if any; : NIL
 - (c) Manner in which the amount spent during the Financial Year is detailed below:

Statement of CSR activities and expenditure in the Financial Year 2015-16

		Rs. in Lacs					
1	2	3	4	5	6	7	8
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs 1) Local Area or other 2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) or programs wise	Amount spent on the project or programs or projects	Cumulative expenditure upto the reporting period	Amount spent : Directly or Through Implementing Agency
				Direct expenditure on programs or projects	Overheads		
1.	Supporting the PM's clean India campaign by building toilets for girls under the Swachh Bharat Swachh Vidyalaya Program and maintenance of such toilets	(i)	Mumbai, Nasik (Maharashtra)	530.00	530.00	530.00	Mahindra Foundation
2.	Organizing Blood Donation, General Health Camps, Eye Checkup Camps and Providing Medical Aid	(i)	Una (Himachal Pradesh), Vijaywada, Karimnagar, Nizamabad, Kurnool (Andhra Pradesh), Ahmedabad, Himmatnagar, Mehsana (Gujarat), Trichy, Madurai, Tirupathi (Tamil Nadu), Hissar (Haryana), Jodhpur, Kota, Jhalawar, Udaipur (Rajasthan), Guwahati (Assam), Kolkata (West Bengal), Gangtok (Sikkim), Dehradun (Uttarakhand), Ranchi (Jharkhand), Nasik, Jawhar, Mumbai, Aurangabad and Jalna (Maharashtra)	54.12	54.12	54.12	Self-Implemented and through NGOs: Chatrapati Shahu Pratishthan, Think Foundation, Rasika Ranjani Sabha

Rs. in Lacs

1	2	3	4	5	6	7	8	
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs 1) Local Area or other 2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) or programs wise	Amount spent on the project or programs on projects		Cumulative expenditure upto the reporting period	Amount spent : Directly or Through Implementing Agency
					Direct expenditure on projects	Overheads on projects		
3.	Promoting access to healthcare for marginalized populations by providing ambulance, medical equipments, infrastructure support for hospitals	(i)	Kolkata, Sonarpur (West Bengal), Thane (Maharashtra), Raichur, Bengaluru (Karnataka) Satna (Madhya Pradesh), Thrissur (Kerala), Ananthpur (Andhra Pradesh), Chennai (Tamil Nadu), Muzaffarpur (Bihar), Nagpur, Kolhapur, Shahapur, Mumbai (Maharashtra), Allahabad, Lucknow, (Uttar Pradesh), Malda, (West Bengal), Rajkot (Gujarat), Kullu (Himachal Pradesh), Yamunanagar, Panchkula, Faridabad (Haryana), Ranchi (Jharkhand), Jaipur (Rajasthan), Bhubaneswar (Orissa)	282.80	282.80	0.00	282.80	Think Foundation, Sri Balaji Health Care, Indian Development Foundation, Shramajeevi Gramin and Nagarabhirvuddi Samstha, Seva Ashram, Shri Sadguru Seva, Sangh Trust, Janakeeya Samithi, Rural Development Trust, Sri Sathya Sai Seva Organisation, Satya Manav Uthan Sansthan, Rashtrasant Tukdoji Regional Cancer Hospital & Research Centre, Chhatrapati Shahu Cancer Research foundation, Nazareth Hospital, Haiderpur Shelter of Malda, Sri Ranchhoddasji Bapu Charitable Hospital, Himalaya Nav Chetna Society, Family Planning Association of India, Liver Foundation, Sri Kanchi Kamakoti Medical Trust, Sadguru Daskishin Saibaba Mandal, Jankalyan Charitable Trust, International Association for Human Values
4.	Supporting Lifeline Express to provide on-the-spot diagnostic, surgical and other medical services to poor families in rural areas	(i)	Uttar Pradesh	69.40	69.40	0.00	69.40	Impact India Foundation
5.	Providing medical and vision correction facilities for marginalized patients	(i)	Mumbai (Maharashtra), Bengaluru (Karnataka), Jorhat (Assam)	31.27	31.27	0.00	31.27	Vision Foundation of India, Sri Kanchi Kamakoti Medical Trust, Centre for North East Studies and Policy Research
6.	Supporting education of marginalized girls through project 'Nanhi Kali'	(ii)	Mumbai (Maharashtra)	252.35	252.35	0.00	252.35	K.C. Mahindra Education Trust
7.	Educational support to schools and under-privileged students by helping them provide with quality education, uniforms, notebooks, textbooks, etc.	(ii)	Mumbai (Maharashtra) Guwahati (Assam), Muzaffarpur (Bihar), Medak & Secunderabad (Andhra Pradesh), Narasingapuram, Dindigul (Tamil Nadu), Bengaluru (Karnataka), Shillong (Meghalaya), Palampur, Meerut (Uttar Pradesh), Bhubaneswar (Orissa), Lucknow (Uttar Pradesh), Bhopal, Jabalpur (Madhya Pradesh), Kutch (Gujarat)	57.77	57.77	0.00	57.77	Self-Implemented, Namasan keerthana, Shree Narayana Mandira Samiti, Prime Education Health Learning Services, Gosumec Alumni Association, Naandi Foundation, The Noronha Foundation, Saraswatam

Rs. in Lacs

1	2	3	4	5	6	7	8	
Sr. No.	CSR Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs 1) Local Area or other 2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) projects or programs wise	Amount spent on the project or programs Direct expenditure on projects or projects	Overheads reporting upto the period	Cumulative expenditure upto the reporting period	Amount spent : Directly or Through Implementing Agency
8.	Provide socially and economically disadvantaged youth with training in Retail, Hospitality or IT sector in 'Mahindra Pride School'	(ii)	Patna (Bihar), Hyderabad (Telangana), Chennai (Tamil Nadu) & Pune (Maharashtra)	550.00	550.00	0.00	550.00	K.C. Mahindra Education Trust, Naandi Foundation
9.	Promoting financial literacy among school students through various initiatives like financial literacy courses and distribution of financial literacy kits	(ii)	Jaipur, Udaipur, (Rajasthan) Bhubaneswar (Orissa), Kolkata (West Bengal), Hyderabad (Telangana), Lucknow (Uttar Pradesh), Patna (Bihar), Bengaluru and Hubli (Karnataka), Chennai and Trichi (Tamil Nadu)	206.07	206.07	0.00	206.07	Self implemented, Mahindra Foundation, Naandi Foundation
10.	Vocational Training for unemployed youths and women for financial skills and drivers training respectively to make them employable.	(ii)	Chennai, Dindigul & Coimbatore (Tamil Nadu), Patna (Bihar) Gorakhpur, Lucknow, Allahabad, Muzaffarpur (Uttar Pradesh), Dharwad, Bengaluru, Mangalore (Karnataka), Palghar (Maharashtra), Delhi/NCR (New Delhi), Ranchi (Jharkhand), Guwahati (Assam), Gurgaon (Haryana)	289.01	289.01	0.00	289.01	Nidan, Mliap, Azad Foundation, ANEW, Udyogini, Shri Sathya Sai Books and Publications Trust
11.	Scholarship for Graduate & Undergraduate needy students from rural areas	(ii)	Kerala, Karnataka, Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Chhattisgarh, Punjab, Haryana, Uttarakhnad, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, Jharkhand, West Bengal, Orissa, Assam	376.50	376.50	0.00	376.50	K.C. Mahindra Education Trust, Think Foundation, Naandi Foundation, Dharmistha Mithan
12.	Supporting old age homes, orphanages and differently abled homes	(iii)	Shinagar (Jammu and Kashmir), Haridwar (Uttarakhand), Kota, Jaipur, Shrianganagar, Bikaner (Rajasthan), Pune, Mumbai, Karjat, Panvel (Maharashtra), Chennai (Tamil Nadu), Kurnool (Andhra Pradesh), Patna (Bihar)	13.01	13.01	0.00	13.01	Self-Implemented, Desire Society, Janakalyan Sevashram
13.	Environmental conservation and restoration programs, including tree plantation, rain water harvesting systems installation	(iv)	Uttar Pradesh, Maharashtra, Madhya Pradesh Gujarat, Rajasthan, Andhra Pradesh and Telangana, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh and Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Odisha, Punjab, Tamil Nadu, Uttarakhnad & Uttar Pradesh, West Bengal	48.95	48.95	0.00	48.95	Self-Implemented, South Indian Education Society, VVWH
14.	Supporting programs to promote Indian art and culture	(v)	Mumbai (Maharashtra)	16.00	16.00	0.00	16.00	Sri Shanmukhanada Fine Arts and Sangeetha, Indian Cultural Foundation, Kala Sangam Trust

Rs. in Lacs

1	2	3	4	5	6	7	8
Sr. No.	Project or Activity identified	Sector in which the Project is covered [Refer Note]	Projects or programs covered [Refer Note]	Amount: outlay (Budget) or programs wise	Amount spent on the project or programs	Cumulative expenditure upto the reporting period	Amount spent : Directly or Through Implementing Agency
			1) Local Area or other projects or programs were undertaken	Direct expenditure on programs or projects	Overheads on programs or projects		
15.	Supporting social enterprises working to address problems in rural India through DST certified Incubation Centers	(ix)	Chennai (Tamil Nadu), Ahmedabad (Gujarat)	100.00	100.00	100.00	CIE (Centre for Innovation and Entrepreneurship) and Vilgro
16.	Vehicle donation for Rural Development Project	(x)	Dehradun (Uttarakhand)	5.50	5.50	5.50	The Friends of Doon Society
17.	CSR Administrative Expenses		Overheads	23.20	0.00	23.20	
	Total			2,905.95	2,882.35	23.20	2,905.95

Note:

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
- (ii) Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga.
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- (x) Rural development projects.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report : Not Applicable

7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For Mahindra & Mahindra Financial Services Limited

Ramesh Iyer
Vice-Chairman & Managing Director

Place : Mumbai
Date : 23rd April, 2016

For and on behalf of the Corporate Social Responsibility Committee of Mahindra & Mahindra Financial Services Limited

Piyush Mankad
Chairman
Corporate Social Responsibility Committee

Annexure II to the Directors' Report for the Year ended 31st March, 2016
FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details:

CIN	L65921MH1991PLC059642
Registration Date	01/01/1991
Name of the Company	Mahindra & Mahindra Financial Services Limited
Category / Sub-Category of the Company	Public Company / Limited by Shares
Address of the Registered Office and contact details	Gateway Building, Apollo Bunder, Mumbai- 400 001. Tel. : +91 22 2289 5500; Fax : +91 22 2287 5485 Email: investorhelpline_mmfs@mahindra.com Website: www.mahindrafinance.com
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Unit: Mahindra & Mahindra Financial Services Limited Karvy Selenium, Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500 032 Email : einward.ris@karvy.com Tel. : 040-6716 2222 Fax : 040-2300 1153 Toll Free No. : 1800 345 4001

II. Principal Business Activities of the Company

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the product/ service	% to total turnover of the Company
1.	Asset Financing	64990	91.52%

III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai – 400 001.	L65990MH1945PLC004558	Holding Company	51.20%	Section 2(46)
2.	Mahindra Insurance Brokers Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U65990MH1987PLC042609	Subsidiary Company	85.00%	Section 2(87)(ii)
3.	Mahindra Rural Housing Finance Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U65922MH2007PLC169791	Subsidiary Company	87.50%	Section 2(87)(ii)

III. Particulars of Holding, Subsidiary and Associate Companies (Contd.)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
4.	Mahindra Asset Management Company Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U65900MH2013PTC244758	Subsidiary Company	100.00%	Section 2(87)(ii)
5.	Mahindra Trustee Company Private Limited Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.	U67100MH2013PTC245464	Subsidiary Company	100.00%	Section 2(87)(ii)
6.	Mahindra Finance USA LLC Corporate Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808.	-	Associate Company	49.00%	Section 2(6)

IV. Share Holding Pattern (Equity Share Capital Breakup as Percentage of Total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1st April, 2015)				No. of Shares held at the end of the year (As on 31st March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0.00	0	0	0	0.00	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	29,12,07,660	0	29,12,07,660	51.20	29,12,07,660	0	29,12,07,660	51.20	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other (MMFSL ESOP Trust)	46,24,289	0	46,24,289	0.81	41,63,582	0	41,63,582	0.73	-0.08
Sub-total (A) (1)	29,58,31,949	0	29,58,31,949	52.01	29,53,71,242	0	29,53,71,242	51.93	- 0.08
(2) Foreign									
a) NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (2)	0	0	0	0.00	0	0	0	0.00	0.00
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	29,58,31,949	0	29,58,31,949	52.01	29,53,71,242	0	29,53,71,242	51.93	- 0.08
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	1,66,12,539	0	1,66,12,539	2.92	4,41,36,968	0	4,41,36,968	7.76	4.84
b) Banks / FI	24,34,325	0	24,34,325	0.43	63,30,301	0	63,30,301	1.11	0.68
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	18,55,000	0	18,55,000	0.33	18,55,000	0	18,55,000	0.33	0.00
f) Insurance Companies	18,00,208	0	18,00,208	0.32	20,28,550	0	20,28,550	0.36	0.04
g) FIs	21,69,75,286	0	21,69,75,286	38.15	19,14,64,366	0	19,14,64,366	33.66	- 4.49

i) Category-wise Shareholding (Contd.)

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1st April, 2015)				No. of Shares held at the end of the year (As on 31st March, 2016)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1)	23,96,77,358	0	23,96,77,358	42.14	24,58,15,185	0	24,58,15,185	43.22	1.08
2. Non-Institutions									
a) Bodies Corporate									
i) Indian	60,46,964	4,22,490	64,69,454	1.14	42,44,560	1,72,490	44,17,050	0.78	-0.36
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
	1,62,84,532	5,82,545	1,68,67,077	2.97	1,40,45,977	5,02,360	1,45,48,337	2.56	-0.41
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh									
	63,30,508	6,18,115	69,48,623	1.22	57,07,629	2,85,710	59,93,339	1.05	-0.17
c) Others (specify)									
Clearing Members	12,96,242	0	12,96,242	0.23	6,29,580	0	6,29,580	0.11	-0.12
Non Resident Indians	8,11,546	0	8,11,546	0.14	11,30,036	0	11,30,036	0.20	0.06
Trusts	8,62,711	0	8,62,711	0.15	8,60,191	0	8,60,191	0.15	0.00
d) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(2)	3,16,32,503	16,23,150	3,32,55,653	5.85	2,66,17,973	9,60,560	2,75,78,533	4.85	-1.00
Total Public Shareholding (B)=(B)(1)+(B)(2)	27,13,09,861	16,23,150	27,29,33,011	47.99	27,24,33,158	9,60,560	27,33,93,718	48.07	0.08
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	56,71,41,810	16,23,150	56,87,64,960	100.00	56,78,04,400	9,60,560	56,87,64,960	100.00	0.00

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year (As on 1st April, 2015)			No. of Shares held at the end of the year (As on 31st March, 2016)			% change in share holding during the year
		No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ encumbered to total shares	
1.	Mahindra & Mahindra Limited	29,12,07,660	51.20	0	29,12,07,660	51.20	0	0.00
2.	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust	46,24,289	0.81	0	41,63,582	0.73	0	-0.08
Total		29,58,31,949	52.01	0	29,53,71,242	51.93	0	-0.08

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Shareholding at the beginning of the year (As on 1st April, 2015)		No. of Shares held at the end of the year (As on 31st March, 2016)		
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	
1.	Mahindra & Mahindra Limited				
	At the beginning of the year	29,12,07,660	51.20	29,12,07,660	51.20
	Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer /bonus/ sweat equity etc):	-	-	-	-
	At the end of the year	29,12,07,660	51.20	29,12,07,660	51.20
2.	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust				
	At the beginning of the year	46,24,289	0.81	46,24,289	0.81
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc.)*	-4,60,707	-0.08	41,63,582	0.73
	At the End of the year	41,63,582	0.73	41,63,582	0.73

Note :

- There is no change in the total shareholding of the Promoter viz. Mahindra & Mahindra Limited from 1st April, 2015 to 31st March, 2016.
- * The decrease in total shares held by the Trust from 46,24,289 shares to 41,63,582 shares is due to ESOP allotment of 4,60,707 shares during the year.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For Each of the Top 10 Shareholders	Shareholding				Reason	Cumulative Shareholding during the year	
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@	Increase / Decrease in Shareholding		No. of shares	% of total shares of the Company
1	Government of Singapore*	51,40,094	0.90	01-04-2015			51,40,094	0.90
				10-04-2015	40,454		51,80,548	0.91
				24-04-2015	-3,424		51,77,124	0.91
				01-05-2015	-11,56,052		40,21,072	0.71
				08-05-2015	-81,344		39,39,728	0.69
				15-05-2015	-3,47,785		35,91,943	0.63
				05-06-2015	10,812		36,02,755	0.63
				12-06-2015	-5,654		35,97,101	0.63
				03-07-2015	1,02,960	Market Purchase & Sale	37,00,061	0.65
				10-07-2015	66,827		37,66,888	0.66
				31-07-2015	40,477		38,07,365	0.67
				07-08-2015	1,00,336		39,07,701	0.69
				21-08-2015	-12,653		38,95,048	0.68
				28-08-2015	2,04,924		40,99,972	0.72
				04-09-2015	2,98,580		43,98,552	0.77
				11-09-2015	-1,20,361		42,78,191	0.75
				02-10-2015	56,881		43,35,072	0.76
				09-10-2015	1,93,627		45,28,699	0.80
				23-10-2015	-4,245		45,24,454	0.80

Sl. No.	For Each of the Top 10 Shareholders	Shareholding			Reason	Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@		Increase / Decrease in Shareholding	No. of shares	% of total shares of the Company
				30-10-2015	-61,493		44,62,961	0.78
				06-11-2015	-9,412		44,53,549	0.78
				13-11-2015	-45,084		44,08,465	0.78
				20-11-2015	-6,712		44,01,753	0.77
				04-12-2015	-1,21,411		42,80,342	0.75
				11-12-2015	-18,579		42,61,763	0.75
				31-12-2015	-20,856	Market Purchase & Sale	42,40,907	0.75
				08-01-2016	71,302		43,12,209	0.76
				15-01-2016	-4,097		43,08,112	0.76
				29-01-2016	1,41,538		44,49,650	0.78
				05-02-2016	3,00,333		47,49,983	0.84
				12-02-2016	73,829		48,23,812	0.85
				04-03-2016	1,03,706		49,27,518	0.87
				11-03-2016	-2,447	49,25,071	0.87	
		48,33,943	0.85	31-03-2016	-91,128		48,33,943	0.85
2.	JP Morgan Sicav Investment Company (Mauritius) Limited	63,65,923	1.12	01-04-2015			63,65,923	1.12
				12-02-2016	-4,50,822	Market Sale	59,15,101	1.04
				19-02-2016	-3,65,398		55,49,703	0.98
		55,49,703	0.98	31-03-2016			55,49,703	0.98
3.	JP Morgan India Fund*	45,24,009	0.80	01-04-2015			45,24,009	0.80
				10-04-2015	5,80,000	Market Purchase & Sale	51,04,009	0.90
				04-09-2015	-1,10,000		49,94,009	0.88
		49,94,009	0.88	31-03-2016			49,94,009	0.88
4.	Bank of Muscat A O G A/C Bank Muscat India Fund	53,80,135	0.95	01-04-2015		No Change in the Shareholding during the year	53,80,135	0.95
5.	Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Fund*	47,97,860	0.84	01-04-2015			47,97,860	0.84
				01-05-2015	3,630		48,01,490	0.84
				08-05-2015	4,125		48,05,615	0.84
				24-07-2015	77,675		48,83,290	0.86
				14-08-2015	-4,125		48,79,165	0.86
				21-08-2015	-9,900		48,69,265	0.86
				28-08-2015	-19,305		48,49,960	0.85
				04-09-2015	-26,400		48,23,560	0.85
				11-09-2015	-13,860		48,09,700	0.85
				20-11-2015	-30,911		47,78,789	0.84
				27-11-2015	-7,213		47,71,576	0.84
				18-12-2015	-22,212	Market Sale & Purchase	47,49,364	0.84
				25-12-2015	-10,674		47,38,690	0.83
				15-01-2016	-30,037		47,08,653	0.83
				22-01-2016	-15,840		46,92,813	0.83
				05-02-2016	-55,590		46,37,223	0.82
				12-02-2016	-21,595		46,15,628	0.81
				26-02-2016	-8,451		46,07,177	0.81
				04-03-2016	-9,116	45,98,061	0.81	
				11-03-2016	11,820	46,09,881	0.81	
				18-03-2016	-35,671	45,74,210	0.80	
				25-03-2016	-53,384	45,20,826	0.79	
		45,20,826	0.79	31-03-2016			45,20,826	0.79

Sl. No.	For Each of the Top 10 Shareholders	Shareholding				Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@	Increase / Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
6.	Franklin Templeton Investment Funds	1,47,71,995	2.60	01-04-2015			1,47,71,995	2.60
				10-04-2015	60,514		1,48,32,509	2.61
				20-11-2015	13,500		1,48,46,009	2.61
				04-12-2015	5,86,500	Market Purchase	1,54,32,509	2.71
				18-12-2015	38,545		1,54,71,054	2.72
		1,54,71,054	2.72	31-03-2016		1,54,71,054	2.72	
7.	Stichting Pensioenfonds ABP*	47,26,799	0.83	01-04-2015			47,26,799	0.83
				12-06-2015	94,826		48,21,625	0.85
				17-07-2015	22,525	Market Sale	48,44,150	0.85
				07-08-2015	67,006	& Purchase	49,11,156	0.86
				21-08-2015	-49,11,156		0	0
		0	0.00	31-03-2016		0	0.00	
8.	FIL Investment (Mauritius) Ltd	52,23,616	0.92	01-04-2015		No Change in the Shareholding during the year	52,23,616	0.92
9.	Fidelity Funds Emerging Markets Fund*	72,38,417	1.27	01-04-2015			72,38,417	1.27
				10-04-2015	3,31,988		75,70,405	1.33
				17-04-2015	2,12,643		77,83,048	1.37
				01-05-2015	-2,84,310		74,98,738	1.32
				15-05-2015	-3,21,092		71,77,646	1.26
				22-05-2015	-7,61,484	Market Sale	64,16,162	1.13
				29-05-2015	-2,55,049	& Purchase	61,61,113	1.08
				05-06-2015	-5,32,338		56,28,775	0.99
				12-06-2015	-7,60,882		48,67,893	0.86
				19-06-2015	-13,50,892		35,17,001	0.62
				26-06-2015	-7,07,784		28,09,217	0.49
				10-07-2015	12,89,217		40,98,434	0.72
				17-07-2015	2,81,126		43,79,560	0.77
				24-07-2015	1,82,389		45,61,949	0.80
				31-07-2015	3,82,483		49,44,432	0.87
				21-08-2015	1,79,765		51,24,197	0.90
				28-08-2015	95,574		52,19,771	0.92
				04-09-2015	1,55,380		53,75,151	0.95
				11-09-2015	-1,15,055		52,60,096	0.92
				18-09-2015	-2,69,311		49,90,785	0.88
		25-09-2015	-4,59,768		45,31,017	0.80		
		30-09-2015	-5,20,734		40,10,283	0.71		
		16-10-2015	-4,87,079		35,23,204	0.62		
		23-10-2015	-12,01,409		23,21,795	0.41		
		30-10-2015	-11,17,855		12,03,940	0.21		
		06-11-2015	-3,55,837		8,48,103	0.15		
		13-11-2015	-4,02,774		4,45,329	0.08		
		20-11-2015	-4,45,329		0	0		
		0	0.00	31-03-2016		0	0.00	
10.	Aranda Investments (Mauritius) Pte. Ltd.	2,15,84,290	3.79	01-04-2015			2,15,84,290	3.79
				04-09-2015	-59,24,900	Market Sale	1,56,59,390	2.75
				11-09-2015	-15,00,000		1,41,59,390	2.49
		1,41,59,390	2.49	31-03-2016		1,41,59,390	2.49	

Sl. No.	For Each of the Top 10 Shareholders	Shareholding			Reason	Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@		Increase / Decrease in Shareholding	No. of shares	% of total shares of the Company
11.	Amansa Holdings Private Limited#	42,83,579	0.75	01-04-2015			42,83,579	0.75
				10-04-2015		12,07,038	54,90,617	0.97
				17-04-2015		2,50,000	57,40,617	1.01
				24-04-2015		2,60,000	60,00,617	1.06
				01-05-2015		5,00,000	65,00,617	1.14
				29-05-2015		72,697	65,73,314	1.16
				05-06-2015		5,70,356	71,43,670	1.26
				12-06-2015		4,49,643	75,93,313	1.34
				19-06-2015		9,48,043	85,41,356	1.50
				28-08-2015		5,44,662	90,86,018	1.60
				04-09-2015		1,00,000	91,86,018	1.62
				11-09-2015		14,62,925	1,06,48,943	1.87
				18-09-2015	Market Sale & Purchase	65,849	1,07,14,792	1.88
				25-09-2015		2,39,262	1,09,54,054	1.93
				30-09-2015		7,50,000	1,17,04,054	2.06
				02-10-2015		2,58,472	1,19,62,526	2.10
				09-10-2015		23,00,000	1,42,62,526	2.51
				23-10-2015		2,88,373	1,45,50,899	2.56
				06-11-2015		9,73,247	1,55,24,146	2.73
				22-01-2016		64,277	1,55,88,423	2.74
				29-01-2016		12,85,339	1,68,73,762	2.97
				19-02-2016		72,997	1,69,46,759	2.98
				11-03-2016		-1,93,290	1,67,53,469	2.95
				18-03-2016		-16,45,007	1,51,08,462	2.66
		1,51,08,462	2.66	31-03-2016			1,51,08,462	2.66
12.	UTH-MID CAP Fund#	29,79,912	0.52	01-04-2015			29,79,912	0.52
				10-04-2015		7,911	29,87,823	0.53
				24-07-2015		80,000	30,67,823	0.54
				31-07-2015		40,000	31,07,823	0.55
				07-08-2015		21,661	31,29,484	0.55
				28-08-2015		80,438	32,09,922	0.56
				04-09-2015		15,990	32,25,912	0.57
				11-09-2015		8,98,755	41,24,667	0.73
				30-09-2015	Market Purchase	762	41,25,429	0.73
				09-10-2015		2,05,000	43,30,429	0.76
				30-10-2015		44,493	43,74,922	0.77
				06-11-2015		80,698	44,55,620	0.78
				13-11-2015		936	44,56,556	0.78
				26-02-2016		4,00,000	48,56,556	0.85
				18-03-2016		3,02,632	51,59,188	0.91
		51,59,188	0.91	31-03-2016			51,59,188	0.91

Sl. No.	For Each of the Top 10 Shareholders	Shareholding				Cumulative Shareholding during the year		
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	Date@	Increase / Decrease in Shareholding	Reason	No. of shares	% of total shares of the Company
13.	Life Insurance Corporation of India#	17,91,998	0.32	01-04-2015			17,91,998	0.32
				19-06-2015	5,99,256		23,91,254	0.42
				26-06-2015	65,805		24,57,059	0.43
				30-09-2015	2,00,018		26,57,077	0.47
				02-10-2015	2,67,220	Market	29,24,297	0.51
				09-10-2015	10,05,090	Purchase	39,29,387	0.69
				16-10-2015	9,54,270		48,83,657	0.86
				23-10-2015	5,73,810		54,57,467	0.96
				30-10-2015	5,44,015		60,01,482	1.06
				60,01,482	1.06	31-03-2016		60,01,482
14.	Stichting Depository APG Emerging Markets Equity Pool#	0	0.00	01-04-2015			0	0.00
				21-08-2015	49,11,156	Market	49,11,156	0.86
				04-03-2016	1,29,732	Purchase	50,40,888	0.89
		50,40,888	0.89	31-03-2016		50,40,888	0.89	
15.	ICICI Prudential Balanced Advantage Fund#	0	0.00	01-04-2015			0	0.00
				03-07-2015	56,822		56,822	0.01
				31-07-2015	13,94,982		14,51,804	0.26
				07-08-2015	4,20,162		18,71,966	0.33
				28-08-2015	3,72,498		22,44,464	0.39
				11-09-2015	5,42,224		27,86,688	0.49
				30-09-2015	1,46,220		29,32,908	0.52
				30-10-2015	7,85,707	Market	37,18,615	0.65
				13-11-2015	2,50,409	Purchase	39,69,024	0.70
				20-11-2015	58,000		40,27,024	0.71
				11-12-2015	1,73,510		42,00,534	0.74
				18-12-2015	3,40,261		45,40,795	0.80
				22-01-2016	4,93,889		50,34,684	0.89
		29-01-2016	6,17,044		56,51,728	0.99		
		05-02-2016	6,27,505		62,79,233	1.10		
		62,79,233	1.10	31-03-2016		62,79,233	1.10	

@ Based on the beneficiary position as at the end of each week.

* Ceased to be in the list of Top 10 Shareholders as on 31-03-2016. The same is reflected above since the Shareholder was one of the Top 10 Shareholders as on 01-04-2015.

Not in the list of Top 10 Shareholders as on 01-04-2015. The same has been reflected above since the Shareholder was one of the Top 10 Shareholders as on 31-03-2016.

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year			Date	Increase / Decrease in Shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares at the beginning of the year (01/04/2015) / end of the year (31/03/2016)	% of total shares of the company	No. of shares				% of total shares of the Company	
A. Directors									
1.	Mr. Bharat Doshi Former Chairman (Ceased to be Director w.e.f. 9th March, 2016)	6,42,720	0.11	01-04-2015	0	No Change in the Shareholding till 9th March, 2016	6,42,720	0.11	
2.	Mr. Dhananjay Mungale Chairman and Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
3.	Mr. Ramesh Iyer, Vice-Chairman & Managing Director	5,96,350	0.10	01-04-2015	40,030	ESOP Allotment	5,96,350	0.10	
		6,36,380	0.11	25-09-2015			6,36,380	0.11	
4.	Mr. Uday Y. Phadke Non-Executive Non-Independent Director (Ceased to be Director w.e.f. 24th July, 2015)	80,505	0.01	01-04-2015	0	No Change in the Shareholding till 24th July, 2015	80,505	0.01	
		50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
5.	Mr. M. G. Bhide Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
6.	Mr. Piyush Mankad Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
7.	Mr. C. B. Bhawe Independent Director	0	0.00	01-04-2015	0	No Change in the Shareholding during the year	0	0.00	
8.	Ms. Rama Bijapurkar Independent Director	50,000	0.01	01-04-2015	0	No Change in the Shareholding during the year	50,000	0.01	
9.	Mr. V. S. Parthasarathy Non-Executive Non-Independent Director	250	0.00	01-04-2015	0	No Change in the Shareholding during the year	250	0.00	
10.	Dr. Anish Shah (appointed as Additional Director w.e.f. 18th March, 2016)	0	0.00	18-03-2016	0	No Change in the Shareholding during the year	0	0.00	
11.	Mr. V. Ravi Executive Director & Chief Financial Officer (appointed as Executive Director w.e.f. 25th July, 2015)	4,63,285	0.08	01-04-2015	15,565	ESOP Allotment	4,63,285	0.08	
		4,78,850	0.08	22-05-2015			4,78,850	0.08	
12.	Ms. Arnavaz M. Pardiwala Company Secretary & Compliance Officer	4,935	0.00	01-04-2015	1,645	ESOP Allotment	4,935	0.00	
		6,580	0.00	22-05-2015			6,580	0.00	
		6,580	0.00	31-03-2016			6,580	0.00	

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount Rs. in lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01.04.2015)				
i) Principal Amount	16,98,321.70	4,59,985.00	4,68,023.39	26,26,330.09
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	23,196.79	4,933.50	31,180.70	59,310.99
Total (i+ii+iii)	17,21,518.49	4,64,918.50	4,99,204.09	26,85,641.08
Change in Indebtedness during the financial year- Principal Amount				
Addition	17,30,516.77	49,68,200.00	1,54,552.07	68,53,268.85
Reduction	13,97,590.12	49,92,850.00	1,44,149.11	65,34,589.23
Exchange Difference	220.87	0.00	0.00	220.87
Net Change	3,33,147.52	-24,650.00	10,402.96	3,18,900.49
Change in Indebtedness during the financial year- Interest accrued but not due				
Addition	48,379.44	5,930.43	35,249.54	89,559.41
Reduction	23,196.79	4,933.50	31,180.70	59,310.99
Net Change	25,182.64	996.94	4,068.84	30,248.42
Indebtedness at the end of the financial year				
i) Principal Amount	20,31,469.23	4,35,335.00	4,78,426.35	29,45,230.58
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	48,379.44	5,930.43	35,249.54	89,559.41
Total (i+ii+iii)	20,79,848.67	4,41,265.43	5,13,675.89	30,34,789.99

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and / or Manager

(Amount Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD		Total Amount
		Mr. Ramesh Iyer Managing Director	Mr. V. Ravi Whole-time Director	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	246.69	158.45	405.14
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	9.91	2.56	12.47
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	0	0	0
2.	Stock Option*	105.70	40.77	146.47
3.	Sweat Equity	0	0	0
4.	Commission			
	- as % of profit	-	-	-
	- others	73.83	0	73.83
5.	Others (Retirals)	8.69	5.32	14.01
	Total (A)	444.82	207.10	651.92
	Ceiling as per the Act			14,986.88

(being 10% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013)

* The amount indicates perquisite value of Stock Options of the Company exercised during the year.

B. Remuneration to Other Directors:
Independent Directors

(Amount Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Mr. M. G. Bhide	Mr. Dhananjay Mungale	Mr. Piyush Mankad	Mr. C. B. Bhawe	Ms. Rama Bijapurkar	
1.	Fee for attending Board / Committee Meetings	7.90	6.10	7.20	5.80	5.70	32.70
2.	Commission	16.00	16.00	16.00	2.34	15.00	65.34
3.	Others	NIL	NIL	NIL	NIL	NIL	
	Total (1)	23.90	22.10	23.20	8.14	20.70	98.04

Non-Executive Non-Independent Directors

(Amount Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. Bharat Doshi#	Mr. Uday Y. Phadke@	Mr. V. S. Parthasarathy\$	Dr. Anish Shah\$	
1.	Fee for attending Board / Committee Meetings	5.60	NIL	NIL	NIL	5.60
2.	Commission	45.00	NIL	NIL	NIL	45.00
3.	Others	NIL	NIL	NIL	NIL	
	Total (2)	50.60	NIL	NIL	NIL	50.60
	Total (B)=(1+2)					148.64
	Total Managerial Remuneration (A+B)					800.56
	Overall Ceiling as per the Act					1,498.69
		(being 1% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013)				

Ceased to be Director w.e.f. 9th March, 2016.

@ Ceased to be Director w.e.f. 24th July, 2015.

\$ Mr. V. S. Parthasarathy and Dr. Anish Shah do not receive any remuneration from the Company.

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager/Whole-time Director
Remuneration to Ms. Arnavaz M. Pardiwala, Company Secretary

Sl. No.	Particulars of Remuneration	Amount Rs. in Lacs
1.	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	38.68
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.85
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	0
2.	Stock Option*	4.31
3.	Sweat Equity	0
4.	Commission	
	- as % of profit	0
	- others	0
5.	Others (Retirals)	2.22
	Total (A)	46.06

* The amount indicates perquisite value of Stock Options of the Company exercised during the year.

VII. Penalties / Punishment/ Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment			None		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			None		
Compounding					

For and on behalf of the Board

Dhananjay Mungale
Chairman

Place: Mumbai
Date : 23rd April, 2016

Annexure III - A to the Directors' Report for the Year ended 31st March, 2016

The Policy on Remuneration of Directors

Prelude

The Company is a non-banking financial company registered with the Reserve Bank of India, and is engaged in providing financing for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles, providing personal loans, finance to small and medium enterprises and mutual fund distribution services.

This Policy shall be effective from the financial year 2014 - 15.

Intent of the Policy

The intent of the Remuneration Policy of Directors of Mahindra & Mahindra Financial Services Limited ("the Company") is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

While deciding the policy on remuneration of Directors, the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, the Listing Agreement, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company, etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles

pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

Directors

The Managing Director is an executive of the Company and draws remuneration from the Company. The Non-Executive Chairman and Independent Directors receive sitting fees for attending the meeting of the Board and the Committees thereof, as fixed by the Board of Directors from time to time, subject to statutory provisions. The Non-Executive Chairman and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. Other Non-Executive Non-Independent Directors who receive remuneration from the holding company or a Group Company are not paid any sitting fees or any remuneration. In addition to the above, the Directors are entitled for reimbursement of expenses incurred in discharge of their duties.

Pursuant to the Employees Stock Option Scheme 2005 (ESOS 2005) the Company has granted Stock Options to Directors including Independent Directors. The Company has also granted Stock Options to the Managing Director and Non-Executive Non-Independent Director(s) pursuant to the Employees Stock Option Scheme 2010 (ESOS 2010). The vesting and exercise of these Options shall continue to be governed by ESOS 2005 and ESOS 2010 respectively and the terms of grant. However, as per Section 149(9) of the Companies Act, 2013, henceforth the Independent Directors will not be entitled to fresh grant of any Stock Options.

The NRC while determining the remuneration shall ensure that the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

Managing Director/Executive Directors

The term of office and remuneration of Managing Director/Executive Directors are subject to the approval of the Board of Directors, Shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013 from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director/Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director/Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Managing Director/Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director/Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director/Executive Director is designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Managing Director/Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment, etc., as per Rules of the Company. Salary is paid within the range approved by the Shareholders. Increments are effective annually, as recommended/ approved by the NRC/Board.

The total remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director/Executive Director to choose the allowances as well as the quantum, based on laid down limits as per Company policy. The flexible component can be varied only once annually.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance

is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Executive Directors are entitled to customary non-monetary benefits such as company cars, health care benefits, communication facilities, etc., as per policies of the Company. The Managing Director and Executive Directors are entitled to grant of Stock Options as per the approved Stock Option Schemes of the Company from time to time.

Non-Executive Directors

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval, the Commission is paid at a rate not exceeding 1% (one percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013. The distribution of Commission amongst the NEDs shall be placed before the Board.

At present, the Company pays sitting fees to the NEDs for attending the meetings of the Board and the Committees constituted by the Board from time to time.

Disclosures

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/Executive Directors and Key Managerial Personnel/Senior Management Personnel may be disclosed in the Board's Report and the Company's Annual Report / Website as per statutory requirements laid down in this regard.

For and on behalf of the Board

Dhananjay Mungale
Chairman

Place: Mumbai
Date : 23rd April, 2016

Annexure III - B to the Directors' Report for the Year ended 31st March, 2016

Remuneration Policy for Key Managerial Personnel and Employees

This Policy shall be effective from the financial year 2014 - 15.

Objective

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

Definition(s)

"Key Managerial Personnel" (KMP) as defined in section 2(51) of the Companies Act, 2013 means:

- (i) the Chief Executive Officer or the Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed.

Standards

The broad structure of compensation payable to employees is under:

- ◆ Fixed pay which has components like basic salary & other allowances/ flexi pay as per the grade where the employees can chose allowances from bouquet of options.
- ◆ Variable pay (to certain grades) in the form of annual/ half yearly performance pay based on KRA's agreed.

◆ Incentives either monthly or quarterly based on targets in the lower grades.

◆ Retirals such as PF, Gratuity & superannuation (for certain grades)

◆ Benefits such as car scheme, medical & dental benefit, loans, insurance, etc; as per grades.

Increments

◆ Salary increase is given to eligible employees based on position, performance and market dynamics as decided from time to time.

In case the performance of the Company exceeds the budgeted performance, the Company declares an additional ex-gratia bonus or a reward to its employees, at its discretion.

For and on behalf of the Board

Dhananjay Mungale
Chairman

Place: Mumbai
Date : 23rd April, 2016

Annexure IV to the Directors' Report for the Year ended 31st March, 2016

Form No. MR-3

SECRETARIAL AUDIT REPORT

(Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
For the Financial Year ended 31st March, 2016

To,
The Members
Mahindra & Mahindra Financial Services Limited
Gateway Building, Apollo Bunder,
Mumbai-400 001.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra & Mahindra Financial Services Limited (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on 31st March, 2016 in a manner that provided us reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

On the basis of the above and on our verification of documents, books, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of the Audit, We hereby report that in our opinion, the Company has, during the period covered under the Audit as aforesaid, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 and the Rules made there under and the Companies Act, 1956 and the Rules made there under to the extent applicable.
- (ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder.
- (iii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder.
- (iv) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- (v) The following Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992:
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
 - f. The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client.
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.
 - h. The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998.
 - i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vi) The following laws, regulations, directions, orders applicable specifically to the Company:
 - a. The Reserve Bank of India Act, 1934.
 - b. Non-Banking Financial Companies (Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007.
 - c. Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
 - d. Non-Banking Financial Companies (Opening of Branch/Subsidiary/Joint Venture/Representative Office or Undertaking Investment Abroad by NBFCs) Directions, 2011.
 - e. Online Returns to be submitted by NBFCs - RBI Guidelines.
 - f. Raising money through Private Placement of NCDs by NBFC - RBI Guidelines.
 - g. Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 & 2 issued by The Institute of Company Secretaries of India.
- (ii) Listing Agreement for equity and debt securities entered into with BSE Limited and Listing Agreement for equity shares entered into with National Stock Exchange of India Limited.

On the basis of the information and explanation provided, the Company had no transaction during the period under Audit requiring the compliance of the applicable provisions of the Act / Regulations / Directions as mentioned above in respect of:

- a) Foreign Direct Investment, External Commercial Borrowings and Overseas Direct Investment, except the investment in Mahindra Finance USA LLC, a Joint Venture Company.
- b) Delisting of equity shares.
- c) Buy-back of securities.

We further report that:

The Board of Directors of the Company is duly constituted with the proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period covered under the Audit were carried out in compliance with the provisions of the Act.

Adequate notice and detailed notes on Agenda was given to all Directors at least seven days in advance to schedule the Board Meetings. There exist a system for seeking and obtaining further information and clarifications on the Agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through and recorded as part of the minutes. We did not find any dissenting directors' views in the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

- a) The Members have approved an increase in the Borrowing Powers of the Company from Rs. 45,000 crores to Rs.50,000 Crores, which is over and above the aggregate paid-up share capital and free reserves pursuant to Section 180(1)(c) of the Companies Act, 2013, through a Postal ballot resolution passed on 17th June, 2015. The Members have approved the issue of Non-Convertible Debentures and/or other Debt securities in one or more tranches aggregating upto Rs. 21,000 crores on a Private Placement basis.
- b) The Company has raised a total sum of Rs. 6,253 crores pursuant to Private Placement of Non-Convertible Debentures and Subordinated debt issues.

For KSR & Co Company Secretaries LLP

Date:23/04/2016
Place: Coimbatore

Dr. K.S.Ravichandran
Managing Partner
(FCS: 3675; CP: 2160)

To,
The Members
Mahindra & Mahindra Financial Services Limited
Gateway Building, Apollo Bunder,
Mumbai-400 001.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
5. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For KSR & Co Company Secretaries LLP

Date:23/04/2016
Place: Coimbatore

Dr. K.S.Ravichandran
Managing Partner
(FCS: 3675; CP: 2160)

Management Discussion & Analysis

Global Economy

During 2015-16, global economic growth continued at a slow pace leaving the world economy more exposed to risks. Some of the factors for the lacklustre growth include a sharper-than-expected slowdown in China; return of financial turmoil in emerging markets; waning political solidarity in Europe and a persistent slump in oil prices. Global economic activity was muted with diminished growth in emerging markets for a fifth

straight year even as an uncertain recovery continued in developed countries. The Eurozone's economic recovery continued although overall growth remained subdued. Solid domestic data continued to drive the recovery while the external sector dragged on the economy's performance. The Japanese economy is struggling for growth against structural headwinds including a declining and aging population, weakening productivity, low return on capital, and high debt levels.

Global Growth

[%]

Particulars	Projections			
	2014	2015	2016	2017
World Output	3.4	3.1	3.2	3.5
Advanced Economies	1.8	1.9	1.9	2.0
United States	2.4	2.4	2.4	2.5
Euro Area	0.9	1.6	1.5	1.6
Japan	0.0	0.5	0.5	-0.1
United Kingdom	2.9	2.2	1.9	2.2
Other Advanced Economies *	2.8	2.0	2.1	2.4
Emerging and Developing Economies	4.6	4.0	4.1	4.6
China	7.3	6.9	6.5	6.2

*Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom and United States) and euro area countries.

Source: International Monetary Fund (IMF)

Indian Economy

In 2015-16, the Indian economy emerged as one of the few large economies with an encouraging outlook. The factors contributing to this positive outlook were controlled inflation, rise in domestic demand, increase in investments, decline in oil prices and the boost to reforms, among others. According to the IMF, India is set to become the world's fastest-growing major economy by 2016, ahead of China.

The economic fundamentals are showing healthy trends, which corroborates the expected growth in the economy. Inflation has been largely tamed. The investment cycle in India is showing positive growth and expenditure on consumption is increasing, although in a fluctuating trend. This growth is likely to be sustainable considering government's focus on industrial activities, infrastructure development and ease of doing business.

Budget 2016 is a good indicator of the government's intentions and plans. With the global economy fraught with uncertainties, it is commendable that the Indian Government is sticking to its fiscal deficit target while pursuing the growth agenda. Government targets to narrow the central fiscal deficit to 3.5% in 2016-17, after

having comfortably met its 3.9% target for 2015-16. While public investment and urban consumption were the major drivers for growth last fiscal year, a reinforcement of private investment and rural consumption is critical if growth is to remain strong in 2016-17 and 2017-18.

Indian Financial Services Industry

According to India Brand Equity Foundation, gross national savings in India are expected to reach \$ 1,272 billion by the end of 2019. This in turn will trigger further savings and investments in Indian households, leading to their greater engagement.

Technology in financial services industry is getting dramatically transformed with several drivers responsible for the change. The willingness of consumers to use the technology for availing financial services is also a major facilitator of technological change.

In August 2015, the RBI granted licenses to 11 new payment banks. This marked a new revolution in the country's financial services sector. The move was to boost financial inclusion and up the ante of mobile revolution in the industry. The payment banking model will transform the way conventional banks approach

customers. The risk to traditional banks right now is that the payment banks will track the entire transaction and customer engagement in parallel. Small and Medium Enterprises (SMEs) will have advantage going forward. SMEs play a major role in the development of economy and providing employment in developing countries. They contribute 33% of the Gross Domestic Product (GDP) in developing economies. As the barriers are being cleared, SME sector could experience substantial growth and offer expanded markets for financial services firms.

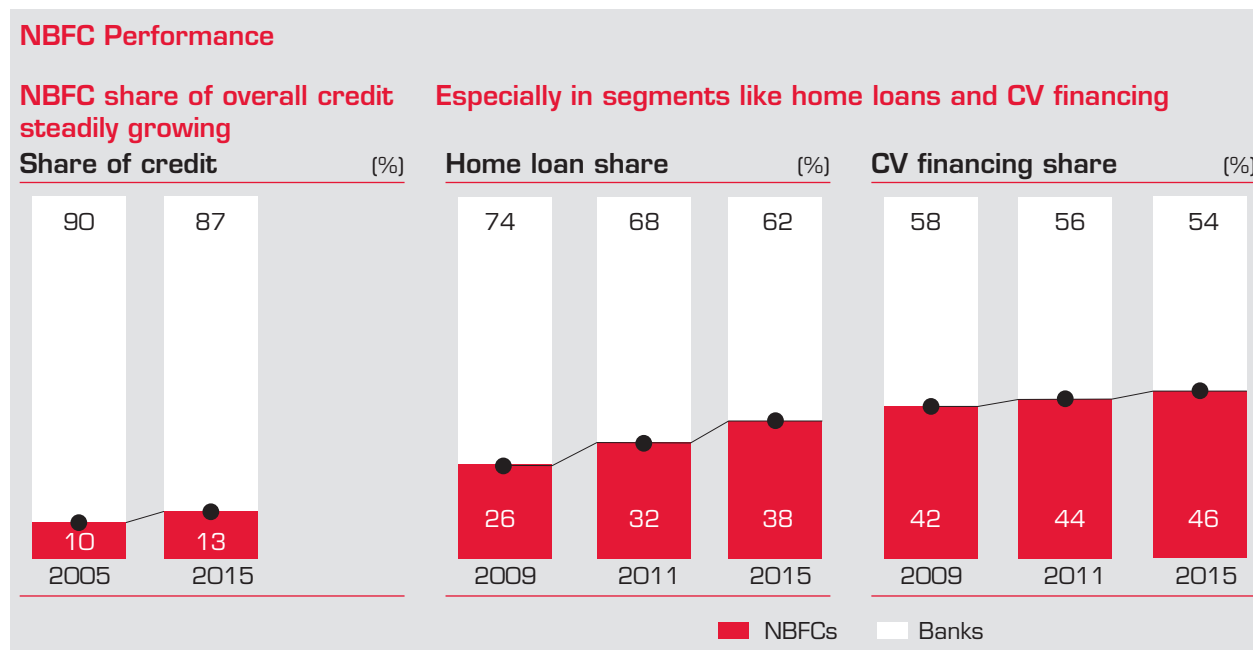
NBFC Sector

NBFCs are emerging as an alternative to mainstream banking. They are also emerging as an integral part of Indian Financial System and are contributing commendably towards Government's agenda of financial

inclusion. NBFCs in India have recorded marked growth in recent years. Between 2005 and 2015, their share of credit in India went up from 10% to 13%.

(Source: The Boston Consulting Group – NBFC 2.0).

The success of NBFCs has been driven by factors like their ability to control risks, to adapt to changes and create demand in markets that are likely to remain unexplored by bigger players. Thus the need for uniform practices and level playing field for NBFCs in India is crucial. NBFCs, in India, are today operating in a very dynamic scenario especially after the revised regulatory framework by the RBI launched with the objective of harmonizing working of NBFCs with banks and financial institutions and address regulatory gaps and arbitrage.



Source: IBA, RBI Financial Statistics of NBFC Sector Database, ICRA Mortgage Finance Market Update 2015, CRISIL Housing Finance Report 2015, BCG Analysis

According to ICRA, retail credit of NBFCs as on 31st December 2015 stood at Rs. 4.7 trillion, showing a year-on-year growth of 18.8% as against 14.5% in 2015 and 9.5% in 2014. NBFCs are set to gather momentum in the CV segment and, given the anticipated pick-up in the overall business environment, will grow by 18-20% in 2016 and further by 19-22% in 2017, as against 14.5%

in 2015. However, the segments that could see subdued growth include tractors as lenders remain watchful in view of the weak rainfalls over the past three crop cycles. Further, credit off-take in the construction equipment (CE) segment is also expected to be slow in 2017 and will only pick up a bit when the steps initiated by the Government to boost infrastructure activity start giving results.

Key Trends

NBFCs are likely to benefit from underlying trends and developments in the Indian market:

Key Initiatives	Highlights
E-commerce	<ul style="list-style-type: none"> - India is the fastest growing e-commerce market in the world (43% CAGR). - Size of the market likely to be 6X in the next five years (\$130-140 bn. by 2020). - 43% of the SMEs participated in online sales in 2015.
Smart cities and urbanisation	<ul style="list-style-type: none"> - 100 smart cities to be built over a spectrum of five years with more than \$7-8 billion investment. - Under 'Housing for All' initiative, 20 million houses to be constructed in urban areas in next seven years. - Under urban development scheme 'AMRUT', 500 cities to be developed.
Infrastructure Development	<ul style="list-style-type: none"> - \$600 billion investment target over five years for infrastructure development. - \$130 billion planned investment in railways in the next five years.
SME	<ul style="list-style-type: none"> - Low current penetration levels (25%) of financing in the SME industry. - Financing gap of more than \$40 billion. - 40% of SMEs in India financed through informal sources or self-finance.
Ease of doing business	<ul style="list-style-type: none"> - De-regulation, de-licensing and simplification of procedures eg:- <ul style="list-style-type: none"> Online application for environmental clearances. Simplification of allotment of PAN cards.
Digital India	<ul style="list-style-type: none"> - Digital India to enable investment of \$68 billion and create 1.8 million jobs. - More than 1 million SMEs expected to plug into digital platforms in the next five years.

Source: Boston Consulting Group (BCG)

Government Initiatives

Several measures have been outlined in the Union Budget 2015-16 that aim at reviving and accelerating investment:-

- ◆ The Prime Minister of India has launched the Micro Unit Development and Refinance Agency (MUDRA) to fund and promote Micro Finance Institutions (MFIs), which would provide loans to small and vulnerable sections of the business community.
- ◆ Government of India's 'Jan Dhan' initiative for financial inclusion is gaining momentum, as the number of bank accounts opened by July 15, 2015 has more than doubled to 169 million from 68.7 million at end of October 2014. Government of India aims to extend insurance, pension and credit facilities to those excluded from these benefits under the Pradhan Mantri Jan Dhan Yojana (PMJDY).
- ◆ NBFCs shall be eligible for deduction to the extent of 5% of their income in respect of provision for bad and doubtful debts (NPAs).
- ◆ FDI will be allowed beyond the 18 specified NBFC activities in the automatic route in other activities which are regulated by financial sector regulators.
- ◆ The Pradhan Mantri Mudra Yojana (PMMY) was launched for the benefit of bottom of the pyramid entrepreneurs. Banks and NBFC-MFIs have reported that the amount sanctioned under PMMY had reached about Rs. 1 crore to over 2.5 crores

borrowers by early February 2016, while the target next year is raised to Rs. 1,80,000 crores.

- ◆ Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5 to 15% on par with domestic institutions.
- ◆ It is proposed to provide additional options to banking companies and financial institutions, including NBFCs, for reversal of input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans and advances with effect from 1 April 2016.
- ◆ The first home buyer is given deduction for additional interest of Rs. 50,000 per annum for loans up to Rs. 35 lacs sanctioned during the next financial year provided the value of the house does not exceed Rs. 50 lacs.

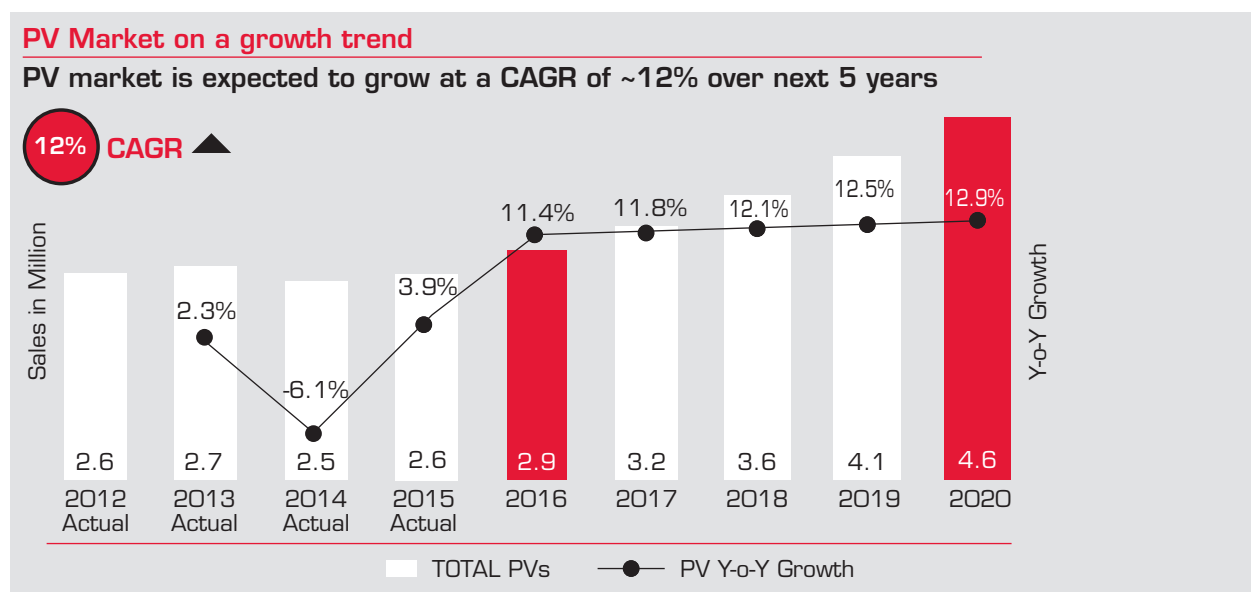
NBFC SECTOR GROWTH DRIVERS

Automotive

Indian automobile industry is gearing up for good times after a long period of uneven and jaded performance. Indian automotive industry is expected to witness high growth in Passenger Vehicle (PV) over the period 2016-20 as the economic environment improves amid a strong reform push by the new government. This growth is predicted in view of positive GDP growth and launch of several new country specific models along with high technology adoption by automotive industry.

According to the Society of Indian Automotive

Manufacturers (SIAM), Indian automotive sector today is a \$74 billion industry and by 2026, it is expected to achieve a turnover of \$300 billion clocking a CAGR of 15%. Government of India aims to make automobile manufacturing the main driver of 'Make in India' initiative as it expects passenger vehicles market to triple to 9.4 million units by 2026 as highlighted in the Auto Mission Plan (AMP) 2016-26.



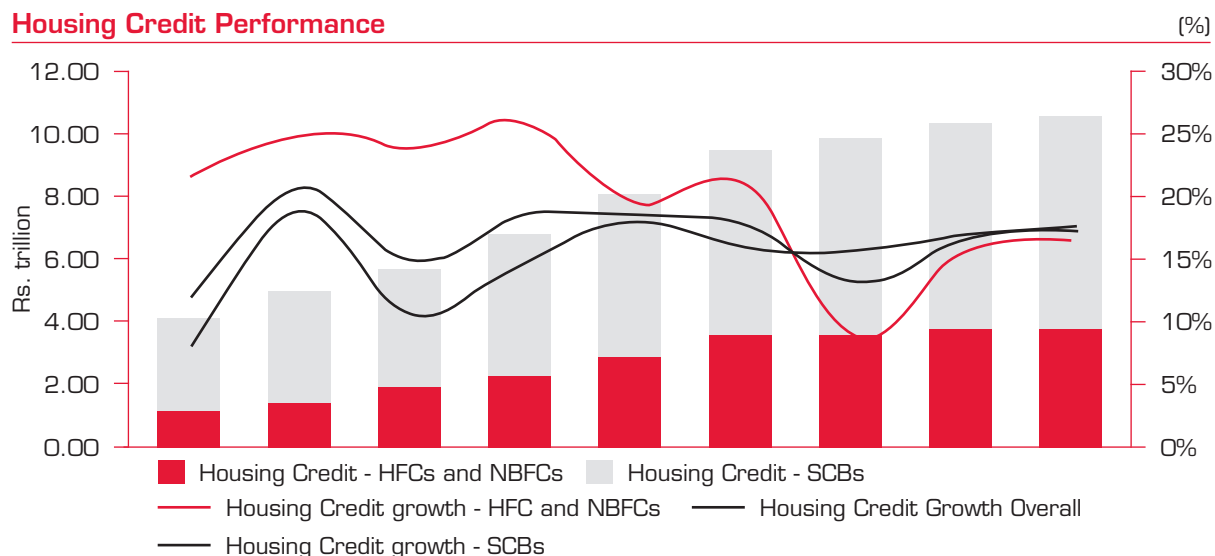
Source: SIAM, LMC Automotive, BMI Automotive, EY analysis

Housing Finance

India is expected to emerge as the third largest economy in the world by 2030 with an estimated 590 million people inhabiting the cities. The launch of "Housing-For-All by 2022" scheme in 2015 signalled a new era in the housing finance sector. It provided much-needed impetus to the real estate and housing finance industry by creating an enabling and supportive environment for expanding credit flow and increasing home ownership. The agenda of 'housing for all' is a key component of the government's strategy for making Indian cities inclusive and productive.

According to ICRA, the total housing credit outstanding as on 31st December 2015 crossed Rs. 11.9 trillion showing a growth of 18% in the 9 Month period of 2016 as compared to Rs. 10.5 trillion as of 31st March 2015. The growth was seen from second quarter onwards and was driven by disbursements against construction linked loans, growth in the small ticket affordable housing segment and demand from Tier II and Tier III cities.

Housing Credit Performance



Source: ICRA Estimates, RBI

The growth during the year 2015-16 was fairly broad based with a keen focus on affordable housing. Housing Finance companies were at the forefront in catering to the financial needs of the under-banked masses in the rural and semi-urban areas through strong linkages with these segments. Housing finance companies also gained market share during the period which can be attributed to large population base, rising income levels and rapid urbanisation.

Many new initiatives and policies focused on lending for housing were introduced in the last 12 months. The highlight was to bring housing loans of up to Rs. 50 lacs under affordable housing and bringing loans up to Rs. 28 lacs in urban and Rs. 25 lacs in other centres under Priority Sector Lending. The decision of the RBI to increase LTV ratio to 90% for loans up to Rs. 30 lacs or less was another positive step which will enable companies to lend more to customers desirous of owning a home.

Tractor

The volumes of domestic tractor industry continued to be under pressure in 2015-16, resulting in decline of 12.1% on a year-on-year basis in April-February 2016. Some of the reasons for this low performance include weak farm sentiments, a result of stressed farm incomes on account of successive crop failures, a second consecutive year of weak south-west monsoon and a modest increase in Minimum Support Price (MSPs) of various crops. Additionally, non-agricultural demand has remained weak and a slow pick up in infrastructure and construction activities constrained demand for transport purposes.

The domestic tractor market has chiefly remained a medium HP market, with more than 80% of the total tractor sales being that of models in 31-50 HP range. The 41-50 HP segment continues to remain the most favoured segment, with about 45% of the domestic sales of tractors in the 10 month period of 2015-16 being covered by this segment alone. The inclination to medium HP tractors can be assigned to both suitability of medium HP tractors to a large addressable geographic region and their affordability vis-a-vis higher HP tractors.

Source: ICRA

Infrastructure and Real Estate

The Indian Infrastructure and Construction Sectors have grown out of their nascent stage. For the past few decades, both government as well as private developers are targeting projects which were easy to execute and provide maximum economic benefit. Greater impetus to develop infrastructure in the country is attracting both domestic and international players. Private sector is

emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. The construction equipment industry is expected to nearly double to around \$ 5 billion by 2019-20, according to the Indian construction equipment manufacturers association (ICEMA).

2015-16 witnessed a number of government initiatives to further push the real estate and infrastructure sector in right direction:-

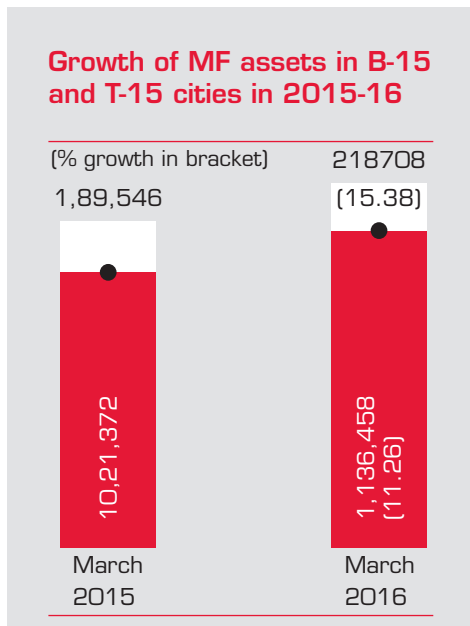
- ◆ Relaxation of foreign direct investment (FDI) norms.
- ◆ Clarifications about Real Estate Investment Trusts (REITs).
- ◆ Approval of the Real Estate (Regulation and Development) Bill by the Cabinet.
- ◆ Launch of Smart City campaign announcing first 20 cities to be developed under Smart Cities Mission.
- ◆ Capital expenditure outlays on the Railways and roads to touch Rs. 2,18,000 crores by 2016-17.
- ◆ Total outlay for infrastructure is Rs. 2,21,246 crores.
- ◆ Central Government to draw a plan to revive 160 un-served or underserved airports to enhance local connectivity.
- ◆ An initiative to transition infrastructure projects into a new credit rating system which will enable correct risk analysis of such projects, resulting in efficient loan funding.

Mutual Fund Industry

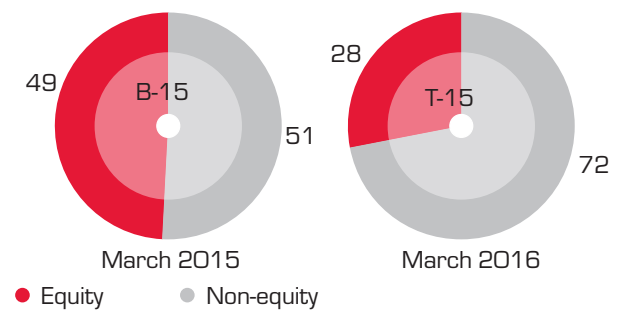
The mutual fund industry continued to post gains in 2015-16, with its Assets Under Management (AUM) touching Rs. 13,58,559 crores in the quarter ended March 2016. According to Association of Mutual Funds of India (AMFI) the average AUM of Mutual Fund industry rose by Rs. 1,63,940 crores or 13.7%, primarily driven by record net inflows into equity mutual funds and strong inflows into balanced, income and liquid schemes. The retail investors continued to invest in mutual funds despite weak markets over the last year .

Assets (or MF business) from India's smaller cities and towns, called B-15 cities (beyond top 15 cities, or T-15), grew 15.4% in 2016 to Rs. 2.19 lacs crores from Rs. 1.9 lacs crores last year. Assets from T-15 stood at 11.3%; total asset growth was 12%.

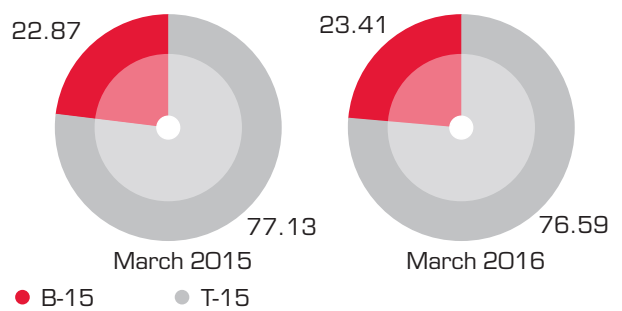
MUTUAL FUND INDUSTRY PERFORMANCE



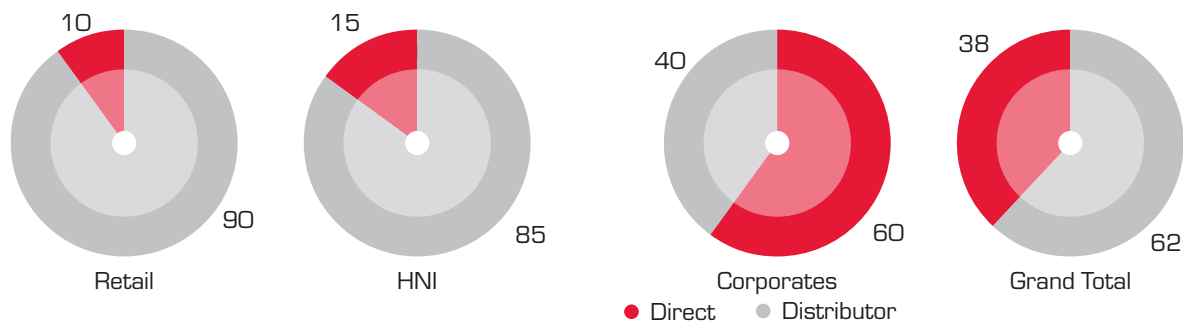
Balance of equity and non-equity assets (%)



Proportion of individual assets from B-15 vs T-15 (%)



Investments through distributors vs direct investment*



*As on March 31, 2016

Source: Association of Mutual Funds in India (AMFI)

Outlook

The outlook for the sector over the next year looks comparatively better on account of positive trend of growth in economy which is expected to boost credit demand. This, along with renewal of certain infrastructure projects which have been cleared by the cabinet committee in recent months and rise in industrial growth and corporate capital expenditure also is expected to benefit most of the commercial assets financed by the NBFCs. It is also expected to ease the pressure on the cash flows of their borrowers through improved utilisation of their assets. Going deeper across the country's unbanked regions, we at MMFSL, are optimistic that we would continue to address a wider customer base through our extensive operational

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

Company Overview

Mahindra & Mahindra Financial Services Limited (MMFSL) is a subsidiary of the Indian conglomerate, Mahindra & Mahindra (M&M). It is a leading Non-Banking Financial Company (NBFC), catering to the financing needs of the large population residing in rural and semi-urban areas of India. We provide a range of retail products and services, such as financing utility vehicles for commercial use and personal use, tractors, SME loans, and many other commercial products.

Recognising the demand in niche segments, we have introduced Mutual Fund Distribution, Fixed Deposit Schemes and Personal Loans.

Through a vast network of 1,167 offices and human resource strength of over 15,000 employees, Mahindra Finance has established more than 4.1 million customer relationships across India. Mahindra Finance has financed assets of about 26,706 crores, generated income of 5,90,510.05 lacs and PAT (Profit after Tax) of 67,259.60 lacs.

Credit Ratings

India Ratings has assigned 'IND AAA'/Stable, CARE Ratings has assigned CARE AAA, Brickwork has assigned BWR AAA/Stable and CRISIL has assigned "CRISIL AA+/Stable" rating to the Company's long term and subordinated debt.

Key Competitive Advantages

Diversified Product Portfolio: Mahindra Finance has a large diversified product portfolio including vehicle financing, SME financing, Personal loans, mutual fund distribution, insurance broking and housing finance, serving varied needs of both rural and urban customers across the country.

Quality service: Mahindra Finance provides financial services through simple processes and 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 geographies in India. 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 policies all these years. A strong business model and an insight in the needs of its customers give the Company a competitive edge. Better risk management has also contributed in Mahindra Finance achieving commendable growth.

Strong Balance Sheet: On the asset side, loans and advances make up nearly 92.6% of the total assets of the Company. This primarily includes auto loans. Most of

these loans are retail loans, and therefore are spread over a large customer and geographic base.

Consistent innovation: Our technology deployment has resulted in superior sales productivity, better market coverage, improved channelisation and customer experience.

Transparent approach: We have always valued transparency while engaging with employees, investors, business associates and a wide fraternity of stakeholders.

Operational Review

The key operational highlights during the year are as below:

- ◆ Opened more branches at the village level to remain close to customers, to understand their cash flows and approach the customer for recovery when he has the money. These branches will seize new opportunities when the economic cycle and farm cycle improve.
- ◆ Increased number of offices to 1,167 as on 31st March 2016, up by 5.32% from 1,108 offices as on 31st March 2015.
- ◆ Increased employee base to 15,821 as on 31st March 2016 as against 14,197 as on 31st March 2015.
- ◆ Total Income increased to Rs. 5,905.10 Crores in 2015-16 from Rs. 5,585 Crores in 2014-15, an increase of 5.73%.
- ◆ Assets Under Management (AUM) raised to Rs. 40,933 Crores from Rs. 36,878 Crores in 2014-15, an increase of 11%
- ◆ The customer base reached 4.1 million people, from 3.63 million in 2014-15, an increase of 12.95%

The Company has always been following norms that are more prudent than those prescribed by the RBI. The Company has put in place processes to meet the RBI's new regulations.

Financial Review

The following table presents MMFSL's standalone abridged financials for the financial year 2015-16, including revenues, expenses and profits.

Abridged Profit and loss Statement Rs.in Crores

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Revenue from operations	5,853.16	5,536.06
Other income	51.94	48.64
Total revenue	5,905.10	5,584.70
Expenses:		
Employee benefits expense	558.81	459.08
Finance costs	2,639.29	2,496.73
Depreciation and amortization expense	40.89	41.52
Loan provisions and write offs	1,049.53	827.49
Other expenses	578.40	506.24
Total expenses	4,866.92	4,331.06
Profit before tax	1,038.18	1,253.64
Tax expense	365.58	421.86
Profit for the year	672.60	831.78

Key Ratios

Key Indicators	2015-16	2014-15
PBT/Total Income	17.6%	22.4%
PBT/Total Assets	2.7%	3.7%
RONW (Avg. Net Worth)	11.5%	15.5%
Debt/ Equity	4.86:1	4.64:1
Capital Adequacy	17.3%	18.3%
Tier I Capital	14.6%	15.5%
Tier II Capital	2.7%	2.8%
Book Value (Rs.) (excluding ESOPs)	107.4	100.2
NIM (Gross Spread)	9.0%	9.5%

Risk Management

MIMFSL has formulated a robust Enterprise-wide Risk Management program (ERM) which involves risk identification, risk assessment and risk mitigation planning for business, strategic, operational, financial and compliance related risks. The ERM framework has been deployed across various processes in the organisation and is governed by the corporate risk office. A robust internal check process is deployed to prevent and limit risk of non-compliance.

The key Business Risks and the mitigation measures adopted by the Company are as follows :

Risk	Counter-measures
The Company is exposed to high credit risk given the unbanked rural customer base and diminishing value of collateral.	The Company manages credit risk through credit norms established through adequate experience in this line of business. Deep insight about the nature of borrowers and a strong business model reduces the risk of default significantly.
General industrial or economic slowdown affects the consumer sentiment and cash flows and may result in the slowdown of demand for vehicles consequently affecting Company's business.	The Company's diversified business portfolio coupled with customer reach enables it to sustain growth even in difficult financial conditions.
Disruption in funding could lead to liquidity crunch.	The Company gets funds from diverse sources, including Banks/ FIs etc., securitization of receivables, and other credit facilities like retail Fixed Deposits.

Risk	Counter-measures
Sharp fluctuations in interest rate may lead to a decline in the Company's net interest margin and ability to offer competitive lending rates to its customers.	The Company has prudently evolved a strategic fund mix to reduce dependence on banks that enables it to strike a balance between various sources of funding while reducing the cost of borrowing. The Company enjoys an excellent credit rating on its financial instruments which enables it to raise funds at competitive rates.
The shortage of skilled manpower in the local areas of operation pose a considerable risk given the Company's customer centric business model.	The Company strives to attract and retain the best talent from local markets; adopts a robust performance management system, employee engagement and training practices, learning and development initiatives to create an inspiring and rewarding work environment.
Competition from new entrants or unorganised sector or diversification by existing financial institutions.	The Company's extensive rural presence gives it a distinct edge. We have built trust and capabilities over three decades across India. Such an in-depth reach is not easy to build and gives us distinct edge.
Difficulty in expanding operations across new markets.	The Company, through its deep consumer insight collaborates with local business partners and adopts strategies to successfully market its products ensuring that it reaches the targeted customers.
Stringent Regulations reducing the regulatory arbitrage between Banks and NBFCs and resulting in increasing compliance costs.	The Company has put in place robust systems and processes to ensure compliance with all the applicable regulations. This has enabled the Company to earn the trust and goodwill of its stakeholders.

Human Resource

MMFSL believes in taking care of its employees and ensuring that their career aspirations are met through professional growth, personal development and fair economic rewards. Thereby, giving rise to the Employee Value Proposition (EVP):

- ◆ Growth is a Way of life
- ◆ Employees are empowered
- ◆ People Matter

The Mahindra Finance Human Resource Management focuses on the following processes:

- ◆ **Talent Positioning:** It is based on the Business Plan followed by effective identification and placing of the right talent in the right position.
- ◆ **Talent Development:** The development initiatives and competency development plans leads to an increased capability and improved productivity.
- ◆ **Talent Management:** Career growth map for all roles in the organisation are defined and High Potentials are identified based on published criteria.
- ◆ **Succession Planning:** It is implemented and measured through identification and development of successors for all critical roles.
- ◆ **Employee Engagement Process:** It continuously strives to make the organisation a great place to

work through creating a happy & engaged workforce. The organisation has implemented a wide range of programs, to effectively engage the employees.

- ◆ **Quality Management:** Quality is a way of life at Mahindra Finance. In line with the core Value – “Quality Focus” and the continuous quest for excellence, the organisation benchmarks itself with the best practices both at industry level and at the group level. Mahindra Finance has been certified by CMMI Institute LA at People Capability Maturity Model (PCMM) Maturity Level 3.

In addition to the above, MMFSL upholds the dignity of all its employees and enables them to flourish in an inclusive environment. The organisation believes that diversity and inclusion represents business and economic potential, therefore, it ventures out exploring opportunities to make the work environment more sensitive and inclusive towards its diverse employee composition. The organisation is currently striving to create diversity through the spectrum of Gender, Generation, Differently Abled Diversity and Race / Religion.

Information Technology

In the past year, MMFSL moved up the maturity curve of systems leverage. Exclusive systems training content was created and over 10,000 employees were trained in requisite systems; systems usage has increased by over 30%. Network connectivity has been enhanced to reach about 800 branches, with a large increase in bandwidth. Mobility has been leveraged through apps for customers and field processes. The usage of a new, mobility based lead capture cum loan origination system has begun in

select regions and the learning has been incorporated into the subsequent phases of rollout. Technology solutions to implement smart branches, new accounting standards, collection campaigns, asset recovery etc have been launched successfully. Communication among employees has been improved by expansion of the video conferencing and webcast services. Outsourced services are being leveraged to leverage specialised skills and better service levels. Investments have been made in state-of-the-art IT infrastructure and security solutions.

Internal Control

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. The Company 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 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.

Report on Corporate Governance

CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that sound Corporate Governance is essential for enhancing long-term shareholder value and retaining investor trust.

Your Company manages its affairs with diligence, transparency, responsibility and accountability to generate long-term value for its stakeholders on a continuous and sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

Your Company's Governance processes and practices, ensure that the interest of all stakeholders are taken into account in a balanced and transparent manner and are firmly embedded into the culture and ethos of the organisation.

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.

The Company is in compliance with the requirements mandated by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["the Listing Regulations"] and the erstwhile Clause 49 of the Listing Agreement. A Report on compliance with the Code of Corporate Governance as stipulated in the Listing Regulations is given below:

BOARD OF DIRECTORS

The composition of the Board of your Company is in conformity with the provisions of the Companies Act, 2013 and the Listing Regulations, as amended from time to time.

The Board currently comprises of nine Directors. The Chairman of the Company is an Independent Director and the number of Non-Executive and Independent Directors (including a lady Director) is more than one-half of the total number of Directors.

All the Directors possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields which enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company. Detailed profile of the Directors is available on the Company's website at the web-link:

<http://www.mahindrafinance.com/management.aspx>.

Mr. Bharat Doshi resigned as the Non-Executive Chairman and Member of the Board of Directors with effect from

9th March, 2016. The Board at its Meeting held on 18th March, 2016 has appointed Mr. Dhananjay Mungale, Independent Director as the Chairman of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee (NRC) elevated Mr. Ramesh Iyer, Managing Director as the 'Vice-Chairman & Managing Director' of the Company and also appointed Dr. Anish Shah as an Additional Director with effect from 18th March, 2016.

The Board of Directors at its adjourned Meeting held after the Annual General Meeting on 24th July, 2015, has pursuant to the recommendation of the NRC appointed Mr. V. Ravi, Chief Financial Officer of the Company as an Additional Director and elevated him to the position of a Whole-time Director designated as 'Executive Director & Chief Financial Officer', with effect from 25th July, 2015, subject to the approval of the Members.

Mr. Uday Y. Phadke, Non-Executive Non-Independent Director retired as Director of the Company with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015.

The term of office of Mr. Ramesh Iyer, Vice-Chairman & Managing Director of the Company expires on 29th April, 2016.

On the recommendation of the NRC, the Board at its Meeting held on 23rd April, 2016, has approved the re-appointment of Mr. Ramesh Iyer, as the Vice-Chairman & Managing Director of the Company from 30th April, 2016 to 29th April, 2021, subject to the approval of the Members to be obtained by way of Postal Ballot.

Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer are Whole-time Directors of your Company. Mr. V. S. Parthasarathy and Dr. Anish Shah, Non-Executive Non-Independent Directors of your Company are in the whole-time employment of Mahindra & Mahindra Limited (M&M), the holding company, and draw remuneration from it. 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, 2013, 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 judgment would affect their independence. The Directors of the Company are not *inter-se* related to each other.

The Management of the Company is entrusted with the

Steering Committee comprising of Senior Executives from different functions headed by the Vice-Chairman & 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.

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 five times during the year under review, on 23rd April, 2015, 24th July, 2015, 21st October, 2015, 21st January, 2016, and 18th March, 2016. The requisite quorum was present for all the meetings.

The maximum time gap between any two meetings was not more than one hundred and twenty days. These Meetings were well attended.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

Pursuant to the provisions of section 165 of the Companies Act, 2013 none of the Directors of the Company is a Director in more than 10 Public Limited

Companies. Further, as mandated by Regulation 25 of the Listing Regulations, none of the Independent Directors of the Company serves as Independent Director in more than seven listed companies and three listed companies in case he/she serves as a Whole-time Director in any listed company. Further, as mandated by Regulation 26 of the Listing Regulations none of the Directors is a Member of more than 10 Board level Committees and no such Director is a Chairman/Chairperson of more than five Committees, across all public limited companies in which he/she is a Director. Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer are not Independent Directors of any other listed company. Table 1 gives the details.

COMPOSITION OF THE BOARD

As on 31st March, 2016, the Company's Board comprised of nine members. The Chairman of the Board and four Directors are Independent Directors. The Vice-Chairman & Managing Director and the Executive Director & Chief Financial Officer are Executives of the Company while the remaining two Directors are Non-Executive Non-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 24th July, 2015, as also the number of Directorships and Committee positions held by them in companies are as follows:

Table 1: Composition of Board of Directors as on 31st March, 2016

Name of the Directors	Category	Attendance Particulars			Total Number of Directorships of public companies and Committee Memberships/ Chairmanships/Chairpersonship#		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships/ Chairpersonship
		Held	Attended				
Mr. Dhananjay Mungale (Chairman)	Independent	5	4	Yes	10	6	2
Mr. Bharat Doshi@ (Former Chairman)	Non-Executive Non-Independent	5	4	Yes	N. A.	N. A.	N. A.
Mr. Uday Y. Phadke\$	Non-Executive Non-Independent	5	2	Yes	N. A.	N. A.	N. A.
Mr. Ramesh Iyer (Vice-Chairman & Managing Director)	Executive	5	5	Yes	6	3	0
Mr. Manohar G. Bhide	Independent	5	5	Yes	4	2	1
Mr. Piyush Mankad	Independent	5	5	Yes	8	6	2
Mr. C. B. Bhawe	Independent	5	5	Yes	1	0	1
Ms. Rama Bijapurkar	Independent	5	5	Yes	4	1	1
Mr. V. S. Parthasarathy	Non-Executive Non-Independent	5	5	Yes	8	4	2
Mr. V. Ravi* (Executive Director & Chief Financial Officer)	Executive	5	3	N.A.	4	4	0
Dr. Anish Shah+	Non-Executive Non-Independent	5	1	N.A.	4	2	0

Notes:

- @ Resigned as Chairman and Member of the Board w.e.f. 9th March, 2016. Four Meetings were held during his tenure.
- \$ Ceased to be Director of the Company from the conclusion of 25th Annual General Meeting held on 24th July, 2015. Two Meetings were held during his tenure.
- * Appointed as Whole-time Director designated as "Executive Director & Chief Financial Officer" w.e.f. 25th July, 2015. Three Meetings were held during his tenure.
- + Appointed as an Additional Director at the Meeting of the Board of Directors held on 18th March, 2016, effective from the date of the Meeting. One Meeting was held during his tenure.
- # Excludes Directorships in private limited companies, foreign companies and companies registered under section 8 of the Companies Act, 2013, but includes Directorship in Mahindra & Mahindra Financial Services Limited (MMFSL). None of the Directors holds Directorships in more than 20 companies as stipulated in section 165 of the Companies Act, 2013. Committees considered are Audit Committee and Stakeholders Relationship Committee including in MMFSL.

MEETINGS OF INDEPENDENT DIRECTORS

As stipulated by the Code of Independent Directors under the Companies Act, 2013 and the Listing Regulations, two Meetings of Independent Directors were held during the year. At the Meetings the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, and the Chairperson of the Company taking into account the views of Executive Directors and Non-Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary to effectively and reasonably perform and discharge their duties. The Meetings were conducted informally to enable Independent Directors to discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

INFORMATION SUPPLIED TO THE BOARD

The Company sends a detailed agenda folder to each Director at least seven days before the Board and Committee Meetings in accordance with the provisions of Secretarial Standard on Meetings of Board of Directors (SS-1) issued by the Council of the Institute of Company Secretaries of India and approved by the Central Government. All the agenda items are backed by necessary supporting information and documents to enable the Board to take informed decisions. A soft copy of the Board/Committee Meeting agenda is also hosted on the Board portal to provide web-based solution that functions as a document repository.

To enable the Board to discharge its responsibilities effectively, the Vice-Chairman & Managing Director appraises the Board at every Meeting on the overall performance of the Company, followed by presentations by the Executive Director & 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 Regulation 24 of the Listing Regulations, the minutes of the Board Meetings of your Company's subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

The Chairman/Chairperson of various Board Committees brief the Board on all the important matters discussed and decided at their respective Committee Meetings.

PERFORMANCE EVALUATION OF BOARD, ITS COMMITTEES AND DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees.

The Performance Evaluation of Board, its Committees and Directors has been discussed in detail in the Directors' Report.

INDUCTION AND FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Company has adopted a structured programme for orientation of Independent Directors at the time of their joining so as to familiarise them with the Company—its operations, business, industry and environment in which it functions and the regulatory environment applicable to it. The Company updates the Board Members on a continuing basis on any significant changes therein and provides them an insight to their expected roles and responsibilities so as to be in a position to take well-informed and timely decisions and contribute significantly to the Company.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 25(7) of the Listing Regulations the Company has during the year conducted familiarisation programmes for its Independent Directors which included visit to Company's Branch office(s), off-site Board/

Committee Meetings, detailed presentations on long-term vision and strategy of the Company, its business model and operations, digitalisation, Industry outlook, Internal Control over Financial Reporting, Prevention of Insider Trading Regulations, SEBI Listing Regulations, Accounting Standards, Framework for Related Party Transactions, providing Regulatory updates at Board and Audit Committee Meetings, circulating press releases, disclosures made to Stock Exchanges, news and articles related to the Company to provide updates from time to time. The details of the familiarisation programmes are available on the website of the Company at the web link: <http://www.mahindrafinance.com/pdf/familiarisation-programme-for-IDs.pdf>.

REMUNERATION

Policy on Remuneration for Directors and criteria for determining qualifications, positive attributes and independence of a director

The success of an organisation in achieving good performance and good governing practices depends on its ability to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors.

The Nomination and Remuneration Committee ('the NRC') reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and also independence of director:

1. All Board appointments will be based on merit, in the context of the skills, experience, diversity, and knowledge, for the Board as a whole to be effective.
2. Ability of the candidates to devote sufficient time and attention to his/her professional obligations as Director for informed and balanced decision-making.
3. Adherence to the applicable Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.

Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member.

Your Company has a well-defined Remuneration Policy for its Directors. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

The NRC while determining the remuneration of the

Directors shall ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall ensure a balance between fixed and performance-linked variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals and it shall ascertain that some part of the remuneration is linked to the achievement of corporate performance targets.

REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

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.

The broad structure of compensation payable to employees is as under:

- ◆ Fixed pay which has components like basic salary and other allowances/ flexi pay as per the grade where the employees can chose allowances from bouquet of options.
- ◆ Variable pay (to certain grades) in the form of annual/ half-yearly performance pay based on KRA's agreed.
- ◆ Incentives either monthly or quarterly based on targets in the lower grades.
- ◆ Retirals such as Provident Fund, Gratuity and Superannuation (for certain grades).
- ◆ Benefits such as car scheme, medical and dental reimbursement, loans, insurance, etc., as per grades.

The Cost to Company is reviewed annually and increment is given to eligible employees based on their position, performance and market dynamics as decided from time to time.

REMUNERATION PAID TO DIRECTORS

The Independent Directors and eligible Non-Executive Directors are paid remuneration in the form of sitting fees and commission within the limits prescribed under the Companies Act, 2013. The remuneration payable to Non-Executive Directors is decided by the Board of Directors subject to the overall approval of Members of the Company.

The NRC while deciding the basis for determining the remuneration to the Non-Executive Directors, both fixed and variable, shall take into consideration various relevant factors, including the overall compensation policies of the Company pertaining to commission, current trends and practices in relevant industries, the market trends in terms of compensation levels, responsibilities undertaken

by the Directors such as Chairpersonship of Committees, their contribution in enhancing stakeholders' value resulting in overall growth of the Company, etc.

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. 130.55 Lacs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31st March, 2016.

In addition, the Independent Directors and eligible Non-Executive Director(s) are paid a sitting fee of Rs. 50,000 each for every Meeting of the Board, Rs. 40,000 for every Audit Committee Meeting attended, Rs. 30,000 each for attending a Meeting of the Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Asset Liability Committee and the Risk Management Committee respectively, and Rs. 20,000 for attending a Meeting of the Strategy Committee for Acquisitions.

The Company has not granted any Stock Options to any of its Non-Executive Independent Directors.

Remuneration of Executive Directors includes salary, perquisites, allowances, benefits, amenities, retivals viz. superannuation including gratuity and provident fund (fixed component) and commission and stock options (variable component). The remuneration to the Vice-Chairman & Managing Director and Executive Director & Chief Financial Officer is fixed by the NRC which is subsequently approved by the Board of Directors and Shareholders at a General Meeting/by means of a Postal Ballot voting process.

The NRC while deciding the basis for determining the remuneration of the Executive Directors shall take into consideration the individual performance and the business performance. The business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRAs). Both the BSC and KRAs are evaluated at the end of the fiscal to arrive at the BSC rating of the business and performance rating of the individual.

Detailed information of Directors' remuneration for the year 2015-16 is set forth in Table 2.

Table 2: Details of Remuneration Paid to Directors for the Financial Year 2015-16

(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 2010+ (ESOS-2010)		
						Number of Stock Options granted in February, 2011	Number of Stock Options granted in October, 2014	Number of Stock Options granted in October, 2015
						Grant 1\$\$	Grant 5\$\$	Grant 6\$\$
Mr. Ramesh Iyer*	N.A.	353.69	17.30	73.83	444.82	2,00,140	1,62,173	10,812
Mr. Bharat N. Doshi^	5.60	N.A.	N.A.	45.00	50.60	NIL	NIL	NIL
Mr. Uday Y. Phadke@	N.A.	N.A.	N.A.	NIL	NIL	1,67,390	NIL	NIL
Mr. Dhananjay Mungale	6.10	N.A.	N.A.	16.00	22.10	NIL	NIL	NIL
Mr. M. G. Bhide	7.90	N.A.	N.A.	16.00	23.90	NIL	NIL	NIL
Mr. Piyush Mankad	7.20	N.A.	N.A.	16.00	23.20	NIL	NIL	NIL
Ms. Rama Bijapurkar	5.70	N.A.	N.A.	15.00	20.70	NIL	NIL	NIL
Mr. C. B. Bhawe	5.80	N.A.	N.A.	2.34	8.14	N.A.	N.A.	N.A.
Mr. V. S. Parthasarathy	N.A.	N.A.	N.A.	N.A.	NIL	N.A.	NIL	NIL
Mr. V. Ravi**	N.A.	201.78	5.32	N.A.	207.10	77,815	61,319	NIL
Dr. Anish Shah	N.A.	N.A.	N.A.	N.A.	NIL	N.A.	N.A.	N.A.

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

+ Options issued at an Exercise Price of Rs. 2/- being the Face Value of the underlying shares.

\$\$ ESOS – 2010

Grant-1: The Stock Options have been granted on 7th February, 2011. Of this, all the five tranches of 20% each totalling 100% of the total options have vested on 7th February, 2012, 7th February, 2013, 7th February, 2014, 7th February, 2015 and 7th February, 2016 respectively.

Grant-5: The Stock Options have been granted on 21st October, 2014. Of this, one tranche of 20% of the total options granted have vested on 21st October, 2015 on expiry of 12 months from the grant date and the balance number of options would vest in four equal tranches of 20% each on 21st October, 2016, 21st October, 2017, 21st October, 2018 and 21st October, 2019 on expiry of 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

Grant-6: The Stock Options have been granted on 21st October, 2015. These options would vest in five equal tranches of 20% each on 21st October, 2016, 21st October, 2017, 21st October, 2018, 21st October, 2019 and 21st October, 2020 on expiry of 12 months, 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

^ Resigned as Chairman and Member of the Board w.e.f. 9th March, 2016.

@ Ceased to be Director of the Company from conclusion of the 24th Annual General Meeting held on 24th July, 2015.

- * The notice period for the Vice-Chairman & Managing Director is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. The term of appointment is for a period of 5 years with effect from 30th April, 2016. There is no separate provision for the payment of severance fees.
- ** The notice period for the Executive Director & Chief Financial Officer is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. The term of appointment is for a period of 5 years with effect from 25th July, 2015. There is no separate provision for the payment of severance fees.

During 2015-16, the Company did not advance loans to any of its Directors.

The aforesaid details of remuneration may also be treated as the disclosure pursuant to Clause IV of Section II of Part II of Schedule V of the Companies Act, 2013 in respect of the re-appointment of Mr. Ramesh Iyer, Managing Director designated as "Vice-Chairman & Managing Director" and the appointment of Mr. V. Ravi as a Whole-time Director designated as "Executive Director & Chief Financial Officer" as placed before the Members for their approval to be obtained by means of a Postal Ballot voting process.

SHARES HELD BY NON-EXECUTIVE DIRECTORS

Table 3 gives details of the shares held by the Non-Executive Directors as on 31st March, 2016.

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

Name of the Director	Number of Shares held
Mr. Dhananjay Mungale	50,000
Mr. M. G. Bhide	50,000
Mr. Piyush Mankad	50,000
Ms. Rama Bijapurkar	50,000
Mr. C. B. Bhave	NIL
Mr. V. S. Parthasarathy	250
Dr. Anish Shah	NIL

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/corporate-governance.aspx.

All the Board Members and Senior Management Personnel have affirmed compliance with these Codes. A declaration signed by the Vice-Chairman & 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) read with Schedule IV of the Companies Act, 2013, which is a guide to professional conduct for Independent Directors of the Company.

CEO/CFO Certification

As required under Regulation 17(8) read with Part B of Schedule II of the Listing Regulations, the Vice-Chairman & Managing Director and the Executive Director & Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2016.

The said Certificate is attached herewith as Annexure A and forms part of this Report.

Risk Management

Your 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.

Committees of the Board

Your Company has seven Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Committee, Risk Management Committee and Strategy Committee for Acquisitions. 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, 2016, the Audit Committee comprised of seven Non-Executive Directors of which five are Independent Directors. The Committee comprises Mr. C. B. Bhave (Chairman), Mr. Dhananjay Mungale, Mr. M. G. Bhide, Mr. Piyush Mankad and Ms. Rama Bijapurkar, Independent Directors and Mr. V. S. Parthasarathy and Dr. Anish Shah, Non-Executive Non-Independent Directors.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

The Board at its Meeting held on 18th March, 2016 has appointed Mr. C. B. Bhave as the Chairman in place of Mr. Dhananjay Mungale and Dr. Anish Shah as a Member of the Audit Committee. Mr. Dhananjay Mungale continues to be a Member of the Committee.

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 Regulation 18(1) of the Listing Regulations.

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 including subsequent modifications thereof, grant omnibus approvals subject to fulfilment of certain conditions, 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.

Further, the Committee is also authorised to oversee the functioning of the Whistle Blower Policy/Vigil Mechanism as well as review on a quarterly basis, the report on compliance under SEBI (Prohibition of Insider Trading) Regulations, 2015 given by the Compliance Officer. Generally all items listed in Regulation 18(3) read with Part C of Schedule II of the Listing Regulations are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Regulation 18 (2)(c) and reviews all the information as prescribed in Regulation 18(3) read with the Paragraph B of Part C of Schedule II of the Listing Regulations.

The Vice-Chairman & Managing Director, Executive Director & 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 former Chairman and Mr. C. B. Bhave, the current Chairman of the Audit Committee were present at the 25th Annual General Meeting of the Company held on 24th July, 2015.

The Audit Committee met six times during the year on 23rd April, 2015, 24th July, 2015, 11th August, 2015, 21st October, 2015, 21st January, 2016 and 2nd February, 2016. The gap between any two meetings did not exceed one hundred and twenty days. 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 held	No. of Meetings attended
Mr. C. B. Bhave (Chairman)	6	6
Mr. Dhananjay Mungale	6	5
Mr. M. G. Bhide	6	6
Ms. Rama Bijapurkar	6	5
Mr. Uday Y. Phadke#	6	2
Mr. Piyush Mankad	6	6
Mr. V. S. Parthasarathy	6	5
Dr. Anish Shah+	N.A.	N.A.

Ceased to be a Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. Two Meetings were held during his tenure.

+ Inducted as a Member with effect from 18th March, 2016. No Meeting was held during his tenure.

b) Nomination and Remuneration Committee

The constitution and the terms of reference of the Nomination and Remuneration Committee are in compliance with the provisions of section 178(1) of the Companies Act, 2013 and Regulation 19 of the Listing Regulations.

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.

Performance Evaluation Criteria for Independent Directors:

The Nomination and Remuneration Committee *inter-alia*, determines the performance evaluation criteria for Independent Directors on parameters such as participation and contribution by a director, effective deployment of knowledge and expertise, effective management of relationship with stakeholders, integrity and maintenance of confidentiality and independence of behaviour and judgement.

All the Committee Members are Independent Directors including the Chairman. As of 31st March, 2016, the Committee comprised four members viz. Mr. Piyush Mankad (Chairman), Mr. Dhananjay Mungale, Mr. M. G. Bhide and Mr. C. B. Bhavé, all Independent Directors.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

Mr. Bharat Doshi has ceased to be a Member of the Committee consequent upon his resignation as Chairman and Member of the Board with effect from 9th March, 2016.

The Board at its Meeting held on 18th March, 2016 has appointed Mr. C. B. Bhavé as a Member of the Committee, with effect from the date of the said Board Meeting.

Mr. Piyush Mankad, Chairman of the Nomination and Remuneration Committee was present at the 25th Annual General Meeting of the Company held on 24th July, 2015.

The Committee met four times during the year under review on 23rd April, 2015, 24th July, 2015, 21st October, 2015 and 18th March, 2016. The attendance details at Meetings of the Committee are given in Table 5.

Table 5: Attendance record of Nomination and Remuneration Committee Meetings

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. Piyush Mankad (Chairman)	4	4
Mr. Bharat N. Doshi@	4	3
Mr. Dhananjay Mungale	4	3
Mr. Uday Y. Phadke \$	4	2
Mr. M. G. Bhide	4	4
Mr. C. B. Bhavé+	N.A.	N.A.

@ Ceased to be a Member consequent upon his resignation as Chairman and Member of the Board with effect from 9th March, 2016. Three Meetings were held during his tenure.

\$ Ceased to be a Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. Two Meetings were held during his tenure.

+ Inducted as a Member with effect from 18th March, 2016. No Meetings were held during his tenure.

c) Stakeholders Relationship Committee

As on 31st March, 2016, the Stakeholders Relationship Committee comprised of four members, viz. Ms. Rama Bijapurkar (Chairperson) and Mr. M. G. Bhide, Independent Directors and Mr. Ramesh Iyer and Mr. V. Ravi, Executive Directors of the Company. Ms. Arnavaz M. Pardiwala, Company Secretary is the Compliance Officer of the Company.

The Board of Directors at its Meeting held on 23rd April, 2015 has appointed Ms. Rama Bijapurkar as the Chairperson and Member of the Committee with effect from the date of the said Meeting.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

During the year under review, Mr. V. Ravi has been appointed as a Member of the Committee.

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.

Mr. M. G. Bhide, former Chairman of the Committee and Ms. Rama Bijapurkar, current Chairperson were present at the 25th Annual General Meeting of the Company held on 24th July, 2015.

The Committee met twice during the year on 23rd April, 2015 and 21st October, 2015. Both the Meetings were well attended. The attendance details at Meetings of the Committee are given in Table 6.

Table 6: Attendance record of Stakeholders Relationship Committee Meetings

Name of Members	No. of Meetings held	No. of Meetings attended
Ms. Rama Bijapurkar (Chairperson)\$	2	1
Mr. M. G. Bhide	2	2
Mr. Uday Y. Phadke#	2	1
Mr. Ramesh Iyer	2	2
Mr. V. Ravi@	2	1

\$ Appointed as a Member and Chairperson with effect from 23rd April, 2015. One Meeting was held during her tenure.

Ceased to be Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. One Meeting was held during his tenure.

@ Inducted as Member with effect from 25th July, 2015. One Meeting was held during his tenure.

Details of queries and grievances received and attended to by the Company during the year 2015 -16 are given in Table 7.

Table 7: Complaints/Letters received and attended to during the Financial Year 2015 -16

Nature of Complaints/Letters	Pending as on 1st April, 2015	Received during the year	Answered during the year	Pending as on 31st March, 2016
1. Status of Share Application	0	2	2	0
2. Non-Receipt of Electronic Credit	0	0	0	0
3. Non-Receipt of Dividend	0	4	4	0
4. Duplicate/Revalidation/Correction of Dividend Warrant	0	154	154	0
5. SEBI/ Stock Exchange Complaints	0	2	2	0
Total	0	162	162	0

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 is displayed on the website of the Company at the link: <http://www.mahindrafinance.com/csr.aspx>.

Mr. Piyush Mankad, Non-Executive Independent Director was appointed as the Chairman of the Committee with effect from 18th March, 2016. Mr. Ramesh Iyer, Vice-

Chairman & Managing Director, Mr. V. Ravi, Executive Director & Chief Financial Officer and Dr. Anish Shah Non-Executive Non-Independent Director, are the other Members of the Committee.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

During the year under review, Mr. V. Ravi and Dr. Anish Shah have been appointed as Members of the Committee.

Consequent to his resignation as Chairman and Member of the Board with effect from 9th March, 2016, Mr. Bharat Doshi has ceased to be the Chairman and Member of the Committee.

The Committee held four meetings during the year under review. The Committee met on 23rd April, 2015, 11th August, 2015, 21st October, 2015 and 2nd February, 2016.

The attendance details at Meetings of the Committee are given in Table 8.

Table 8: Attendance record of Corporate Social Responsibility Committee Meetings

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. Piyush Mankad (Chairman)	4	4
Mr. Bharat Doshi@	4	4
Mr. Uday Y. Phadke#	4	1
Mr. Ramesh Iyer	4	4
Mr. V. Ravi^	4	3
Dr. Anish Shah+	N.A.	N.A.

@ Ceased to be the Chairman and Member of the Committee consequent upon his resignation as Chairman and Member of the Board with effect from 9th March, 2016.

Ceased to be Member with effect from the conclusion of 25th Annual General Meeting held on 24th July, 2015. One Meeting was held during his tenure.

^ Inducted as Member with effect from 25th July, 2015. Three Meetings were held during his tenure.

+ Inducted as Member with effect from 18th March, 2016. No Meeting was held during his tenure.

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.

During the year under review Mr. Dhananjay Mungale has ceased to be the Chairman and Mr. M. G. Bhide has been appointed as the Chairman and Member of the Committee.

Consequent to cessation as a Director in the Company, Mr. Uday Y. Phadke has ceased to be a Member of the Committee.

During the year under review, Mr. V. Ravi has been appointed as a Member of the Committee.

As of 31st March, 2016, the Committee comprised of five members viz. Mr. M. G. Bhide (Chairman) and Mr. Dhananjay Mungale, Independent Directors, Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director, Mr. Ramesh Iyer, Vice-Chairman & Managing Director and Mr. V. Ravi, Executive Director & Chief Financial Officer.

The Committee met twice during the year on 23rd April, 2015 and 21st October, 2015. The attendance details at Meetings of the Committee are given in Table 9.

Table 9: Attendance record of Asset Liability Committee Meetings

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. M. G. Bhide (Chairman)\$	2	1
Mr. Dhananjay Mungale	2	1
Mr. Uday Y. Phadke#	2	1
Mr. Ramesh Iyer	2	2
Mr. V. S. Parthasarathy	2	1
Mr. V. Ravi@	2	1

\$ Appointed as Chairman and Member of the Asset Liability Committee with effect from 23rd April, 2015. One Meeting was held during his tenure.

Ceased to be Member with effect from the conclusion of the 25th Annual General Meeting held on 24th July, 2015. One Meeting was held during his tenure.

@ Inducted as a Member with effect from 25th July, 2015. One Meeting was held during his tenure.

f) Risk Management Committee

Regulation 21 of the Listing Regulations mandates constitution of the Risk Management Committee. Your Company has in place a Risk Management Committee even before the erstwhile Clause 49 of the then prevailing Listing Agreement came into effect. 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. Mr. V. Ravi, Executive Director & 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, 2016, the Risk Management Committee comprised Mr. C. B. Bhavé (Chairman), Mr. Dhananjay Mungale, Mr. M. G. Bhidé and Ms. Rama Bijapurkar, Independent Directors and Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director of the Company.

The Board of Directors at its Meeting held on 23rd April, 2015 has appointed Mr. C. B. Bhavé as the Chairman of the Committee in place of Mr. Dhananjay Mungale. Mr. Mungale continues to be a Member of the Committee.

The Committee met on 23rd April, 2015, 24th July, 2015, 21st October, 2015 and 21st January, 2016. The attendance details at Meetings of the Committee are given in Table 10.

Table 10: Attendance record of Risk Management Committee Meetings

Name of Members	No. of Meetings held	No. of Meetings attended
Mr. C. B. Bhavé (Chairman)@	4	4
Mr. Dhananjay Mungale	4	3
Ms. Rama Bijapurkar	4	4
Mr. M. G. Bhidé	4	4
Mr. V. S. Parthasarathy	4	4

@Appointed as Chairman with effect from 23rd April, 2015.

g) Strategy Committee for Acquisitions

The Strategy Committee for Acquisitions was constituted by the Board at its Meeting held on 20th March, 2015 to take up for evaluation and scrutinise significant investments/ funding including but not limited to business acquisitions, reviewing and monitoring existing investments in Subsidiaries and the Joint Venture Company, overseeing and reviewing performance of the subsidiaries and make necessary recommendations to the Board from time to time including disinvestments.

As of 31st March, 2016, the Strategy Committee for Acquisitions comprised of Mr. M. G. Bhidé, Mr. Dhananjay Mungale and Mr. V. S. Parthasarathy.

The Committee met on 2nd December, 2015. All the Members were present at the Committee Meeting.

Subsidiary Companies

Regulation 16(1)(c) of the Listing Regulations defines a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds 20 percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any

"material 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. The financial statements of the subsidiary companies are presented to the Audit Committee. The Company has also complied with the other provisions of Regulation 24 with regard to subsidiary companies.

Policy for determining Material Subsidiaries

The Company has formulated a policy for determining 'material' subsidiaries as defined in Regulation 16(1)(c) of the Listing Regulations. This policy has also been hosted on the website of the Company at the web-link: <http://www.mahindrafinance.com/policies.aspx>.

Disclosure of Transactions with Related Parties

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the Listing Regulations during the financial year were in the ordinary course of business and on an arm's length basis. The details of the transaction with related parties are placed before the Audit Committee from time to time. During the Financial Year 2015-16, there were no materially significant transactions or arrangements

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 Number 40 to Standalone Financial Statements in the Annual Report.

Policy on Materiality of and Dealing with Related Party Transactions

The Company has formulated a policy on materiality of and dealing with Related Party Transactions pursuant to the provisions of the Companies Act, 2013 and Regulation 23 of the Listing Regulations. The Policy on Related Party Transactions is displayed on the website of the Company at the web-link:

<http://www.mahindrafinance.com/policies.aspx>.

Disclosure of Accounting Treatment in Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014.

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, 2015, which came into force from 15th May, 2015.

The Company has devised and adopted the 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' and 'Code of Conduct for Prevention of Insider Trading in Securities of Mahindra & Mahindra Financial Services Limited' ("the Codes").

The Code of Conduct for Prevention of Insider Trading in Securities of Mahindra & Mahindra Financial Services Limited has been formulated to regulate, monitor and

ensure reporting of Trading by the Employees and Connected Persons designated on the basis of their functional role in the Company towards achieving compliance with the new Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is applicable. The provisions of the Code are designed to prohibit Designated Persons from trading in the Company's Securities when in possession of Unpublished Price Sensitive Information. The Code lays down guidelines for procedures to be followed and disclosures to be made while dealing with Securities of the Company and cautions them of the consequences of violations.

The Codes were made effective from 15th May, 2015.

All Board Members and designated persons have affirmed compliance with the Code.

WHISTLE BLOWER POLICY

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed is implemented through the Whistle Blower Policy to provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

The Whistle Blower Policy *per se* provides for protected disclosure and protection to the Whistle Blower. Under the Vigil Mechanism a person is provided access to Chairman of the Audit Committee of the Company or Chairman of the Company or the Corporate Governance Cell, 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. The Whistle Blower Policy has been appropriately communicated within the Company and is accessible on the intranet portal of the Company. No personnel has been denied access to the Audit Committee. All Employees, Directors, customers, dealers, vendors, suppliers or other stakeholders associated with the Company can make protected disclosures by sending an email at the designated email id: mmfsl_whistleblower@mahindra.com.

The vigil mechanism has been hosted on the Company's website at the weblink: http://www.mahindrafinance.com/pdf/MMFSL_VigilMechanism.pdf.

SHAREHOLDERS

Appointment / Re-appointment of Directors

The details of Director(s) seeking re-appointment at the forthcoming Annual General Meeting is set forth in Table 11.

Table 11

Name of the Director	Mr. V. S. Parthasarathy
Date of Birth	1st November, 1962
Date of Appointment on the Board	24th July, 2014
Expertise in specific functional area	Finance, HR, M&A, IT and International Operations
Qualifications	Bachelor's Degree in Commerce and a fellow member of the Institute of Chartered Accountants of India, Advanced Management Program from Harvard University
Directorships in Companies	Mahindra Aerospace Private Limited Mahindra Reva Electric Vehicles Limited Mahindra Defence Systems Limited Mahindra USA Inc. Mahindra Yueda (Yancheng) Tractor Company Limited Mahindra Tractor Assembly Inc. CIE Automotive, S.A. Mahindra North America Technical Centre, Inc. Mahindra & Mahindra Financial Services Limited Mahindra Holidays & Resorts India Limited New Democratic Electoral Trust Mahindra Two Wheelers Limited Tech Mahindra Limited Mahindra Emarket Limited Peugeot Motocycles SAS
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Aerospace Private Limited Mahindra Reva Electric Vehicles Limited Mahindra Holidays & Resorts India Limited Mahindra Two Wheelers Limited Mahindra & Mahindra Financial Services Limited
Nomination and Remuneration Committee	Mahindra Defence Systems Limited Mahindra Reva Electric Vehicles Limited Mahindra Two Wheelers Limited
Stakeholders Relationship Committee	Mahindra Holidays & Resorts India Limited
Risk Management Committee	Mahindra Holidays & Resorts India Limited Mahindra & Mahindra Financial Services Limited
Corporate Social Responsibility Committee	Mahindra Holidays & Resorts India Limited
ALCO Committee	Mahindra & Mahindra Financial Services Limited
Committee of Directors – Investments	Mahindra Holidays & Resorts India Limited
Investment Committee	Tech Mahindra Limited
Strategy Committee for Acquisitions	Mahindra & Mahindra Financial Services Limited
Audit and Finance Committee	Peugeot Motocycles SAS
Shareholding of Director in the Company	250 Equity Shares of the Face Value of Rs. 2/- each

Mr. Parthasarathy holds a Bachelor's Degree in Commerce and is a fellow member of the Institute of Chartered Accountants of India. He is Harvard Alumni of Advanced Management Program - batch 2011. He has also been part of Mahindra Group's Senior Management team for Group strategy development, facilitated by Harvard Business School.

Mr. V. S. Parthasarathy is Group Chief Financial Officer (CFO) and Group Chief Information Officer (CIO) of Mahindra & Mahindra Limited (M&M), the holding Company. In his role as Group CFO & Group CIO of M&M, he facilitates Mahindra Group in accomplishing its vision of 'being

amongst the Top 50 most admired brands in the world'. He is a member of the think-tank of Mahindra Group's supervisory board called "Group Executive Board". He is also a member of the Global IT Customer Advisory Board of CISCO & APJ Customer Advisory Board of HP. He is on the Board of listed entities of the Mahindra Group viz. Tech Mahindra Limited, Mahindra & Mahindra Financial Services Limited, and Mahindra Holidays & Resorts India Limited as well as several unlisted companies of the Group. He joined M&M in 2000. At M&M, he spearheaded functions like Finance, HR, M&A, IT and International Operations before he was appointed CFO of M&M. He has received many accolades and recognitions

in the field of Finance, M&A & IT being a Group CFO and Group CIO and as Head of Group Finance and Mergers & Acquisition.

Means of Communication

- ◆ The Company regularly interacts with its shareholders and investors through multiple channels of communication such as announcement of financial results, postal ballot results, annual report, media releases, dissemination of information on the website of the Company and Stock Exchanges and subject specific communications.
- ◆ 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 at <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 BSE Corporate Compliance and Listing Centre and NSE Electronic Application Processing System (NEAPS). Various compliances as required/ prescribed under the Listing Regulations and the Listing Agreement executed with the Stock Exchanges are also filed through these systems.
- ◆ The Company has designated **investorhelpline_mmfsl@mahindra.com** as an e-mail ID for the purpose of registering complaints by investors and displayed the same on the Company's website. The Company has also designated **mfinfd@mahindra.com** as an exclusive email ID for Fixed Deposit Investors for the purpose of registering queries/ complaints in respect of Fixed Deposits of the Company and the same has also been displayed on the Company's website.
- ◆ The Company has provided a dedicated e-mail address under its Vigil Mechanism, viz. **mmfsl_whistleblower@mahindra.com** for reporting concerns by all Employees, Directors, customers, dealers, vendors, suppliers or other stakeholders associated with the Company.

GENERAL BODY MEETINGS

Table 12: Details of last three Annual General Meetings and Special Resolutions passed

GENERAL BODY MEETINGS

For the Financial Year	Date	Time	Special Resolutions passed	Venue
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.
2013-2014	24th July, 2014	3.30 p.m.	Revision in the remuneration of Mr. Ramesh Iyer, Managing Director of the Company.	Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021.
2014-2015	24th July, 2015	3.30 p.m.	Alteration of the Articles of Association of the Company by adoption of a new set of Articles of Association.	Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, next to Sachivalaya Gymkhana, Mumbai – 400 021.
			Approve payment of remuneration by way of commission up to one per cent of the net profits of the Company to the Non-Executive Directors, with effect from 1st April, 2015.	

No Extraordinary General Meeting of the Shareholders was held during the year.

POSTAL BALLOT

Details of Resolutions passed through Postal Ballot during the Financial Year 2015-16.

During the year, two resolutions were passed through Postal Ballot. Mr. S. N. Ananthasubramanian, Practising Company Secretary was appointed as the Scrutinizer for overseeing the Postal Ballot voting process. The details are as follows:

Date of the Postal Ballot Notice : 6th May, 2015

Voting period : 14th May, 2015 to 12th June, 2015

1. Special Resolution for increase in borrowing limits from Rs.45,000 crores to Rs.50,000 crores under Section 180 (1)(c) of the Companies Act, 2013 ("the Act") and creation of charge on the assets of the Company under Section 180(1) (a) of the Act.

Promoter/ Public	No. of shares held (1)	No. of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/ (1)]*100	No. of votes- in favour (4)	No. of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/ (2)]*100	% of votes against on votes polled (7)=[(5)/ (2)]*100
Promoter and Promoter Group	29,58,21,204	29,12,07,660	98.44	29,12,07,660	0	100.00	0
Public Institutional Holders	24,46,24,581	16,06,58,365	65.68	15,80,74,963	25,83,402	98.39	1.61
Public-Others**	2,83,19,175	27,79,705	9.82	27,77,935	1,205	99.94	0.04
Total	56,87,64,960	45,46,45,730	79.94	45,20,60,558	25,84,607	99.43	0.57

**Valid votes abstained from voting = 565

2. Special Resolution for issue of Non-Convertible Debentures and/or other Debt Securities in one or more tranches, aggregating upto Rs. 21,000 crores on a Private Placement basis.

Promoter/ Public	No. of shares held (1)	No. of votes polled (2)	% of votes polled on outstanding shares (3)=[(2)/ (1)]*100	No. of votes- in favour (4)	No. of votes – against (5)	% of votes in favour on votes polled (6)=[(4)/ (2)]*100	% of votes against on votes polled (7)=[(5)/ (2)]*100
Promoter and Promoter Group	29,58,21,204	29,12,07,660	98.44	29,12,07,660	0	100.00	0
Public Institutional Holders	24,46,24,581	16,06,58,365	65.68	15,80,74,963	25,83,402	98.39	1.61
Public-Others**	2,83,19,175	27,79,705	9.82	27,78,110	1,030	99.94	0.04
Total	56,87,64,960	45,46,45,730	79.94	45,20,60,733	25,84,432	99.43	0.57

**Valid votes abstained from voting = 565

Date of Declaration of Results : The results of both the aforesaid Special Resolutions were declared on 17th June, 2015.

Procedure for Postal Ballot

In compliance with Regulation 44 of the Listing Regulations and Sections 108, 110 and other applicable provisions of the Companies Act, 2013 ("the Act") read with the Rules prescribed, the Company provides remote electronic voting (e-voting) facility to all its members to enable them to cast their votes electronically. The Company engages the services of Karvy Computershare Private Limited, its Registrar and Share Transfer Agents, for the purpose of providing e-voting facility to all its Members.

The Members have the option to vote either by physical ballot or e-voting. The Company dispatches the Postal

Ballot Notices and Forms along with postage pre-paid business reply envelopes to its members whose names appear on the Register of Members / list of Beneficiaries as on the cut-off date. The Postal Ballot Notice is sent to Members in electronic form to the e-mail addresses registered with their depository participants (in case of electronic shareholding)/ the Company's Registrar and Share Transfer Agents (in case of physical shareholding). The Company also publishes notice in the newspapers in English and Marathi languages declaring the details of completion of dispatch, and other requirements as mandated under the Act and applicable Rules and Secretarial Standard on General Meetings (SS-2). The

Company also voluntarily publishes a notice in respect of declaration of results of the Postal Ballot in the newspapers for the information of its Members. The same are also posted on the website of the Company.

Voting rights are reckoned on the paid-up value of the shares registered in the names of the Members as on the cut-off date. Members desiring to exercise their votes by physical postal ballot forms are requested to return the forms duly completed and signed, to the scrutinizer on or before the close of voting period. Members desiring to exercise their votes by electronic mode are requested to vote before close of business hours on the last date of e-voting. The scrutinizer submits his report to the Chairman or any other authorised Director of the Company, after the completion of scrutiny, and the consolidated results of the voting by postal ballot are accordingly declared by the Company within the stipulated time frame. The Results and the Report of the Scrutinizer are hosted on the Company's website www.mahindrafinance.com besides being communicated to the Stock Exchanges and Registrar and Share Transfer Agents. The Results are also published in at least one English and one vernacular newspaper circulating in Maharashtra. The last date of receipt of the duly completed Postal Ballot Forms or e-voting is deemed to be the date of passing of the resolutions, if approved by the requisite majority.

Resolutions proposed to be passed by way of Postal Ballot

The Company proposes to seek the approval of the Shareholders in respect of the following Resolutions by way of Postal Ballot including e-voting:

- i) Special Resolution for increase in the Borrowing limits of the Company from Rs. 50,000 crores to Rs. 55,000 crores under section 180(1)(c) of the Companies Act, 2013 ("the Act"), and creation of charge on the assets of the Company under section 180(1)(a) of the Act.
- ii) Special Resolution for Issue of Non-Convertible Debentures including Subordinated Debentures, in one or more tranches, aggregating upto Rs. 24,500 crores on a Private Placement basis in accordance with the provisions of sections 42, 71 and all other applicable provisions of the Act read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Companies (Share Capital and Debentures) Rules, 2014.
- iii) Special Resolution for re-appointment of Mr. Ramesh Iyer, Managing Director designated as "Vice-Chairman & Managing Director" of the Company.
- iv) Ordinary Resolution for appointment of Mr. V. Ravi as a Director.
- v) Special Resolution for appointment of Mr. V. Ravi as a Whole-time Director designated as "Executive Director & Chief Financial Officer" of the Company.
- vi) Ordinary Resolution for appointment of Dr. Anish Shah as a Director.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting requires the passing of a Special Resolution by way of Postal Ballot.

Management

Management Discussion and Analysis

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

Compliance

The Company has complied with the requirements specified in Regulations 17 to 27 and clauses (b) to (i) of the Regulation 46(2) of the Listing Regulations.

Compliance with Mandatory Requirements

The Company has complied with all the mandatory requirements of the Listing Regulations relating to Corporate Governance.

Compliance with Non-Mandatory Requirements

The Company has also adopted the following non-mandatory requirements to the extent mentioned below:

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.

Separate Posts of Chairman and Managing Director and CEO

The Chairman of the Board is an Independent Director and his position is separate from that of the Vice-Chairman & Managing Director.

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 values 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.

General Shareholders Information

26th Annual General Meeting

Date : 22nd July, 2016

Time : 3.30 p.m.

Venue : Textiles Committee Auditorium,
Government of India, Ministry of Textiles,
P. Balu Road, Prabhadevi Chowk, Prabhadevi,
Mumbai – 400 025.

Financial Year of the Company

The financial year covers the period from 1st April to 31st March.

Financial Reporting for

- ◆ Quarter ending 30th June, 2016 - End July, 2016
- ◆ Half-year ending 30th September, 2016 - End October, 2016
- ◆ Quarter ending 31st December, 2016 - End January, 2017
- ◆ Year ending 31st March, 2017 - End April, 2017

Note: The above dates are indicative.

Book Closure

Book Closure for dividend will be from 16th July, 2016 to 22nd July, 2016, inclusive of both days.

Dividend Payment

A dividend of Rs. 4.00 per Equity Share of Rs. 2 each, will be credited/dispatched on or after 25th July, 2016 subject to approval by Shareholders at the ensuing Annual General Meeting.

Registered Office

Gateway Building, Apollo Bunder, Mumbai - 400 001.

Corporate Identity Number

L65921MH1991PLC059642

Listing Details

A. Equity Shares

The Company's Shares are listed on :

Name:	The BSE Limited (BSE)	The National Stock Exchange of India Limited (NSE)
Address:	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

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 ISIN in NSDL and CDSL for Equity Shares	INE774D01024

B. Non-Convertible Debentures

The Non-Convertible Debentures (NCDs) of the Company are listed on the Debt Segment of BSE, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The Company has paid the requisite listing fees in full.

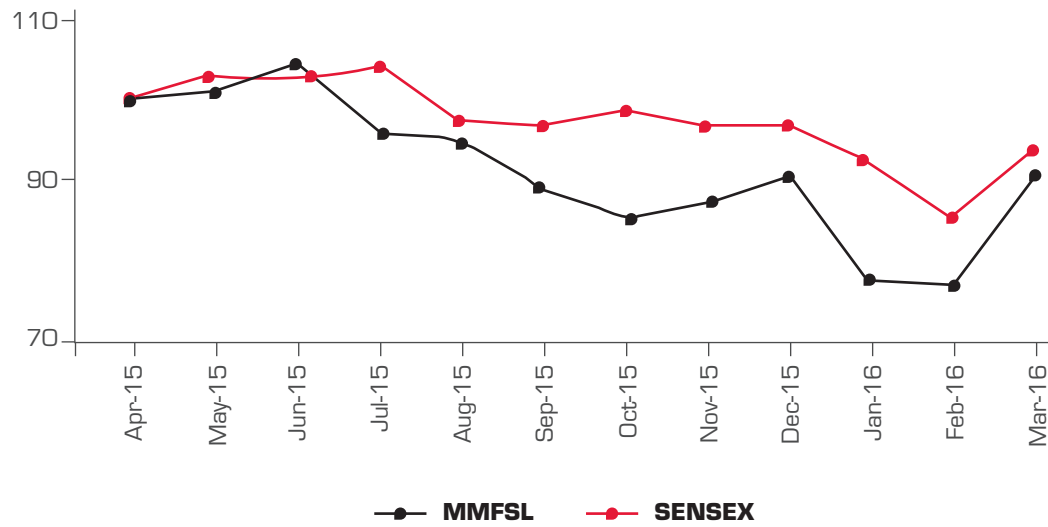
Debenture Trustee for the Company's NCDs :

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 2015 - 16 at BSE and NSE

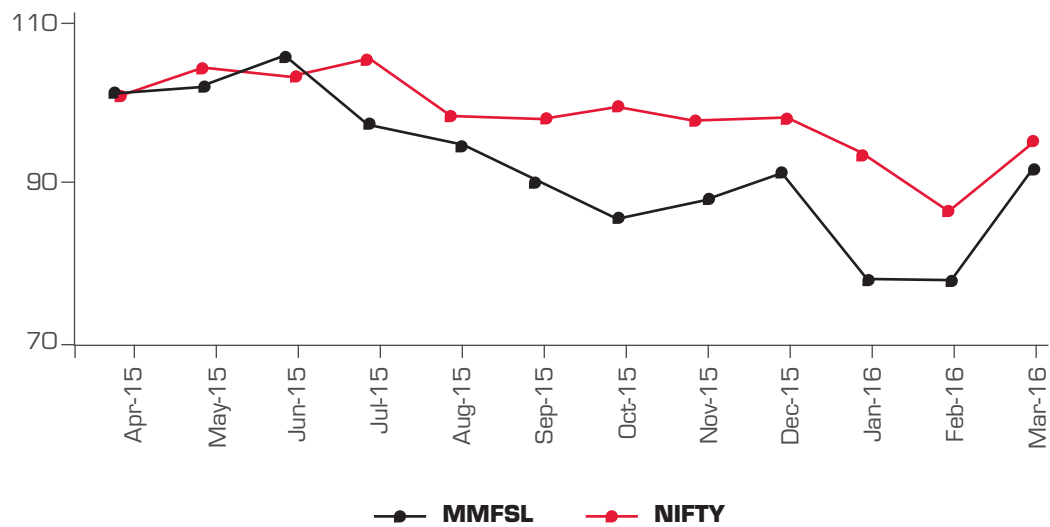
Month	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High	Low	High	Low
April 2015	292.00	253.40	292.00	253.30
May 2015	277.75	258.50	277.90	258.05
June 2015	285.25	235.25	285.70	235.25
July 2015	294.00	256.00	294.30	255.65
August 2015	280.00	246.45	276.00	246.40
September 2015	258.80	225.35	259.00	225.00
October 2015	248.00	223.85	248.20	223.05
November 2015	247.00	221.40	247.00	221.10
December 2015	251.05	231.30	251.00	231.20
January 2016	248.10	192.95	248.40	192.50
February 2016	219.15	173.40	219.50	173.10
March 2016	254.00	204.80	255.00	204.45

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 2015-16 i.e. 1st April, 2015.

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 2015-16 i.e. 1st April, 2015.

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, 2016.

Table 3: Shareholding pattern by size as on 31st March, 2016

Category (Shares)	Number of Shareholders	No. of Shares held	% of Shareholding
1-500	49,759	60,54,734	1.06
501-1,000	1,919	14,97,428	0.26
1,001-5,000	1,641	36,74,282	0.65
5,001-10,000	243	17,61,456	0.31
10,001-20,000	139	20,74,086	0.37
20,001 and above	477	55,37,02,974	97.35
Total	54,178	56,87,64,960	100.00

Table 4: Shareholding pattern by ownership as on 31st March, 2016

Category of Shareholders	Number of Shares held	% of Shareholding
Promoter and Promoter Group	29,53,71,242	51.93
Mutual Funds	4,41,36,968	7.76
FIs	19,14,64,366	33.66
Bodies Corporate	44,17,050	0.78
Indian Public/HUF	2,05,41,676	3.61
NRIs	11,30,036	0.20
Trusts	8,60,191	0.15
Indian Financial Institutions/Banks	63,30,301	1.11
Venture Capital Funds	18,55,000	0.33
Insurance Companies	20,28,550	0.36
Clearing Members	6,29,580	0.11
Total	56,87,64,960	100.00

Dematerialisation of Shares

As on 31st March, 2016, 99.83 percent of the total equity capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

Compliance with Regulation 34 (3) and Part F of Schedule V of the Listing Regulations

In accordance with the provisions of Regulation 34 (3) and Part F of Schedule V of the Listing Regulations the Company reports the following details in respect of the unclaimed Equity Shares which have been credited to a demat suspense account opened by your Company with M/s. Karvy Stock Broking Limited:

- (i) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year – 26 shareholders representing 4,800 Equity Shares of Rs. 2 each.
- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year – 0.
- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - 0.

(iv) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year - 26 shareholders representing 4,800 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, 2016, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible Instruments.

Commodity Price Risk or Foreign Exchange Risk and Hedging activities

Your Company does not deal in any commodity and hence is not directly exposed to any commodity price risk.

As per the Company's Risk Management Policy, your Company enters into foreign currency swap/derivative transactions to cover the risk exposure on account of foreign currency loans. These transactions are structured in such a way that the Company's foreign currency liability is crystallized at a rate of exchange prevailing on the date of taking the swap.

Your Company follows the Accounting Policy and Disclosure Norms for swap/derivative transactions as prescribed by the relevant Regulatory Authorities and Accounting Standards from time to time. The details of foreign exchange exposures as on 31st March, 2016 are disclosed in Note Number 35 to the Standalone Financial Statements in the Annual Report.

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
Karvy Selenium, Tower B,
Plot 31-32, Gachibowli, Financial District, Nanakramguda,
Hyderabad – 500 032.
Tel.: +91 40 67162222
Fax: +91 40 23001153
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, 6 Ambalal Doshi Marg,
Behind BSE, Fort,
Mumbai - 400 023.
Tel.: + 91 22 66235454

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 15 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, Vice-Chairman & Managing Director, Mr. V. S. Parthasarathy, Non-Executive Non-Independent Director, Mr. V. Ravi, Executive Director & Chief Financial Officer and Ms. Arnavaz M. Pardiwala, Company Secretary & Company Officer are authorised to approve transfers of upto 15,000 Equity Shares per transfer provided the transferee does not hold more than 5,00,000 Equity Shares in your Company. The Stakeholders Relationship 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.

Secretarial Audit / Reconciliation of Share Capital Audit
KSR & Co., Company Secretaries LLP has conducted a Secretarial Audit of the Company for the year 2015-16. The Audit Report confirms that your Company has complied with the applicable provisions of the Companies

Act, 2013 and the Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable RBI Regulations, Listing Agreements with the Stock Exchanges, applicable SEBI Regulations and other laws applicable to the Company. The Secretarial Audit Report forms part of the Directors' Report.

Pursuant to the erstwhile Clause 47 (c) of the then prevailing Listing Agreement and Regulation 40(9) of the new Listing Regulations certificates have been issued on a half-yearly basis, by a qualified Company Secretary in Practice, certifying due compliance of share transfer formalities by the Company.

A qualified Practicing Company Secretary carries out a quarterly Reconciliation of Share Capital Audit, to reconcile the total admitted Equity Share capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed Equity Share capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form held with NSDL and CDSL.

Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Computershare Private Limited

Unit: Mahindra & Mahindra Financial
Services Limited
Karvy Selenium, Tower B,
Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032.
Tel.: +91 40 67162222
Fax: +91 40 23001153
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 Executive Director & 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 24984170.
Email: investorhelpline_mmfsl@mahindra.com
Website: <http://www.mahindrafinance.com>

DECLARATION BY THE MANAGING DIRECTOR UNDER REGULATION 34(3) READ WITH PARAGRAPH D OF SCHEDULE V OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To
The Members of
Mahindra & Mahindra Financial Services Limited

I, Ramesh Iyer, Vice-Chairman & Managing Director of Mahindra & Mahindra Financial Services Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2016.

For Mahindra & Mahindra Financial Services Limited

Ramesh Iyer
Vice-Chairman & Managing Director

Place: Mumbai
Date : 23rd April, 2016

ANNEXURE A**CEO/CFO Certification**

23rd April, 2016

To,
The Board of Directors
Mahindra & Mahindra Financial Services Limited

- (a) We have reviewed the financial statements and the cash flow statement for the financial year ended 31st March, 2016 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee that:
- (i) there have been no significant changes in internal control over financial reporting during this year;
 - (ii) there have been no significant changes in accounting policies during this year; and
 - (iii) there have been no instances of significant fraud of which we have become aware and the involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Ramesh Iyer
Vice-Chairman & Managing Director

V. Ravi
Executive Director & Chief Financial Officer

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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 31st March 2016, as stipulated in Clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchanges for the period 1st April 2015 to 30th November 2015 and as per regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1st December 2015 to 31st March 2016.

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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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
Registration No. 105102W

Naresh Kumar Kataria
Partner
Membership No: 037825

Mumbai, 23rd April, 2016

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Independent Auditor's Report

To the Members of
Mahindra & Mahindra Financial Services Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **Mahindra & Mahindra Financial Services Limited** ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section

143(10) of the Act. 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.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 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 I a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143(3) of the Act, we report that:

- a. we have sought and 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 it 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 aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 41 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Company.

For **B. K. Khare & Co.**
Chartered Accountants
Firm's Registration Number 105102W

Naresh Kumar Kataria
Partner
Membership Number: 037825

Place : Mumbai
Date : April 23, 2016

Annexure I to the Auditor's Report

Referred to in paragraph 9 of our report of even date on the standalone financial statements of **Mahindra & Mahindra Financial Services Limited** for the year ended March 31, 2016

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

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets have been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- II. The Company is engaged in the business of Non Banking Financial Services and accordingly does not hold any inventories. Hence, para 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- III. There are no companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore, para 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- IV. The provisions of section 185 of the Act are not applicable to the Company. The Company has complied with the provisions of section 186 of the Act to the extent applicable.
- V. The Company is a non banking finance Company and consequently is exempt from provisions of section 73, 74, 75 and 76 of the Act. Hence, para 3(v) of the Order is not applicable to the Company.
- VI. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) except for the following cases, there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority:

Nature of statute	Nature of dues	Amount (Rs in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	177.03	2005-06	Appeal to be filed with CIT(A)
Income Tax Act, 1961	Income Tax	150.12	2005-06	Appeal filed with CIT(A)
Income Tax Act, 1961	Income Tax	185.67	2006-07	Appeal filed with CIT(A)
Income Tax Act, 1961	Income Tax	25.18	2007-08	Appeal filed with CIT(A)
Income Tax Act, 1961	Income Tax	7.86	2010-11	Appeal filed with CIT(A)
Value Added Tax	Value Added Tax	123.57	April 2008 to Oct 2013	Stay by Andhra Pradesh High Court
Value Added Tax	Value Added Tax	0.56	2013-14	Appeal to be filed with Madhya Pradesh Appellate Tribunal
Finance Act, 1994	Service tax	5,086.98	2008-13	Appeal filed with CESTAT (tribunal)
Finance Act, 1994	Service tax	68.68	2008-13	Appeal to be filed with Commissioner (Appeals - I), Mumbai

VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not defaulted in repayment of any dues from financial institutions or banks or debenture holders as at the Balance Sheet date.

IX. On the basis of examination of relevant records and according to the information and explanations given to us during the year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments).

In our opinion, and according to the information and explanations given to us, during the year, the term loans have been applied for the purpose for which they were obtained.

X. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for 150 cases aggregating Rs. 559.99 Lacs, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

XII. The Company is not a 'Nidhi Company', therefore, para 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. The Company has disclosed the

details of transactions with related parties in the financial statements as required by the applicable accounting standards.

XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, para 3(xiv) of the Order is not applicable to the Company.

XV. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of para 3(xv) of the Order are not applicable to the Company.

XVI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and holds a valid certificate of registration under the same.

For **B. K. Khare & Co.**
Chartered Accountants
Firm's Registration Number 105102W

Naresh Kumar Kataria
Partner
Membership Number: 037825

Place : Mumbai
Date : April 23, 2016

Annexure II to the Auditor's Report

of even date on the standalone financial statements of Mahindra & Mahindra Financial Services Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mahindra & Mahindra Financial Services Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India ("ICAI") and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of

controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company

considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For **B. K. Khare & Co.**
Chartered Accountants
Firm's Registration Number 105102W

Naresh Kumar Kataria
Partner
Membership Number: 037825

Place : Mumbai
Date : April 23, 2016

Balance Sheet

as at March 31, 2016

Rs. in Lacs

Particulars	Note No.	As at March 31	
		2016	2015
I. EQUITY & LIABILITIES			
1) Shareholders' funds			
a) Share capital	1	11,292.03	11,282.81
b) Reserves and surplus	2	5,97,518.70	5,55,658.09
		6,08,810.73	5,66,940.90
2) Non-current liabilities			
a) Long-term borrowings	3	17,33,167.65	14,78,714.78
b) Other long-term liabilities	4	43,262.99	30,247.97
c) Long term provisions	5	44,820.99	32,796.05
		18,21,251.63	15,41,758.80
3) Current liabilities			
a) Short-term borrowings	6	4,34,689.28	4,87,098.39
b) Trade payables	7	47,883.60	47,790.43
c) Other current liabilities	8	8,94,622.42	7,48,764.20
d) Short term provisions	9	1,50,690.26	1,15,061.82
		15,27,885.56	13,98,714.84
Total		39,57,947.92	35,07,414.54
II. ASSETS			
1) Non-current assets			
a) Fixed assets	10		
i) Tangible assets		10,791.91	10,507.74
ii) Intangible assets		555.30	466.04
iii) Capital work-in-progress		1.85	31.54
b) Non-current investments	11	99,233.39	75,992.00
c) Deferred tax assets (net)	12	58,527.64	41,526.17
d) Long-term loans and advances	13	18,41,719.19	17,00,368.74
e) Other non-current assets	14	5,176.44	23,203.46
		20,16,005.72	18,52,095.69
2) Current assets			
a) Current investments	15	49,100.67	9,375.00
b) Trade receivables	16	511.24	567.25
c) Cash and bank balances	17	58,903.17	47,937.84
d) Short-term loans and advances	18	18,24,055.67	15,92,606.84
e) Other current assets	19	9,371.45	4,831.92
		19,41,942.20	16,55,318.85
Total		39,57,947.92	35,07,414.54

Summary of significant accounting policies and notes to the financial statements I & II

The notes referred to above form an integral part of the Balance Sheet. This is the Balance Sheet referred in our report of even date.

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

Dhananjay Mungale
Chairman

Ramesh Iyer
Vice-Chairman &
Managing Director

M. G. Bhide
Director

Piyush Mankad
Director

Naresh Kumar Kataria
Partner
Membership No.037825

C.B. Bhave
Director

Rama Bijapurkar
Director

V. S. Parthasarathy
Director

Dr. Anish Shah
Director

Place : Mumbai
Date : 23rd April, 2016

V. Ravi
Executive Director &
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Statement of Profit and Loss

for the year ended March 31, 2016

Particulars	Note No.	Rs. in Lacs	
		Year ended March 31	
		2016	2015
I. Revenue from operations	20	5,85,316.11	5,53,605.61
II. Other income	21	5,193.94	4,864.99
III. Total Revenue (I+II)		5,90,510.05	5,58,470.60
IV. Expenses:			
Employee benefits expense	22	55,880.74	45,908.20
Finance costs	23	2,63,929.19	2,49,673.13
Depreciation and amortization expenses	24	4,088.81	4,151.63
Loan provisions and write offs	25	1,04,952.98	82,748.89
Other expenses	26	57,840.20	50,624.35
Total Expenses		4,86,691.92	4,33,106.20
V. Profit before exceptional items and taxes (III-IV)		1,03,818.13	1,25,364.40
VI. Exceptional items (net) - income/(expense)		-	-
VII. Profit before tax (V+VI)		1,03,818.13	1,25,364.40
VIII. Tax expense:			
Current tax		53,560.00	51,995.00
Deferred tax		(17,001.47)	(9,808.19)
		36,558.53	42,186.81
IX. Profit/(Loss) for the year (VII-VIII)		67,259.60	83,177.59
X. Earnings per equity share (Rupees):	28 (i)		
(Face value - Rs. 2/- per share)			
(1) Basic		11.92	14.75
(2) Diluted		11.83	14.62
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Statement of Profit and Loss. This is the Statement of Profit and Loss referred in our report of even date.

For B. K. Khare and Co. Chartered Accountants FRN :105102W	Dhananjay Mungale Chairman	Ramesh Iyer Vice-Chairman & Managing Director	M. G. Bhide Director	Piyush Mankad Director
Naresh Kumar Kataria Partner Membership No.037825	C.B. Bhave Director	Rama Bijapurkar Director	V. S. Parthasarathy Director	Dr. Anish Shah Director
Place : Mumbai Date : 23rd April, 2016	V. Ravi Executive Director & Chief Financial Officer	Arnavaz Pardiwala Company Secretary		

Cash Flow Statement

for the year ended March 31, 2016

Rs. in Lacs

Particulars	Year ended March 31	
	2016	2015
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes and contingencies and exceptional items	1,03,818.13	1,25,364.40
Add/(Less):		
Non Cash Expenses:		
Depreciation and amortisation expense	4,088.81	4,151.63
Provision for Non-performing assets	52,596.10	33,259.02
Bad debts and write offs	51,003.24	48,401.00
General provision for Standard assets	1,353.00	1,057.00
Higher provision & provision for diminution in the fair value of restructured advances	0.64	31.87
Employee compensation expense on account of ESOP Scheme	1,431.06	1,065.33
	1,10,472.85	87,965.85
Add/(Less): Income considered separately		
Income on investing activities	(5,779.77)	(4,550.21)
(Profit)/Loss on sale of assets	(107.10)	(14.99)
(Profit)/Loss on sale of current investments	-	(468.64)
Income from Assignment/Securitisation transactions	(20,633.45)	(25,622.33)
	(26,520.32)	(30,656.17)
Operating profit before working capital changes (I)	1,87,770.66	1,82,674.08
Add/(Less): Working capital changes		
(Increase)/Decrease in interest accrued-others	(1,543.10)	(50.79)
(Increase)/Decrease in Trade receivables	56.01	868.11
(Increase)/Decrease in Loans and advances	(5,09,116.31)	(4,51,145.06)
	(5,10,603.40)	(4,50,327.74)
Add: Increase/(Decrease) in current liabilities	42,617.63	22,500.32
	(II) (4,67,985.77)	(4,27,827.42)
Cash generated from/(used in) operations (I+II)	(2,80,215.11)	(2,45,153.34)
Advance taxes paid	(57,890.09)	(53,744.93)
	(3,38,105.20)	(2,98,898.27)
Net Cash Generated From/(Used In) Operating Activities (A)	(3,38,105.20)	(2,98,898.27)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets/software	(4,321.27)	(3,978.71)
Sale of fixed assets	227.29	590.18
Purchase of investments Other than investments in Subsidiaries and Joint Ventures	(2,28,979.53)	(2,67,445.45)
Investments in Subsidiary Companies	(9,457.22)	(2,295.00)
Investments in Joint Venture Company	(4,530.31)	(2,998.96)
Investments in/maturity of term deposits with banks	10,913.77	(4,516.77)
Sale of investments	1,80,000.00	2,74,757.77
Income received from investing activities	5,505.25	4,334.01
(Increase)/Decrease in Earmarked balances with banks	5.56	0.24
Net Cash Generated From/(Used In) Investing Activities (B)	(50,636.46)	(1,552.69)

Cash Flow Statement

for the year ended March 31, 2016

Rs. in Lacs

Particulars	Year ended March 31	
	2016	2015
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity shares (net of issue expenses)	306.04	238.90
Increase/(Decrease) in Bank borrowings (net)	(1,22,402.47)	(2,45,042.73)
Increase/(Decrease) in Long term borrowings (net)	4,72,325.00	25,720.00
Increase/(Decrease) in Short term borrowings (net)	(41,425.00)	3,44,785.00
Increase/(Decrease) in Fixed deposits (net)	10,402.96	1,07,803.59
Proceeds from Assignment/Securitisation transactions (in the form of EIS, Collection charges recovered etc.)	99,463.75	89,044.34
Dividend paid (including tax on dividend)	(27,174.62)	(25,157.82)
Net Cash Generated From/(Used In) Financing Activities (C)	3,91,495.66	2,97,391.28
Net Increase/(Decrease) In Cash And Cash Equivalents (A+B+C)	2,754.00	(3,059.68)
Cash and Cash Equivalents at the beginning of the year	19,122.95	22,182.63
Cash And Cash Equivalents At The End Of The Year (Refer Note No. 17)	21,876.95	19,122.95

COMPONENTS OF CASH AND CASH EQUIVALENTS

Rs. in Lacs

	Year ended March 31	
	2016	2015
Cash and cash equivalents at the end of the year		
- Cash on hand	2,254.23	1,622.33
- Cheques and drafts on hand	544.34	296.98
- Balances with banks in current accounts	19,078.38	17,203.64
Total Cash and cash equivalents (refer note no. 17)	21,876.95	19,122.95

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	Dhananjay Mungale Chairman	Ramesh Iyer Vice-Chairman & Managing Director	M. G. Bhide Director	Piyush Mankad Director
Naresh Kumar Kataria Partner Membership No.037825	C.B. Bhave Director	Rama Bijapurkar Director	V. S. Parthasarathy Director	Dr. Anish Shah Director
Place : Mumbai Date : 23rd April, 2016	V. Ravi Executive Director & Chief Financial Officer	Arnavaz Pardiwala Company Secretary		

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1) Basis for preparation of financial statements:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended).

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 Schedule III of the Companies Act, 2013. 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. 29 of notes to the financial statements).

2) Use of estimates:

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

3) Revenue recognition:

I. General:

Revenue is recognised as earned and accrued when it is reasonably certain that its ultimate collection will be made and the revenue is measureable.

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) Delayed payment charges, fee based income and interest on trade advances, are recognised when they become measurable and when it is not unreasonable to expect their ultimate collection.
- d) Income on business assets classified as Non-performing Assets, is recognised strictly in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.

III. Subvention income:

Subvention received from manufacturers/dealers on vehicles financed 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. In case of 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/securitisation.
 - iii. On the maturity of an underlying assignment/securitisation deal, estimated provision for loss/expenses and incidental

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

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.

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 and 8).

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.

c) Interest income from investments made in structured instruments are accounted based on implicit rate built in such instruments.

4) Fixed assets, depreciation and amortization:

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:

Depreciation on tangible assets is charged on Straight Line Method (SLM) in accordance with the useful lives specified in Schedule II to the Companies Act, 2013 on a pro-rata basis except for following assets in respect of which useful life is taken as estimated by the management based on the actual usage pattern of the assets.

a) Assets costing less than Rs.5,000/- are fully depreciated in the period of purchase.

b) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.

c) Repossessed assets, which are primarily used vehicles, 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.

d) Residual value of the assets is considered as nil reflecting the estimate of realisable values at the end of the useful life of an asset.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

c) Intangible assets:

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

d) Amortization of Intangible assets:

Intangible assets comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortization is taken as 36 months based on management's estimates of useful life.

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 an existing asset/liability:

a. In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate which is either a premium or discount arising at the inception of a forward contract is amortised over the life of the contract. Unamortised forward premium as at the year end is reflected as Other long-term/short-term liabilities depending on the period over which the premium is amortised.

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. As per the risk management policy, the Company has taken foreign currency swap to cover the risk exposure on account of foreign currency loans. These transactions are structured in such a way that the Company's foreign currency liability is crystallized at a rate of exchange prevailing on the date of taking the swap. Accordingly, no loss or gain is expected on the settlement of swap as compared to the rate of exchange prevailing on the date of the swap. In such cases, foreign currency gain/losses on currency swap contracts are recognised to the extent of loss/gain on the underlying loan liabilities.

e. 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 generally carried at cost comprising of acquisition and incidental expenses. Long-term investments in structured instruments are

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

carried at cost less principal repayments till reporting date. 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 is recognised in the Statement of Profit and Loss.

(b) Gratuity:

The Company provides for 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 Corporation of India. Contributions are charged to the Statement of Profit and Loss. The Company has no obligation to the scheme beyond its 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

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

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 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. The options which have lapsed are reversed by a credit to Employee compensation cost, equal to the amortised portion of value of lapsed portion and credit to Deferred employee compensation cost equal the unamortised portion.

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.

NOTES TO THE FINANCIAL STATEMENTS:

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 1 SHARE CAPITAL		
Authorised capital		
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
Issued capital		
56,87,64,960 equity shares of Rs. 2/- each	11,375.30	11,375.30
Subscribed and paid-up capital		
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 (41,63,582 equity shares of Rs. 2/- each (March 31, 2015: 46,24,289 equity shares of Rs. 2/- each))	83.27	92.49
Total	11,292.03	11,282.81

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

	As at March 31			
	2016		2015	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
a) Reconciliation of number of equity shares				
Balance at the beginning of the year	56,87,64,960	11,375.30	56,87,64,960	11,375.30
Fresh allotment of shares	-	-	-	-
Balance at the end of the year	56,87,64,960	11,375.30	56,87,64,960	11,375.30
b) Number of equity shares held by holding Company or ultimate holding Company including shares held by its subsidiaries/associates:				
Holding Company : Mahindra & Mahindra Limited	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%
c) Shareholders holding more than 5 percent shares:				
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%

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. 83.27 Lacs (March 31, 2015 : Rs. 92.49 Lacs) in respect of 41,63,582 equity shares of face value of Rs.2/- each (March 31, 2015 : 46,24,289 equity shares of face value of Rs. 2/- each) pertaining to Employee Stock Option Scheme 2005 and Employee Stock Option Scheme 2010 and Securities premium reserve by Rs. 64.39 Lacs (March 31, 2015 : Rs. 64.39 Lacs) in respect of 7,85,275 equity shares (March 31, 2015 : 7,85,275 equity shares) pertaining to Employee Stock Option Scheme 2005 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 March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 2 RESERVES AND SURPLUS:		
Capital redemption reserve:		
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	-	-
Balance as at the end of the year	5,000.00	5,000.00
Securities premium reserve:		
Balance as at the beginning of the year	2,02,324.25	2,01,824.74
Add : Additions during the year on account of -		
- Exercise of employee stock options	928.15	499.51
	2,03,252.40	2,02,324.25
Less : Deductions during the year	-	-
Balance as at the end of the year	2,03,252.40	2,02,324.25
Less: Premium on shares issued to ESOS Trust but not allotted to employees pertaining to Employee Stock Option Scheme 2005	64.39	64.39
Net balance	2,03,188.01	2,02,259.86
Statutory reserve:		
Balance as at the beginning of the year	98,168.62	81,532.62
Add : Transfers from Surplus in the Statement of Profit and Loss	13,452.00	16,636.00
	1,11,620.62	98,168.62
Less : Deductions during the year	-	-
Balance as at the end of the year	1,11,620.62	98,168.62
General reserve:		
Balance as at the beginning of the year	44,494.78	36,176.78
Add : Transfers from Surplus in the Statement of Profit and Loss	6,726.00	8,318.00
	51,220.78	44,494.78
Less : Deductions during the year	-	-
Balance as at the end of the year	51,220.78	44,494.78
Employees stock options outstanding:		
A) Employees stock options outstanding -		
Balance as at the beginning of the year	5,241.45	1,333.81
Add : Fresh grant of options	139.10	4,465.00
	5,380.55	5,798.81
Less : Transfers/reversals during the year		
i) Transfers to Securities premium reserve on exercise of options	928.15	499.51
ii) Reversals for options lapsed	16.72	57.85
Balance as at the end of the year (A)	4,435.68	5,241.45
B) Deferred employee compensation		
Balance as at the beginning of the year	3,599.85	462.18
Add : Fresh grant of options	139.10	4,465.00
	3,738.95	4,927.18
Less : Amortisation during the year		
i) Transfers to employee compensation expenses	1,727.88	1,269.48
ii) Reversals for options lapsed	16.72	57.85
Balance as at the end of the year (B)	1,994.35	3,599.85
Balance as at the end of the year (A-B)	2,441.33	1,641.60

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
NOTE 2 RESERVES AND SURPLUS:		
Surplus in Statement of Profit and Loss:		
Balance as at the beginning of the year	2,04,093.23	1,72,832.16
Less : Transitional depreciation charge (net of deferred tax) on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24)	-	317.77
	2,04,093.23	1,72,514.39
Add : Adjustment as per the Scheme of Amalgamation	-	529.87
Add : Profit for the year transferred from the Statement of Profit and Loss	67,259.60	83,177.59
	2,71,352.83	2,56,221.85
Less : Appropriations		
General reserve	6,726.00	8,318.00
Statutory reserve	13,452.00	16,636.00
Proposed dividend on equity shares	22,750.60	22,750.60
Corporate dividend tax on equity shares	4,376.27	4,424.02
	47,304.87	52,128.62
Balance as at the end of the year	2,24,047.96	2,04,093.23
Total	5,97,518.70	5,55,658.09

	Rs. in Lacs	
	As at March 31	
	2016	2015
NOTE 3 LONG-TERM BORROWINGS		
a) Secured#		
Non-convertible debentures (refer note no. 44 (i) (a)) \$	7,30,390.00	3,57,040.00
Term loans		
- from banks (refer note no. 44 (ii) (a))	5,34,273.81	6,66,930.95
Foreign currency loans from banks (refer note no. 44 (iii) (a))	53,227.83	12,500.00
Total	13,17,891.64	10,36,470.95
b) Unsecured		
Unsecured bonds (Subordinate debts) (refer note no. 45 (i) (a))	1,18,410.00	1,00,910.00
Term loans from banks (refer note no. 45 (ii) (a))	-	10,000.00
Fixed deposits (refer note no. 45 (iv) (b))	2,96,866.01	3,31,333.83
Total	4,15,276.01	4,42,243.83
Total (a+b)	17,33,167.65	14,78,714.78

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

\$ The funds raised by the Company during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 4 OTHER LONG-TERM LIABILITIES		
Deposits/advances received against loan agreements (refer note no. 33)	2,338.12	1,804.35
Interest accrued but not due on borrowings	31,390.82	19,283.53
Deferred subvention income	2,296.12	2,508.93
Unrealised gains on loan transfers under securitisation transactions (refer note no. 36(c))	4,730.46	5,175.94
Cash profit on loan transfers under assignment transactions pending recognition	5.64	35.22
Premium payable to bank under forward exchange contracts on FCNR loans	2,501.83	1,440.00
Total	43,262.99	30,247.97

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 5 LONG-TERM PROVISIONS		
Provision for employee benefits (refer note no. 34)	1,000.81	1,140.24
Others		
- Provision for Non-performing assets (refer note no. 29 (a))	36,337.76	24,734.42
- Contingent provision for Standard assets (refer note no. 29 (b))	7,470.00	6,896.00
- Higher provision on restructured standard advances (refer note no. 29 (d))	8.52	17.77
- Provision for diminution in the fair value of restructured advances (refer note no. 29 (d))	3.90	7.62
Total	44,820.99	32,796.05

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 6 SHORT-TERM BORROWINGS		
a) Secured #		
Term loans from banks (refer note no. 46 (i))	28,100.00	72,700.00
Cash credit facilities with banks (refer note no. 46 (i))	81,834.60	59,105.33
Total	1,09,934.60	1,31,805.33
b) Unsecured -		
Loans and advances from related parties (ICDs) (refer note no. 45 (iii) (a))	30,925.00	850.00
Fixed deposits (refer note no. 45 (iv) (a))	17,829.68	6,943.06
Commercial Papers (CPs) (refer note no. 46 (ii))	2,76,000.00	3,47,500.00
Total	3,24,754.68	3,55,293.06
Total (a+b)	4,34,689.28	4,87,098.39

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.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 7 TRADE PAYABLES		
a) Trade payables of Micro, Small and Medium Enterprises		
- Finance	-	-
- Expenses	-	-
b) Trade payables other than Micro, Small and Medium Enterprises		
- Finance	31,995.87	33,991.48
- Expenses	15,887.73	13,798.95
Total	47,883.60	47,790.43

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 8 OTHER CURRENT LIABILITIES		
Current maturities of long-term debt		
a) Secured #		
Non-convertible debentures (refer note no. 44 (i) (b)) \$	2,34,470.00	1,52,270.00
Foreign currency loans from banks (refer note no. 44 (iii) (b))	26,932.51	42,044.47
Term loans from banks (refer note no. 44 (ii) (b))	3,42,240.48	3,35,730.95
	6,03,642.99	5,30,045.42
b) Unsecured -		
Fixed deposits (refer note no. 45 (iv) (c))	1,63,730.66	1,29,746.50
Loans and advances from related parties (ICDs) (refer note no. 45 (iii) (c))	-	725.00
Term loans from banks (refer note no. 45 (ii) (b))	10,000.00	-
	1,73,730.66	1,30,471.50
Interest accrued but not due on borrowings	58,168.59	40,027.46
Unclaimed dividends	52.14	57.69
Deposits/advances received against loan agreements (refer note no. 33)	1,581.54	1,460.65
Amount received in advance from ESOS trust	147.66	156.88
Credit balances in current accounts with banks as per books	21,797.89	14,032.27
Deferred subvention income	2,108.73	2,284.76
Unrealised gains on loan transfers under securitisation transactions (refer note no. 36(c))	20,665.25	19,175.40
Cash profit on loan transfers under assignment transactions pending recognition	17.93	85.42
Insurance premium payable	2,947.33	3,840.65
Payables under assignment/securitisation transactions	1,871.91	2,932.13
Taxes deducted at source (TDS) and Service tax liability	3,154.82	3,009.23
Premium payable to banks under forward exchange contracts on FCNR loans	2,181.64	-
Others	2,553.34	1,184.74
Total	8,94,622.42	7,48,764.20

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

\$ The funds raised by the Company during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 9 SHORT-TERM PROVISIONS		
Provision for employee benefits (refer note no. 34)	4,102.88	3,455.50
Others -		
- Provision for estimated loss/expenses on assignments	-	6,756.56
- Provision for Non-performing assets (refer note no. 29 (a))	1,12,875.42	71,882.66
- Contingent provisions for Standard assets (refer note no. 29 (b))	6,565.00	5,786.00
- Higher provisions on restructured standard advances (refer note No. 29 (d))	13.79	4.54
- Provision for diminution in the fair value of restructured advances (refer note No. 29 (d))	6.30	1.94
- Proposed dividend on equity shares #	22,750.60	22,750.60
- Corporate dividend distribution tax #	4,376.27	4,424.02
Total	1,50,690.26	1,15,061.82

The Board of Directors have recommended a dividend of Rs. 4/- per share on equity shares of face value of Rs. 2/- each (March 31, 2015 : Rs. 4.00/- per share on equity shares of face value Rs. 2/- each) for the current financial year. The dividend will absorb a sum of Rs. 27,126.87 Lacs (March 31, 2015 : Rs. 27,174.62 Lacs) including corporate dividend distribution tax.

The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2006 ('principal rules'), vide notification issued by Ministry of Corporate Affairs dated March 30, 2016. The Companies (Accounting Standards) Rules, 2016 is effective March 30, 2016. According to the amended rules, the proposed dividend mentioned above need not be recorded as a liability as at March 31, 2016. (Refer Para 8.5 of AS-4 – Contingencies and Events occurring after Balance Sheet date). The Company believes that the Rule 3(2) of the principal rules has not been withdrawn or replaced and accordingly, the Companies (Accounting Standards) Rule, 2016 will apply for the accounting periods commencing on or after March 30, 2016. Therefore, the Company has recorded Rs. 27,126.87 lacs as liability for proposed dividends (including corporate dividend distribution tax) as at March 31, 2016.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Asset description	Gross Block at Cost				Depreciation & Amortisation				Net Block	
	As at April 1, 2015	Additions	Deductions/adjustments	As at April 1, 2015	Transitional depreciation#	Additions	Deductions/adjustments	As at March 31, 2016	As at March 31, 2016	As at April 1, 2015
ii) Tangible assets:										
Premises	108.92	-	-	108.92	19.41	1.83	-	21.24	87.68	89.51
	<i>108.92</i>	-	-	<i>108.92</i>	<i>17.59</i>	<i>1.82</i>	-	<i>19.41</i>	<i>89.51</i>	<i>91.33</i>
Computers	5,021.18	805.07	277.74	5,548.51	3,573.68	790.10	277.61	4,086.17	1,462.34	1,447.50
	<i>4,096.06</i>	<i>970.18</i>	<i>45.06</i>	<i>5,021.18</i>	<i>2,099.10</i>	<i>401.44</i>	<i>45.06</i>	<i>3,573.68</i>	<i>1,447.50</i>	<i>1,996.96</i>
Furniture and fixtures	6,816.95	608.85	66.54	7,359.26	2,857.03	809.10	57.21	3,608.92	3,750.34	3,959.92
	<i>6,252.18</i>	<i>583.19</i>	<i>18.42</i>	<i>6,816.95</i>	<i>2,032.83</i>	<i>36.38</i>	<i>12.02</i>	<i>2,857.03</i>	<i>3,959.92</i>	<i>4,219.35</i>
Vehicles	5,168.15	994.08	417.06	5,745.17	2,806.47	854.97	312.97	3,348.47	2,396.70	2,361.68
	<i>4,836.17</i>	<i>530.54</i>	<i>198.56</i>	<i>5,168.15</i>	<i>2,094.53</i>	<i>1.86</i>	<i>113.01</i>	<i>2,806.47</i>	<i>2,361.68</i>	<i>2,741.64</i>
Office equipments	5,998.54	1,646.90	326.64	7,318.80	3,349.41	1,194.54	320.00	4,223.95	3,094.85	2,649.13
	<i>4,596.45</i>	<i>1,432.65</i>	<i>30.56</i>	<i>5,998.54</i>	<i>2,209.48</i>	<i>41.71</i>	<i>28.71</i>	<i>3,349.41</i>	<i>2,649.13</i>	<i>2,386.97</i>
Total (i)	23,113.74	4,054.90	1,087.98	26,080.66	12,606.00	- 3,650.54	967.79	15,288.75	10,791.91	10,507.74
	<i>19,889.78</i>	<i>3,516.56</i>	<i>292.60</i>	<i>23,113.74</i>	<i>8,453.53</i>	<i>481.39</i>	<i>198.80</i>	<i>12,606.00</i>	<i>10,507.74</i>	<i>11,436.25</i>
ii) Intangible assets:										
Computer software	1,868.29	527.53	-	2,395.82	1,402.25	438.27	-	1,840.52	555.30	466.04
	<i>1,614.60</i>	<i>253.69</i>	<i>-</i>	<i>1,868.29</i>	<i>1,120.50</i>	<i>281.75</i>	<i>-</i>	<i>1,402.25</i>	<i>466.04</i>	<i>494.10</i>
Total (ii)	1,868.29	527.53	-	2,395.82	1,402.25	438.27	-	1,840.52	555.30	466.04
	<i>1,614.60</i>	<i>253.69</i>	<i>-</i>	<i>1,868.29</i>	<i>1,120.50</i>	<i>281.75</i>	<i>-</i>	<i>1,402.25</i>	<i>466.04</i>	<i>494.10</i>
Total (i+ii)	24,982.03	4,582.43	1,087.98	28,476.48	14,008.25	- 4,088.81	967.79	17,129.27	11,347.21	10,973.78
	<i>21,504.38</i>	<i>3,770.25</i>	<i>292.60</i>	<i>24,982.03</i>	<i>9,574.03</i>	<i>481.39</i>	<i>198.80</i>	<i>14,008.25</i>	<i>10,973.78</i>	<i>11,930.35</i>

Previous year figures are in Italics.

represents transitional depreciation charge adjusted in opening balance of Surplus in Statement of Profit and Loss on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24).

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 11 NON-CURRENT INVESTMENTS		
A) Quoted (at cost) : Trade		
Government securities (refer note no. 11 (i))	63,220.81	50,612.79
Secured redeemable non-convertible debentures (refer note no. 11 (ii) (a))	2,000.01	5,354.17
(Non-current portion of long term investments in secured redeemable non-convertible debentures)		
(A)	65,220.82	55,966.96
B) Unquoted (at cost) : Non-trade		
(a) Equity investment in subsidiary companies:		
Mahindra Insurance Brokers Limited	47.98	47.98
(21,90,722 equity shares of face value of Rs. 10/- each fully paid up)		
Mahindra Rural Housing Finance Limited		
- Fully paid-up : (6,62,63,043 equity shares of Rs. 10/- each fully paid up, of which 1,75,20,003 equity shares are at a premium of Rs. 15/- per share and 87,43,040 equity shares are at a premium of Rs. 30/- per share)	11,877.22	8,380.00
(March 31, 2015 : 5,75,20,003 equity shares of Rs. 10/- each fully paid up, of which 1,75,20,003 equity shares are at a premium of Rs. 15/- per share)		
Mahindra Asset Management Company Private Ltd. (refer note no. 11 (iii) (b) and 11(iv))	6,055.00	105.00
- Fully paid-up: (6,05,50,000 equity shares of Rs. 10/- each)		
(March 31, 2015: 10,50,000 equity shares of Rs. 10/- each fully paid up)		
Mahindra Trustee Company Private Ltd. (refer note no. 11 (iii) (c))	15.00	5.00
1,50,000 equity shares of Rs. 10/- each fully paid up (March 31, 2015 : 50,000 equity shares of Rs. 10/- each fully paid up)		
(B)	17,995.20	8,537.98
(b) Equity investment in Joint Venture:		
49% Ownership in Mahindra Finance USA, LLC (refer note no. 11 (iii) (d)) (Joint venture entity with De Lage Landen Financial Services INC. in United States of America)	15,317.32	10,787.01
(c) Equity investment in other entities:		
New Democratic Electoral Trust (500 equity shares of Rs. 10/- each fully paid up)	0.05	0.05
(B)	33,312.57	19,325.04
(d) Investment in Bonds/Debentures:		
70 11% Unsecured redeemable non-convertible subordinate debentures issued by Mahindra Rural Housing Finance Limited (Tenure : 5 years and 6 months ; Maturity : 28th Dec, 2018)	700.00	700.00
(B)	34,012.57	20,025.04
Total (A + B)	99,233.39	75,992.00
Additional Information:		
a) Aggregate amount of quoted investments and market value -		
i) Aggregate amount	65,220.82	55,966.96
ii) Market value	67,928.16	58,916.61
b) Aggregate amount of unquoted investments	34,012.57	20,025.04

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

i) Details of quoted Long-term investments in Government stock: As at March 31, 2016:

Rs. in Lacs

Particulars	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	1,070.70
Govt Stock 8.20%-15/02/2022	100	1000000	1,005.27
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.54
Govt Stock 8.13%-21/09/2022	100	1500000	1,506.11
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 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,030.88
Govt Stock 9.15%-14/11/2024	100	2500000	2,648.71
Govt Stock 9.15%-14/11/2024	100	1000000	1,099.95
MP SDL 8.15%-13/11/2025	100	2500000	2,501.01
TN SDL 8.27%-23/12/2025	100	1000000	1,002.00
UP SDL 8.39% 27/01/2026	100	500000	500.66
UP SDL 8.39% 27/01/2026	100	1000000	1,001.31
Govt Stock 8.33%-09/07/2026	100	2000000	2,062.09
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.24%-15/02/2027	100	1000000	1,016.75
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 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.33
Govt Stock 8.97%-05/12/2030	100	1000000	1,026.39
Govt Stock 8.97%-05/12/2030	100	1000000	1,027.65
Govt Stock 8.97%-05/12/2030	100	500000	515.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,031.33
Govt Stock 8.97%-05/12/2030	100	500000	524.88
Govt Stock 8.97%-05/12/2030	100	1000000	1,040.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,594.21
Govt Stock 8.97%-05/12/2030	100	1000000	1,104.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,088.07
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,191.79
Govt Stock 8.28%-15/02/2032	100	2500000	2,401.50
Govt Stock 8.32%-02/08/2032	100	1000000	1,010.56
Govt Stock 8.32%-02/08/2032	100	1000000	1,031.88
Govt Stock 8.24%-10/11/2033	100	1000000	1,026.53
Govt Stock 8.33%-07/06/2036	100	1500000	1,549.82
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.83%-12/12/2041	100	1000000	1,017.45
Govt Stock 8.83%-12/12/2041	100	1000000	1,022.75
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
Total		63500000	63,220.81

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

As at March 31, 2015:

Rs. in Lacs

Particulars	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	1,084.47
Govt Stock 8.13%-21/09/2022	100	1500000	1,507.06
Govt Stock 8.20%-15/02/2022	100	1000000	1,006.17
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.80
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 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,034.93
Govt Stock 9.15%-14/11/2024	100	2500000	2,666.00
Govt Stock 9.15%-14/11/2024	100	1000000	1,111.57
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 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,028.19
Govt Stock 8.97%-05/12/2030	100	1000000	1,029.53
Govt Stock 8.97%-05/12/2030	100	500000	516.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,033.47
Govt Stock 8.97%-05/12/2030	100	500000	526.58
Govt Stock 8.97%-05/12/2030	100	1000000	1,042.83
Govt Stock 8.97%-05/12/2030	100	1500000	1,600.64
Govt Stock 8.97%-05/12/2030	100	1000000	1,111.60
Govt Stock 8.97%-05/12/2030	100	1000000	1,094.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,204.88
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	1,018.13
Govt Stock 8.83%-12/12/2041	100	1000000	1,023.64
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
Total		51000000	50,612.79

Quoted investments of Rs. 63,220.81 Lacs (March 31, 2015: Rs. 50,612.79 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 January 04, 2007 issued by The Reserve Bank of India.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

ii) Details of investments in Secured redeemable non-convertible debentures:

As at March 31, 2016:

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. in Lacs)	(a) Non Current	(b) Current	Total
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
8	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000	-	250.00	250.00
9	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	200	2000	-	833.33	833.33
10	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	150	1500	-	375.00	375.00
11	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
12	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
13	INTREPID FINANCE AND LEASING PRIVATE LIMITED SR-F 13 XIRR NCD 28AG17 FVRS750000	80	800	166.67	400.00	566.67
14	LIGHT MICROFINANCE PRIVATE LIMITED SR-F 13.6 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
15	M POWER MICROFINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
16	SAIJA FINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	80	800	166.67	400.00	566.67
17	SATIN CREDITCARE NETWORK LIMITED SR-F 12.3 XIRR NCD 28AG17 FVRS10LAC	300	3000	625.00	1,500.00	2,125.00
18	SV CREDITLINE PVT. LTD. SR-F 12.75 XIRR NCD 28AG17 FVRS10LAC	200	2000	416.67	1,000.00	1,416.67
19	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 12.75 XIRR NCD 28AG17 FVRS750000	150	1500	312.50	750.00	1,062.50
Total				2,000.01	9,279.17	11,279.18

Note : Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of the issue.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

As at March 31, 2015:

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. In Lacs)	(a) Non Current	(b) Current	Total
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	100	1000.00	416.67	500.00	916.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	100	1000.00	416.67	500.00	916.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.5	375.00	562.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
8	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	100	1000.00	250.00	500.00	750.00
9	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
10	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	100	1000.00	250.00	500.00	750.00
11	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	200	2000.00	833.33	1,000.00	1,833.33
12	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	150	1500.00	375.00	750.00	1,125.00
13	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS1OLAC	150	1500.00	625.00	750.00	1,375.00
14	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS1OLAC	75	750.00	187.50	375.00	562.50
Total				5,354.17	7,875.00	13,229.17

Note: Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of the issue.

iii) During the year, the Company has made following equity investments –

a) Rs. 3,497.22 Lacs (March 31, 2015 : Rs. 2,190.00 Lacs) in Mahindra Rural Housing Finance Ltd., its subsidiary, by subscription to 87,43,040 Equity shares of Rs. 10/- each for cash at a premium of Rs. 30/- per Equity share on a rights basis on which Rs. 40/- per

Equity share (including premium of Rs. 30/- per Equity share) has been fully paid up.

b) Rs. 5,950.00 Lacs (March 31, 2015 : Rs. 100.00 Lacs) in Mahindra Asset Management Company Private Limited, its wholly owned subsidiary, by subscription to 5,95,00,000 Equity shares of Face Value of Rs. 10/- each at par for cash fully paid up on a rights basis.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

- c) Rs. 10.00 Lacs (March 31, 2015 : Rs. 5.00 Lacs) in Mahindra Trustee Company Private Limited, a wholly owned subsidiary, by subscription to 1,00,000 Equity shares of Face Value of Rs. 10/- each at par for cash fully paid up on a rights basis.
- d) Rs. 4,530.31 Lacs equivalent to US \$ 6.96 million (March 31, 2015 : Rs. 2,998.96 Lacs equivalent to US \$ 4.92 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.
- iv) During the year, the Securities Exchange Board of India (SEBI) has granted Certificate of Registration to 'Mahindra Mutual Fund' along with an approval to Mahindra Asset Management Company Private Limited, a wholly owned subsidiary, to act as the Asset Management Company to 'Mahindra Mutual Fund'.

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 12 DEFERRED TAX ASSETS (NET)		
a) Deferred tax assets		
Provision for non performing assets/loss and expenses on assignments	51,650.95	35,779.54
Provision on standard assets	4,857.23	4,388.99
Other disallowances	1,083.16	694.6
Difference between written down value as per books of account and Income Tax Act, 1961	936.30	663.04
	(a) 58,527.64	41,526.17
b) Deferred tax liabilities		
Difference between written down value as per books of account and Income Tax Act, 1961	-	-
	(b) -	-
Net Deferred tax assets (a) - (b)	58,527.64	41,526.17

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 13 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good unless otherwise stated:		
Capital advances	7.08	238.55
Deposits for office premises/others	2,052.59	1,834.70
Loans against assets (secured, including overdue loans) #	18,30,167.57	16,84,606.43
Retained interest in Pass Through Certificates under securitization transactions (refer note no. 49 (IV) (a))	162.02	403.46
Retained interest under assignment transactions	150.75	257.64
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 36(c))	4,730.45	5,175.94
Loans and advances (including overdue loans) @	4,448.73	3,195.52
Inter corporate deposits	-	4,656.50
# Includes non-performing assets of Rs. 66,283.31 Lacs (March 31, 2015 : Rs. 45,782.78 Lacs) (refer note no. 5, 9 and 29 (a))		
@ Includes non-performing assets of Rs. 387.57 Lacs (March 31, 2015: Rs. 214.80 Lacs) (refer note no. 5, 9 and 29 (a))		
Total	18,41,719.19	17,00,368.74

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 14 OTHER NON-CURRENT ASSETS		
Term deposits with banks with original maturity greater than 12 months		
- Free	-	4,086.77
- Under lien (refer note no. 17 (a))	3,310.23	18,354.12
Derivative contract receivables	459.52	-
Exchange gain receivable on forward contract on FCNR loans	391.45	168.00
Deferred premium on FCNR loan forward contracts	1,015.24	594.57
Total	5,176.44	23,203.46

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 15 CURRENT INVESTMENTS		
i) Quoted -		
Secured redeemable non-convertible debentures (refer note no. 11 (ii) (b)) (Current portion of long term investments in secured redeemable non-convertible debentures)	9,279.17	7,875.00
	9,279.17	7,875.00
ii) Unquoted (at cost):		
Certificate of deposits with banks #	24,821.50	-
Commercial Papers	15,000.00	1,500.00
(1500 CP instruments, face value of Rs. 5.00 Lacs per CP issued by IMFR Capital Finance Private Limited and 1500 CP instruments, face value of Rs. 5.00 Lacs per CP issued by Janalakshmi Financial Services Limited ; March 31, 2015 : 300 CP instruments, face value of Rs. 5.00 Lacs per CP issued by IKF Finance Limited)		
	39,821.50	1,500.00
Total	49,100.67	9,375.00

Rs. in Lacs

	As at March 31	
	2016	2015
ADDITIONAL INFORMATION:		
Aggregate amount of quoted investments and market value -		
i) Aggregate amount	9,279.17	7,875.00
ii) Market Value*	9,279.17	7,875.00
Aggregate amount of unquoted investments	39,821.50	1,500.00

* Book value is taken as market value since market quotes are not available in the absence of trades.

Details of unquoted current investments in certificate of deposits:

As at March 31, 2016:

Particulars	Face Value (Rs.)	Units	Amount
IDBI BANK	100000	5000	4,992.89
IDBI BANK	100000	10000	9,982.22
ORIENTAL BANK OF COMMERCE	100000	10000	9,846.39
Total		25000	24,821.50

As at March 31, 2015 : Nil

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 16 TRADE RECEIVABLES		
Secured, considered doubtful unless otherwise stated:		
Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	374.19	375.53
Unsecured, considered good unless otherwise stated:		
Debts outstanding for a period exceeding six months	-	29.08
Debts outstanding for a period not exceeding six months	137.05	162.64
# Includes non-performing assets of Rs. 374.19 Lacs (March 31, 2015: Rs. 375.53 Lacs) (refer note no. 5, 9 and 29 (a))		
Total	511.24	567.25

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 17 CASH AND BANK BALANCE		
Cash and cash equivalents:		
- Cash on hand	2,254.23	1,622.33
- Cheques and drafts on hand	544.34	296.98
- Balances with banks in current accounts	19,078.38	17,203.64
	21,876.95	19,122.95
Other bank balances:		
Earmarked balances with banks		
- Unclaimed dividend accounts	53.45	59.01
Term deposits with original maturity of greater than 12 months with remaining maturity up to 12 months	92.00	-
Term deposits under lien (refer note no. 17 (a))	36,880.77	28,755.88
	37,026.22	28,814.89
Total	58,903.17	47,937.84

a) Details of Term deposits

Rs. in Lacs

	As at March 31, 2016			As at March 31, 2015		
	Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
(i) Term deposits for SLR	15,307.00	2,470.00	17,777.00	10,783.00	13,722.00	24,505.00
(ii) Collateral deposits for securitization transactions	21,380.77	513.23	21,894.00	17,469.88	4,615.12	22,085.00
(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	190.00	310.00	500.00	500.00	-	500.00
Total	36,880.77	3,310.23	40,191.00	28,755.88	18,354.12	47,110.00

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Term deposits with scheduled banks under lien include:

- i) Rs. 17,777.00 Lacs (March 31, 2015 : Rs. 24,505.00 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 January 04, 2007 issued by The Reserve Bank of India.
- ii) Rs. 21,894.00 Lacs (March 31, 2015 : Rs. 22,085.00 Lacs) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitization transactions (refer note no. 49 (IV)).
- iii) Rs. 20.00 Lacs (March 31, 2015 : 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 31, 2015 : 500.00 lacs) as collateral deposits kept with banks towards Constituent Subsidiary General Ledger (CSGL) account for holding securities for SLR purpose.

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 18 SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good unless otherwise stated:		
Loans against assets (secured, including overdue loans) #	16,05,215.52	14,19,030.81
Retained interest in Pass Through Certificates (PTC) under securitization transactions (refer note no. 49 (IV) (a))	310.32	839.89
Retained interest under assignment transactions	143.30	524.46
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 36 (c))	20,665.26	19,175.40
Loans and advances (including overdue loans) @	12,647.00	13,532.09
Bills of exchange	29,447.55	14,955.03
Trade Advances @	1,16,616.51	1,05,574.35
Inventory funding (secured, including overdue loans)	21,752.81	9,896.55
Inter corporate deposits to related parties @	4,756.50	100.00
Deposits for office premises/others	371.44	364.99
Advance payment of taxes (net of provisions)	10,927.38	6,597.29
Other short term advances	1,202.08	2,015.98
# Includes non-performing assets of Rs. 2,03,237.01 Lacs (March 31, 2015: Rs. 1,30,013.83 Lacs) (refer note no. 5, 9 and 29 (a))		
@ Includes non-performing assets of Rs. 2,442.47 Lacs (March 31, 2015 : Rs. 2,050.78 Lacs) (refer note no. 5, 9 and 29 (a))		
Total	18,24,055.67	15,92,606.84

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 19 OTHER CURRENT ASSETS		
Interest accrued on		
- Investments	1,233.46	958.94
- Other deposits	3,908.65	2,365.55
Derivative contracts receivables	-	784.47
Exchange gains receivable on forward contract on FCNR loans	888.13	-
Deferred premium on FCNR loan forward contracts	3,341.21	722.96
Total	9,371.45	4,831.92

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 20 REVENUE FROM OPERATIONS		
a) Interest Income		
Income from loans	5,27,653.45	4,93,711.72
Income from hire purchase	26.09	31.64
Interest on term deposits/Inter-corporate deposits/Bonds etc.	6,918.09	6,133.18
Interest on retained interest in PTCs under securitization transactions	43.55	97.12
Interest on Government securities - Long term	4,710.02	3,710.69
	(a) 5,39,351.20	5,03,684.35
b) Other financial services		
Service charges and other fees on loan transactions	22,282.68	22,280.14
Income from hire purchase	0.13	0.20
Income from bill discounting	3,047.41	2,018.08
Income from lease	1.24	0.51
Income from assignment/securitisation transactions (refer note no. 36)	20,633.45	25,622.33
	(b) 45,964.91	49,921.26
Total (a+b)	5,85,316.11	5,53,605.61

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 21 OTHER INCOME		
Dividend income on		
- Current investments in mutual fund units	48.15	84.09
- Long-term investments in subsidiary companies	1,021.60	755.43
Profit/premium on sale/redemption of		
- Current investments	-	468.64
Profit on sale/retirement of owned assets (net)	107.10	14.99
Income from shared services	3,595.55	2,932.95
Others	421.54	608.89
Total	5,193.94	4,864.99

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 22 EMPLOYEES BENEFITS EXPENSE		
Salary, bonus and incentives	48,915.58	40,218.39
Company's contribution to Provident Fund and other funds	3,672.48	3,073.18
Employee Stock Compensation costs (refer note no. 28 (g)) #	1,431.06	1,065.33
Staff welfare expenses	1,861.62	1,551.30
Total	55,880.74	45,908.20

Inclusive of ESOP costs reimbursements (net) to the holding Company Rs. 17.24 Lacs (March 31, 2015 : Rs. 19.15 Lacs) and net of recoveries from subsidiary Company Rs. 314.06 Lacs (March 31, 2015 : Rs. 223.30 Lacs).

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 23 FINANCE COSTS		
Interest expenses	2,61,524.81	2,47,405.42
Other borrowing costs	2,404.38	2,267.71
Total	2,63,929.19	2,49,673.13

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 24 DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation on tangible assets	3,650.54	3,869.88
Amortization of intangible assets	438.27	281.75
Total	4,088.81	4,151.63

Consequent to the enactment of the Act, the Company had, in the year ended March 31, 2015, recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II to the Act or as assessed by the management (refer Accounting Policies, Note no.4 (b)). This had resulted in additional charge of depreciation of Rs. 1,384.02 lacs for the year ended March 31, 2015. Further, as per the transitional provision, carrying value of assets of Rs. 317.77 lacs (net of Deferred tax of Rs. 163.62 lacs) was adjusted in the opening balance of retained earnings in respect of assets where the remaining useful life was NIL as at April 01, 2014.

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 25 LOAN PROVISIONS AND WRITE OFFS		
Bad debts and write offs (refer note no. 29 (c))	51,003.24	48,401.00
Provisions for Non-performing assets (net) (refer note no. 5,9 and 29 (a))	52,596.10	33,259.02
General provisions for Standard assets (refer note no. 5,9 and 29 (b))	1,353.00	1,057.00
Higher provisions on restructured standard advances (refer note no. 5,9 and 29 (d))	-	22.31
Provisions for diminution in the fair value of restructured advances (refer note no. 5,9 and 29 (d))	0.64	9.56
Total	1,04,952.98	82,748.89

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
NOTE 26 OTHER EXPENSES		
Electricity charges	1,850.42	1,608.17
Rent	6,384.04	5,440.30
Repairs and maintenance		
- Buildings	483.46	370.96
- Others	280.09	212.47
Insurance	1,422.74	1,133.17
Rates and taxes, excluding taxes on income	510.81	342.62
Directors' sitting fees and commission	294.55	214.63
Commission and brokerage	17,250.70	16,271.72
Legal and professional charges	7,235.57	5,867.51
Manpower outsourcing cost	184.73	33.87
Payments to the auditor		
- Audit fees	44.31	34.40
- Taxation matters	7.95	4.68
- Other services	35.08	16.75
- Reimbursement of expenses	1.28	0.72
Corporate Social Responsibility donations and expenses (refer note no. 39)	2,905.95	2,487.63
General and administrative expenses	18,948.52	16,584.75
Total	57,840.20	50,624.35

Above expenses include following expenditure incurred in foreign currency

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Travelling expenses	1.63	10.62
Legal and professional fees	122.91	126.68
Other expenses	10.26	26.10

NOTE 27 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%

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

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

Rs. in Lacs

Particulars	As at March 31	
	2016	2015
I. ASSETS		
1 Long-term loans and advances	1,94,636.77	1,34,793.06
2 Deferred tax assets	735.90	451.68
3 Cash and cash equivalents	624.49	266.35
4 Short-term loans and advances	47,754.42	31,788.75
II. LIABILITIES		
1 Long-term borrowings	1,08,561.47	75,101.31
2 Other Long-term liabilities	-	-
3 Long term provisions	727.01	430.29
4 Short term borrowings	55,269.45	36,064.29
5 Other current liabilities	56,052.27	40,044.49
6 Short term provisions	176.84	100.71
III. INCOME		
1 Revenue from operations	10,048.49	6,602.74
2 Other income	635.97	365.65
IV. EXPENSES		
1 Finance costs	3,918.39	2,492.20
2 Provisions and write-offs	973.53	327.88
3 Other expenses	2,913.69	2,021.86
4 Provision for current tax	1,294.04	893.55
5 Provision for deferred tax	(254.18)	(129.08)

NOTE 28 EMPLOYEE STOCK OPTION PLAN

a) The Company had allotted 1,34,32,750 equity shares (face value of Rs. 2/- each) under Employee Stock Option Scheme 2005 at a premium of Rs.8.20 per share on December 06, 2005 and 48,45,025 Equity shares (face value of Rs. 2/- each) under Employee Stock Option Scheme 2010 at par on February 03, 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 1,41,14,193 equity shares to employees up to March 31, 2016 (March 31, 2015 : 1,36,53,486 equity shares), of which 4,60,707 equity shares (March 31, 2015 : 6,15,552 equity shares) were issued during the current year. All the equity shares issued to employees during the current year are out of Employee Stock Option Scheme 2010.

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	3 years from the date of vesting
Method of settlement	By issue of shares at exercise price	By issue of shares at exercise price
Vesting conditions	35% on expiry of 12 months from the date of grant	20% on expiry of 12 months from the date of grant
	25% on expiry of 24 months from the date of grant	20% on expiry of 24 months from the date of grant
	20% on expiry of 36 months from the date of grant	20% on expiry of 36 months from the date of grant
	10% on expiry of 48 months from the date of grant	20% on expiry of 48 months from the date of grant
	10% on expiry of 60 months from the date of grant	20% on expiry of 60 months from the date of grant

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

- b) The details of modification to Employee Stock Option Scheme (extension of exercise period):
The Nomination and Remuneration Committee of the Board of Directors of Mahindra & Mahindra Financial Services Limited at its Meeting held on 23rd April, 2015, has approved the extension of the exercise period to 36 months from the date of vesting as against the current period of 6 months in respect of the stock options granted under the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme 2010.

The details of increase/(decrease) in fair value as a result of extension of the exercise period are as follows:

Sr. No.	Scheme Name	Grant date	Fair value per option on the date of grant (Rs.)	Pre modification fair value per option (Rs.)	Post modification fair value per option (Rs.)	Increase/(decrease) in fair value per option (Rs.)
1	ESOS 2010	25-Jan-2012	117.31	276.65	273.82	(2.83)
2	ESOS 2010	22-Jul-2013	198.64	272.99	268.41	(4.58)
3	ESOS 2010	21-Oct-2013	259.46	272.25	267.57	(4.68)
4	ESOS 2010	21-Oct-2014	267.23	268.69	264.07	(4.62)

As per the requirements of paragraph 24 of the Guidance Note on Accounting for Employee Share-based payments issued by the Institute of Chartered Accountants of India (ICAI), the Company has not taken into account above decrease in fair value measured immediately before and after modification of the terms and conditions and hence continued to measure the amount recognised for services received as consideration for the stock options based on the grant date fair value of the stock options granted.

- c) During the year, the Company has granted 57,920 stock options to the eligible employees under the Employees' Stock Option Scheme 2010. The details are as under:

	Grant dated October 21, 2015
No. of options granted	57,920
Intrinsic value of shares based on latest available closing market price (Rs.)	240.15
Total amount to be amortized over the vesting period (Rs. in Lacs)	139.10
Charge to Statement of Profit and Loss for the year (Rs. in Lacs)	31.76
Compensation in respect of lapsed cases (Rs. in Lacs)	-
Unamortized amount carried forward (Rs. in Lacs)	107.34

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

	Grant dated October 21, 2015	
Vesting date	Expected Vesting	Fair Value (Rs.) per share
October 21, 2016	11584	
October 21, 2017	11584	
October 21, 2018	11584	
October 21, 2019	11584	223.42
October 21, 2020	11584	
	57920	

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

Variables #	Grant dated October 21, 2015
1) Risk free interest rate	7.53%
2) Expected life	4.50 years
3) Expected volatility	37.37%
4) Dividend yield	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	242.15

the values mentioned against each of the variables are based on the weighted average percentage of vesting.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

d) Summary of stock options

Summary of Stock Options	As at/Year ended March 31			
	2016		2015	
	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	21,22,955	2.00	11,63,249	12.70
Options granted during the year	57,920	2.00	16,01,507	2.00
Options forfeited/lapsed during the year #	5,995	2.00	26,249	11.07
Options exercised during the year	4,60,707	2.00	6,15,552	21.84
Options outstanding at the end of the year	17,14,173	2.00	21,22,955	2.00
Options vested but not exercised at the end of the year	2,87,526	2.00	1,24,345	2.00

including nil (March 31, 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

e) Information in respect of options outstanding:

Grant date/Exercise price	As at March 31			
	2016		2015	
	No. of stock options	Weighted average remaining life ^s	No. of stock options	Weighted average remaining life ^s
Scheme 2010:				
February 07, 2011 at Rs. 2.00	1,44,188	34 months	3,55,735	13 months
January 25, 2012 at Rs. 2.00	62,830	41 months	95,790	19 months
July 22, 2013 at Rs. 2.00	28,878	52 months	38,504	28 months
October 21, 2013 at Rs. 2.00	41,365	51 months	44,644	31 months
October 21, 2014 at Rs. 2.00 #	13,78,992	59 months	15,88,282	37 months
October 21, 2015 at Rs. 2.00	57,920	68 months	-	-
Total	17,14,173		21,22,955	

\$ the increase in weighted average remaining life as at March 31, 2016 as compared to March 31, 2015 is on account of modification to Employee Stock Option Scheme 2010 representing extension of exercise period to 36 months from the date of vesting as against the erstwhile exercise period of 6 months from the date of vesting (refer note no. 28 (b)).

net of nil (March 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

f) 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.)
April 23, 2015	280.33
May 22, 2015	268.97
June 29, 2015	270.34
July 27, 2015	264.08
August 21, 2015	264.41
September 24, 2015	229.04
October 28, 2015	227.17
November 24, 2015	238.94
December 21, 2015	243.26
January 22, 2016	201.98
February 22, 2016	217.58
March 22, 2016	240.11

Significant Accounting Policies and Notes

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- g) 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.
- h) Fair value of options
The fair value of options used to compute proforma net profit and earnings per share in note 28 (i) 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:

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

the values mentioned against each of the variables are based on the weighted average percentage of vesting.

* 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	21-Oct-2014	21-Oct-2015
1) Risk free interest rate	7.73%	8.11%	7.61%	8.60%	8.50%	7.53%
2) Expected life	4.5 years	5.5 years	3.5 years	3.25 years	3.25 years	4.50 years
3) Expected volatility	42.38%	46.08%	35.53%	39.27%	38.83%	37.37%
4) Dividend yield	2.28%	2.11%	1.70%	1.32%	1.35%	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	138.60	133.14	212.35	272.40	280.80	242.15

the values mentioned against each of the variables are based on the weighted average percentage of vesting.

- i) 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 *	
	As at March 31		As at March 31	
	2016	2015	2016	2015
Net profit after tax (Rs. in Lacs)	67,259.60	83,177.59	67,336.73	83,245.96
Weighted average number of equity shares of Rs. 2/- each – Basic	564278639	563837362	564278639	563837362
Weighted Average number of equity shares of Rs. 2/- each – Diluted	568764960	568764960	568764960	568764960
Basic Earnings Per Share (Rs.)	11.92	14.75	11.93	14.76
Diluted Earnings Per Share # (Rs.)	11.83	14.62	11.84	14.64

Dilution in Earnings per share is on account of 41,63,582 equity shares (March 31, 2015 : 46,24,289 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. 77.13 Lacs (March 31, 2015 : Rs. 68.37 Lacs).

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

NOTE 29 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 RBI vide its notification no DNBR. 011/CGM (CDS)-2015 dt. March 27, 2015 has revised the asset classification norms for NPAs and substandard assets under its prudential norms applicable to NBFCs in a phased manner commencing from financial year ending 31st March, 2016, upto the financial year ending 31st March, 2018 which would result in an additional provision.

As on 31st March, 2016, the Company has recognised NPAs based on 4 months overdue norms as against the revised regulatory norms of recognising NPAs at 5 months overdue applicable for the current financial year resulting in an additional provision of Rs. 3,454.79 lacs and income de-recognition of Rs. 2,095.16 lacs with a consequent impact of Rs. 5,549.96 Lacs on Profit before tax for the year ended 31st March, 2016.

The cumulative additional/accelerated provision made by the Company as on March 31, 2016 is Rs. 73,567.48 Lacs (March 31, 2015 : Rs. 53,319.01 Lacs).

b) In accordance with the Notification No. DNBS.222/CGM (US)-2011 dated January 17, 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. 1,353.00 Lacs (March 31, 2015 : Rs. 1,057.00 Lacs).

The total amount of provision on Standard assets of Rs. 14,035.00 Lacs (March 31, 2015 :

Rs. 12,682.00 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. 5,262.00 Lacs as at March 31, 2016 (March 31, 2015 : Rs. 4,757.00 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.

d) In accordance with the Prudential norms for restructured advances, the Company has made provisions of Rs. 32.51 Lacs (March 31, 2015 : Rs. 31.87 Lacs) as Higher provisions and Provisions for diminution in fair value on account of restructured advance which are shown separately under Long-term and Short-term provisions in the Balance sheet (refer note no. 5 and 9).

NOTE 30 Commission and brokerage mainly represents amount incurred in respect of acquisition of customers and mobilisation of public deposits.

NOTE 31 The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard 17 dealing with Segment Reporting.

NOTE 32 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 33 Deposits/advances received against loan agreements are on account of loan against assets, which are repayable/adjusted over the period of the contract.

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NOTE 34 EMPLOYEE BENEFITS

Defined benefit plans - as per actuarial valuation

Rs. in Lacs

	As at March 31						
	Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave		
	March 2016	March 2015	March 2016	March 2015	March 2016	March 2015	
I. Expense recognized in the Statement of Profit & Loss Account for the year ended 31st							
1	Current service cost	992.35	834.37	159.91	129.11	1,070.56	993.59
2	Interest cost	137.72	106.95	17.07	13.49	92.51	76.41
3	Expected return on plan assets	(150.41)	(122.75)	-	-	-	-
4	Actuarial (gains)/losses	(503.97)	(326.85)	(90.38)	(99.52)	(816.18)	(662.17)
5	Fund amount to be transferred from MBCSPL gratuity fund	-	(56.36)	-	-	-	-
6	Adjustment due to change in opening balance of Plan assets	-	(98.83)	-	-	-	-
7	Total expense	475.69	336.53	86.61	43.09	346.88	407.83
II. Net asset/(liability) recognised in the Balance Sheet as at 31st							
1	Present value of defined benefit obligation as at 31 st	1,944.96	1,558.68	277.25	190.97	1,168.39	1,056.62
2	Fair value of plan assets as at 31 st	1,919.58	1,583.37	-	-	-	-
3	Funded status (surplus/(deficit))	(25.38)	24.69	(277.25)	(190.97)	(1,168.39)	(1,056.62)
4	Net asset/(liability) as at 31st	(25.38)	24.69	(277.25)	(190.97)	(1,168.39)	(1,056.62)
III. Change in the obligations during the year ended 31st							
1	Present value of defined benefit obligation at the beginning of the year	1,558.68	1,192.46	190.96	147.88	1,056.62	846.55
2	Current service cost	992.35	834.37	159.91	129.11	1,067.96	993.59
3	Transferred to Mahindra Asset Management Company Pvt. Ltd.	-	-	(0.32)	-	-	-
4	Interest cost	137.72	106.95	17.07	13.49	92.51	76.41
5	Actuarial (gains)/losses	(654.38)	(449.21)	(90.38)	(99.52)	(816.18)	(662.17)
6	Benefits paid	(89.41)	(125.89)	-	-	(232.52)	(197.76)
7	Present value of defined benefit obligation at the year ended 31st	1,944.96	1,558.68	277.25	190.97	1,168.39	1,056.62
IV. Change in the fair value of plan assets during the year ended 31st							
1	Fair value of plan assets at the beginning of the year	1,583.37	1,111.98	-	-	-	-
2	Expected return on plan assets	150.41	122.75	-	-	-	-
3	Contributions by employer	425.62	442.08	-	-	-	-
4	Actuarial (gains)/losses	(150.41)	(122.75)	-	-	-	-
5	Fund amount to be transferred from MBCSPL gratuity fund	-	56.36	-	-	-	-
6	Adjustment due to change in opening balance of Plan assets	-	98.83	-	-	-	-
7	Actual Benefits paid	(89.41)	(125.89)	-	-	-	-

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

	As at March 31					
	Gratuity (Funded)		Sick leave (Non funded)		Privilege Leave	
	March 2016	March 2015	March 2016	March 2015	March 2016	March 2015
8 Fair value of plan assets at the end of the year	1,919.58	1,583.37	-	-	-	-
V. Major category of plan assets as a percentage of total plan						
Funded with LIC	100%	100%	-	-	-	-
VI. Actuarial Assumptions						
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

VII. Experience adjustments

Rs. in Lacs

	As at March 31				
	2016	2015	2014	2013	2012
1 Defined benefit obligation at end of the period	1,944.96	1,558.68	1,192.46	855.07	644.20
2 Plan assets at the end of period	1,919.58	1,583.37	1,111.98	776.20	484.50
3 Funded status surplus/(deficit)	25.38	(24.69)	(80.48)	(78.87)	(159.71)
4 Experience adjustments on plan liabilities (gain)/loss	(211.91)	(154.49)	(77.52)	(66.64)	(73.01)
5 Experience adjustments on plan assets gain/(loss)	(39.21)	(32.19)	(21.77)	(16.07)	(9.94)

NOTE 35 DISCLOSURE ON DERIVATIVES

Outstanding derivative instruments and un-hedged foreign currency exposures as on March 31, 2016

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of US \$ 1,209.88 Lacs (March 31, 2015: US \$ 872.71 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 March 31, 2016.

NOTE 36 SECURITISATION/ASSIGNMENT TRANSACTIONS

a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 30940 contracts (March 31, 2015: 27907 contracts) amounting to Rs. 85,586.85 Lacs (March 31, 2015: Rs. 72,229.92 Lacs) for a consideration of Rs. 85,586.85 Lacs (March 31,

2015: Rs. 72,229.92 Lacs) and de-recognised the assets from the books.

- b) Income from assignment/securitization transactions include write back of provision for loss/expenses in respect of matured assignment transactions amounting to Rs 6,756.56 Lacs (March 31, 2015: Rs. 8,807.91 Lacs) considered no longer necessary (refer Accounting policy 3 (IV) A (iii)).
- c) 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 have been recognised as liabilities (refer note no. 4 and 8).

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

d) 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. 12,062.65 Lacs (March 31, 2015: Rs. 11,024.71 Lacs).

NOTE 37 There were 150 cases (March 31, 2015: 119 cases) of frauds amounting to Rs. 559.99 Lacs (March 31, 2015: Rs 353.81 Lacs) reported during the year. The Company has recovered an amount of Rs. 117.89 Lacs (March 31, 2015: Rs 107.39 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 38 The gold loans outstanding as a percentage of total assets is at 0.02% (March 31, 2015: 0.02%).

NOTE 39 During the year, the Company has incurred an expenditure of Rs. 2,791.69 Lacs (March 31, 2015: Rs. 2,374.07 Lacs) towards Corporate Social Responsibility activities which includes contribution/donations made to the trusts which are engaged in activities prescribed under section 135 of the Companies Act, 2013 read with Schedule VII to the said Act and expense of Rs. 114.26 Lacs (March 31, 2015: Rs. 113.56 Lacs) towards the CSR activities undertaken by the Company (refer note no. 26).

NOTE 40 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18

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

Holding Company:	Mahindra and Mahindra Limited
Subsidiary Companies:	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Asset Management Company Private Limited Mahindra Trustee Company Private Limited
Joint Ventures:	Mahindra Finance USA, LLC
Fellow subsidiary Companies:	2 x 2 Logistics Private Limited Mahindra USA, Inc. Mahindra Two Wheelers Limited NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra First Choice Services Ltd. Mahindra Defence Systems Ltd. Mahindra Retail Pvt. Ltd. Mahindra Integrated Business Solutions Ltd. Mahindra Vehicle Manufacturers Ltd.
Key Management Personnel:	Mr. Ramesh Iyer (Managing Director)
Relatives of Key Management Personnel:	Ms Janaki Iyer Ms Ramlaxmi Iyer Mr Risheek Iyer

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

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	Income					
	Loan income	-	-	64.15	-	-
		-	-	(3.52)	-	-
	Subvention/Disposal loss income	4,049.60	-	-	-	-
		(3,663.07)	-	-	-	-
	Other income	-	2,549.83	3.47	-	-
		(64.21)	(2,225.08)	-	-	-
2	Expenses					
	Interest	126.12	1,363.13	-	-	20.12
		-	(972.19)	-	-	(20.11)
	Other expenses	1,777.74	2,389.54	602.83	-	-
		(1,494.18)	(1,685.59)	(430.81)	-	-
	Remuneration to KMP's					436.13
						(645.48)
3	Investment in share capital	-	9,457.22	-	4,530.32	-
		-	(2,295.00)	-	(2,193.73)	-
4	Purchase of fixed assets	254.81	-	30.97	-	-
		(413.60)	-	-	-	-
5	Sale of fixed assets	-	11.35	-	-	-
		-	-	-	-	-
6	Finance					
	Fixed deposits taken	-	3,750.00	-	-	18.94
		-	(7,065.00)	-	-	(202.90)
	Fixed deposits matured	-	125.00	-	-	21.67
		-	-	-	-	(188.25)
	Dividend paid for previous year	11,648.31	-	-	-	23.85
		(11,065.89)	-	-	-	(23.71)
	Inter corporate deposits taken	(30,000.00)	7,500.00	-	-	-
		-	(1,475.00)	-	-	-
	Inter corporate deposits repaid	-	8,150.00	-	-	-
		-	(4,240.00)	-	-	-
	Inter corporate deposits given	-	-	-	-	-
		-	(69,107.00)	-	-	-
	Inter corporate deposits refunded	-	-	-	-	-
		-	(64,974.39)	-	-	-
7	Other transactions					
	Reimbursement from parties	-	-	-	-	-
		-	(0.02)	-	-	-
	Reimbursement to parties	-	-	153.08	-	-
		-	-	(119.72)	-	-
8	Balances as at the end of the period					
	Receivables	315.06	66.57	127.42	-	-
		(1,245.02)	(85.12)	-	-	-
	Loan given (including interest accrued but not due)	-	-	1,870.04	-	-
		-	-	(43.29)	-	-
	Inter corporate deposits given (including interest accrued but not due)	-	5,189.14	-	-	-
		-	(4,747.90)	-	-	-

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Rs. in Lacs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Joint Ventures	* Key Management Personnel
	Payables	-	692.74	218.94	-	-
		-	(455.13)	(157.98)	-	-
	Subordinate debt held (including interest accrued but not due)	-	700.76	-	-	-
		-	(700.76)	-	-	-
	Inter corporate deposits taken (including interest accrued but not due)	30,113.51	936.04	-	-	-
		-	(1,617.69)	-	-	-
	Fixed deposits (including interest accrued but not due)	-	15,143.45	-	-	226.54
		-	(10,426.55)	-	-	(231.80)

Notes :

Figures in bracket represent corresponding figures of previous year.

* Key Management Personnel as defined in Accounting Standard 18 as well as the Companies Act, 2013.

C) The significant related party transactions are as under:

Rs. in Lacs

Nature of transactions		Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	* Key Management Personnel
1. Income					
Revenue from operations					
Subvention/Disposal loss income	Mahindra & Mahindra Limited	4,049.60	-	-	-
		(3,663.07)	-	-	-
Loan income	2 x 2 Logistics Pvt. Ltd.	-	-	62.08	-
		-	-	-	-
2. Other income					
Interest income on inter corporate deposits/subordinate debt	Mahindra Rural Housing Finance Limited	-	567.27	-	-
		-	(602.73)	-	-
Income from shared services	Mahindra Insurance Brokers Limited	-	149.78	-	-
		-	(135.60)	-	-
Income from shared services	Mahindra Rural Housing Finance Limited	-	454.75	-	-
		-	(404.09)	-	-
Dividend income	Mahindra Rural Housing Finance Limited	-	747.76	-	-
		-	(536.36)	-	-
Dividend income	Mahindra Insurance Brokers Limited	-	273.84	-	-
		-	(219.07)	-	-

Significant Accounting Policies and Notes

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Rs. in Lacs

Nature of transactions		Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	* Key Management Personnel
ESOP compensation recovered	Mahindra Rural Housing Finance Limited	-	200.07 (76.99)	-	-
ESOP compensation recovered	Mahindra Insurance Brokers Limited	-	113.98 (146.31)	-	-
3. Expenses					
Interest					
Interest expense on inter corporate deposits and non-convertible debentures	Mahindra Insurance Brokers Limited	-	1,363.13 (972.19)	-	-
4. Other expenses					
Rent	Mahindra & Mahindra Limited	1,267.00 (951.24)	-	-	-
Handling Charges	Mahindra Insurance Brokers Limited	-	2,389.54 (1,685.59)	-	-
Commission & Valuation charges	Mahindra First Choice Wheels Limited	-	-	526.94 (417.19)	-
Investment in Share Capital	Mahindra Rural Housing Finance Limited	-	3,497.22 (2,190.00)	-	-
Investment in Share Capital	Mahindra Asset Management Co. Pvt. Ltd.	-	5,950.00 (100.00)	-	-
Purchase of fixed assets	Mahindra & Mahindra Limited	254.81 (413.60)	-	-	-
Purchase of fixed assets	NBS International	-	-	30.97	-
Sale of fixed assets	Mahindra Asset Management Co. Pvt. Ltd.	-	11.35	-	-
5. Finance					
Fixed Deposits	Mahindra Insurance Brokers Limited	-	3,750.00 (7,065.00)	-	-
Fixed deposits matured	Ramesh Iyer and relatives	-	-	-	21.67 (188.25)
Fixed deposits matured	Mahindra Insurance Brokers Limited	-	125.00	-	-

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Nature of transactions		Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	* Key Management Personnel
Dividend paid - for previous year	Mahindra & Mahindra Limited	11,648.31 (11,065.89)	- -	- -	- -
Inter corporate deposits taken	Mahindra Insurance Brokers Limited	- -	7,500.00 (1,475.00)	- -	- -
Inter corporate deposits taken	Mahindra & Mahindra Limited	30,000.00 -	- -	- -	- -
Inter corporate deposits repaid	Mahindra Insurance Brokers Limited	- -	8,150.00 (4,240.00)	- -	- -
6. Balances at the year end					
Receivables	Mahindra & Mahindra Limited	315.06 (1,245.02)	- -	- -	- -
Receivables	Mahindra Rural Housing Finance Limited	- -	66.57 (59.41)	- -	- -
Receivables	NBS International	- -	- -	127.42 -	- -
Loan outstanding	2 x 2 Logistics Pvt. Ltd.	- -	- -	1,865.14 -	- -
Payables	Mahindra Insurance Brokers Limited	- -	692.74 (455.13)	- -	- -
Payables	Mahindra First Choice Wheels Limited	- -	- -	155.44 (114.87)	- -
Inter corporate deposits taken (including interest accrued but not due)	Mahindra Insurance Brokers Limited	- -	936.04 (1,617.69)	- -	- -
Inter corporate deposits taken (including interest accrued but not due)	Mahindra & Mahindra Limited	30,113.51 -	- -	- -	- -
Inter corporate deposits given (including interest accrued but not due)	Mahindra Rural Housing Finance Limited	- -	5,189.14 (4,747.90)	- -	- -
Subordinate debt held (including interest accrued but not due)	Mahindra Rural Housing Finance Limited	- -	700.76 (700.76)	- -	- -
Fixed deposits	Mahindra Insurance Brokers Limited	- -	15,143.45 (10,426.55)	- -	- -

Figures in bracket represent corresponding figures of previous year.

* Key Management Personnel as defined in Accounting Standard 18 as well as the Companies Act, 2013.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

d) Disclosure required under Section 186 (4) of the Companies Act, 2013 As at March 31, 2016

		Rs. in Lacs			
Particulars	Relation	Balance as on April 1, 2015	Advances/ investments	Repayments/ sale	Balance as on March 31, 2016
(A) Loans and advances					
Mahindra Rural Housing Finance Ltd.	Subsidiary	4,656.50	-	-	4,656.50
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	30.08	-	25.18	4.90
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	13.21	1,952.93	101.00	1,865.14
		4,699.79	1,952.93	126.18	6,526.54
(B) Unsecured redeemable non-convertible subordinate debentures					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		700.00	-	-	700.00
(C) Investments					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	8,380.00	3,497.22	-	11,877.22
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	105.00	5,950.00	-	6,055.00
Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	5.00	10.00	-	15.00
Mahindra Finance USA, LLC	Joint Venture	10,787.01	4,530.31	-	15,317.32
		19,324.99	13,987.53	-	33,312.52
Total		24,724.78	15,940.46	126.18	40,539.06

Notes :

- Above loans & advances and investments have been given for general business purposes.
- There were no guarantees given/securities provided during the year.

As at March 31, 2015

		Rs. in Lacs			
Particulars	Relation	Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
(A) Loans and advances					
Mahindra Rural Housing Finance Ltd.	Subsidiary	523.89	69,107.00	64,974.39	4,656.50
Mahindra Business and Consulting Services Pvt. Ltd.	Subsidiary	837.72	456.45	1,294.17	-
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	36.11	-	6.03	30.08
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	-	13.58	0.37	13.21
		1,397.72	69,577.03	66,274.96	4,699.79
(B) Unsecured redeemable non-convertible subordinate debentures					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		700.00	-	-	700.00

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	Relation	Rs. in Lacs			
		Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
(C) Investments					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	6,190.00	2,190.00	-	8,380.00
Mahindra Business and Consulting Services Pvt. Ltd.#	Wholly owned Subsidiary	1.00	-	1.00	-
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	5.00	100.00	-	105.00
Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	-	5.00	-	5.00
Mahindra Finance USA, LLC	Joint Venture	7,788.05	2,998.96	-	10,787.01
		14,032.03	5,293.96	1.00	19,324.99
Total		16,129.75	74,870.99	66,275.96	24,724.78

Investment held by the Company now merged with the Company effective from April 1, 2014.

Notes :

- Above loans & advances and investments have been given for general business purposes.
- There were no guarantees given/securities provided during the year.

NOTE 41 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Particulars	Rs. in Lacs	
	Year ended March 31	
	2016	2015
i) Contingent liabilities		
a) Demand against the Company not acknowledged as debts -		
- Income tax	3,835.66	4,379.05
- Value Added Tax (VAT)	191.98	191.98
- Service tax	5,283.34	-
b) Corporate guarantees towards assignment transactions	15,331.13	31,338.63
c) Credit enhancement in terms of corporate guarantee for securitization transactions (refer note no. 49 (IV))	17,196.42	8,307.81
d) Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	3,373.92	3,110.83
	45,212.45	47,328.30
ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account	274.82	554.84
	274.82	554.84
Total	45,487.27	47,883.14

NOTE 42 CHANGES IN PROVISIONS

Particulars	Rs. in Lacs			
	As at April 1, 2015	Additional Provisions	Utilizations/ Reversals	As at March 31, 2016
Provision for Standard assets	12,682.00	1,353.00	-	14,035.00
Provision for Non-performing assets	96,617.08	91,439.33	38,843.23	1,49,213.18

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

NOTE 43 Disclosure of trade payables to Micro, Small and Medium Enterprises under Current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount outstanding as on March 31, 2016 to Micro, Small and Medium Enterprises on account of principle amount aggregate to Rs. Nil (March 31, 2015: Rs. Nil) [including overdue amount of Rs. Nil (March 31, 2015: Rs. Nil)] and interest due thereon is Rs. Nil (March 31, 2015: Rs. Nil) and interest paid during the year Rs. Nil (March 31, 2015: Rs. Nil).

NOTE 44 SECURED LONG-TERM BORROWINGS

i) Secured non-convertible debentures

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity				
Maturing beyond 5 years	8.70%-9.00%	1,89,200.00	-	1,89,200.00
Maturing between 3 years to 5 years	8.48%-9.45%	2,01,950.00	-	2,01,950.00
Maturing between 1 year to 3 years	8.48%-10.25%	3,39,240.00	-	3,39,240.00
Maturing within 1 year	8.57%-10.20%	-	2,34,470.00	2,34,470.00
Total		7,30,390.00	2,34,470.00	9,64,860.00

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity				
Maturing beyond 5 years	8.70%-8.95%	53,000.00	-	53,000.00
Maturing between 3 years to 5 years	8.65%-10.25%	1,22,760.00	-	1,22,760.00
Maturing between 1 year to 3 years	8.65%-10.20%	1,81,280.00	-	1,81,280.00
Maturing within 1 year	8.60%-9.95%	-	1,52,270.00	1,52,270.00
Total		3,57,040.00	1,52,270.00	5,09,310.00

ii) Secured term loans from banks

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
1) Repayable on maturity				
Maturing beyond 5 years	-	-	-	-
Maturing between 3 years to 5 years	-	-	-	-
Maturing between 1 year to 3 years	9.65%-9.75%	35,000.00	-	35,000.00
Maturing within 1 year	9.50%-9.95%	-	1,27,500.00	1,27,500.00
Total for repayable on maturity		35,000.00	1,27,500.00	1,62,500.00
2) Repayable in installments				
i) Quarterly -				
Maturing beyond 5 years	-	-	-	-
Maturing between 3 years to 5 years	9.30%	15,892.86	-	15,892.86
Maturing between 1 year to 3 years	9.30%-9.65%	1,00,714.29	-	1,00,714.29
Maturing within 1 year	9.30%-9.70%	-	61,907.14	61,907.14
Total		1,16,607.14	61,907.14	1,78,514.29

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
ii) Half yearly				
Maturing between 3 years to 5 years	9.45%	50,000.00	-	50,000.00
Maturing between 1 year to 3 years	9.65%-9.75%	1,06,000.00	-	1,06,000.00
Maturing within 1 year	9.65%-9.75%	-	1,07,000.00	1,07,000.00
Total		1,56,000.00	1,07,000.00	2,63,000.00
iii) Yearly				
Maturing beyond 5 years	-	-	-	-
Maturing between 3 years to 5 years	9.65%-9.70%	75,833.33	-	75,833.33
Maturing between 1 year to 3 years	9.35%-9.70%	1,50,833.33	-	1,50,833.33
Maturing within 1 year	9.65%-9.70%	-	45,833.33	45,833.33
Total		2,26,666.67	45,833.33	2,72,500.00
Total for repayable in installments		4,99,273.81	2,14,740.48	7,14,014.29
Total (1+2)		5,34,273.81	3,42,240.48	8,76,514.29

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
1) Repayable on maturity:				
Maturing between 1 year to 3 years	9.70%-10.25%	1,92,500.00	-	1,92,500.00
Maturing within 1 year	9.45%-10.40%	-	1,27,000.00	1,27,000.00
Total for repayable on maturity		1,92,500.00	1,27,000.00	3,19,500.00
2) Repayable in installments:				
i) Bimonthly				
Maturing within 1 year	10.25%	-	6,200.00	6,200.00
Total		-	6,200.00	6,200.00
ii) Quarterly -				
Maturing between 3 years to 5 years	10.00%	1,428.57	-	1,428.57
Maturing between 1 year to 3 years	9.95%-10.25%	95,835.71	-	95,835.71
Maturing within 1 year	9.95%-10.25%	-	32,364.29	32,364.29
Total		97,264.29	32,364.29	1,29,628.57
iii) Half yearly -				
Maturing beyond 3 years	10.25%	15,000.00	-	15,000.00
Maturing between 1 year to 3 years	10.00%-10.25%	2,14,666.67	-	2,14,666.67
Maturing within 1 year	10.00%-10.25%	-	1,62,666.67	1,62,666.67
Total		2,29,666.67	1,62,666.67	3,92,333.33
iv) Yearly -				
Maturing between 3 years to 5 years	10.20%-10.25%	43,333.33	-	43,333.33
Maturing between 1 year to 3 years	10.20%-10.25%	1,04,166.67	-	1,04,166.67
Maturing within 1 year	10.25%	-	7,500.00	7,500.00
Total		1,47,500.00	7,500.00	1,55,000.00
Total for repayable in installments		4,74,430.95	2,08,730.95	6,83,161.90
Total (1+2)		6,66,930.95	3,35,730.95	10,02,661.90

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

iii) Foreign currency loans from banks

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturing between 1 year to 3 years	8.69%-9.97%	53,227.83	-	53,227.83
Maturing within 1 year	9.16%-9.33%	-	26,932.51	26,932.51
Total		53,227.83	26,932.51	80,160.34

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturing between 1 year to 3 years	8.95%	12,500.00	-	12,500.00
Maturing within 1 year	9.05%-9.98%	-	42,044.47	42,044.47
Total		12,500.00	42,044.47	54,544.47

NOTE 45 UNSECURED BORROWINGS

i) Subordinated debts (long-term)

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturing beyond 5 years	8.90%-10.50%	68,830.00	-	68,830.00
Maturing between 3 years to 5 years	9.50%-10.02%	41,720.00	-	41,720.00
Maturing between 1 year to 3 years	10.50%-12.00%	7,860.00	-	7,860.00
Total		118,410.00	-	118,410.00

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturing beyond 5 years	9.18%-10.50%	78,550.00	-	78,550.00
Maturing between 3 years to 5 years	9.85%-11.75%	15,480.00	-	15,480.00
Maturing between 1 year to 3 years	10.50%-12.00%	6,880.00	-	6,880.00
Total		1,00,910.00	-	1,00,910.00

ii) Unsecured term loans from banks

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturing within 1 year	10.00%	-	10,000.00	10,000.00
Total		-	10,000.00	10,000.00

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturing between 1 year to 3 years	10.00%	10,000.00	-	10,000.00
Total		10,000.00	-	10,000.00

iii) Inter-corporate deposits (ICDs)

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
Repayable on maturity:					
Maturing within 1 year	8.45%-9.05%	30,925.00	-	-	30,925.00
Total		30,925.00	-	-	30,925.00

As at March 31, 2015

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
Repayable on maturity:					
Maturing within 1 year	9.00%-9.60%	850.00	-	725.00	1,575.00
Total		850.00	-	725.00	1,575.00

iv) Fixed deposits

Rs. in Lacs

Particulars	Rate range	As at March 31, 2016			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
a) Maturing beyond 3 years	8.20%-10.10%	-	15,832.63	-	15,832.63
b) Maturing between 1 year to 3 years	8.20%-10.60%	-	281,033.37	-	281,033.37
c) Maturing within 1 year	7.90%-10.60%	17,829.68	-	163,730.66	181,560.34
Total		17,829.68	296,866.01	163,730.66	478,426.35

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015			Total
		Long Term			
		(a) Short Term	(b) Non-current	(c) Current Maturities	
Maturing beyond 3 years	8.90%-10.10%	-	6,561.15	-	6,561.15
Maturing between 1 year to 3 years	9.15%-10.60%	-	3,24,772.68	-	3,24,772.68
Maturing within 1 year	8.40% -10.75%	6,943.06	-	1,29,746.50	1,36,689.56
Total		6,943.06	3,31,333.83	1,29,746.50	4,68,023.39

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

NOTE 46 SHORT - TERM BORROWINGS

i) Secured term loans from banks and cash credit facilities

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	9.50%-12.15%	1,09,934.60
Total		1,09,934.60

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	9.60%-14.00%	1,31,805.33
Total		1,31,805.33

ii) Commercial papers

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Current
Repayable on maturity:		
Maturing within 1 year	8.09%-9.20%	2,76,000.00
Total		2,76,000.00

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Current
Repayable on maturity:		
Maturing within 1 year	8.88%-9.15%	3,47,500.00
Total		3,47,500.00

NOTE 47 MANAGERIAL REMUNERATION TO DIRECTORS INCLUDED IN THE STATEMENT OF PROFIT AND LOSS

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Salary and perquisites	564.08	583.22
Sitting fees and commission	294.55	214.62
Total	858.63	797.84

Above figures are excluding charge for gratuity, provision for leave encashment as separate actuarial valuation figures are not available.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

NOTE 48 Schedule to the Balance Sheet of a Non-Banking Financial Company as required in terms of Paragraph 13 of the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Rs. in Lacs

Liabilities side	As at March 31			
	2016		2015	
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
(1) Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:				
(a) Debentures : Secured	10,12,166.76	-	5,31,521.57	-
: Unsecured	-	-	-	-
(other than falling within the meaning of public deposits)				
(b) Deferred Credits	-	-	-	-
(c) Term Loans	9,15,559.66	-	10,86,150.23	-
(d) Inter-corporate loans and Other Borrowings	31,049.56	-	1,617.69	-
(e) Commercial Paper	2,76,000.00	-	3,47,500.00	-
(f) Public Deposits	4,66,215.66	-	4,60,702.68	-
(g) Fixed Deposits accepted from Corporates	47,460.23	-	38,501.41	-
(h) FCNR Loans	80,287.64	-	54,741.36	-
(i) Subordinate debt	1,24,089.84	-	1,05,738.99	-
(j) Other Short Term Loans and credit facilities from banks	81,834.60	-	59,105.33	-
(2) Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):				
(a) In the form of Unsecured debentures	-	-	-	-
(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	4,66,215.66	-	4,60,702.68	-

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Rs. in Lacs

Asset side:	As at March 31	
	2016 Amount Outstanding	2015 Amount Outstanding
(3) Break-up of Loans and Advances including bills receivables		
[other than those included in (4) below]:		
(a) Secured	47,914.91	36,273.34
(b) Unsecured	1,68,719.44	1,44,202.13
(4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities:		
(i) Lease assets including lease rentals under sundry debtors:		
(a) Financial lease	-	-
(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	5,951.34	7,860.00
(b) Loans other than (a) above	32,83,048.61	30,01,425.74
(5) Break-up of Investments:		
Current Investments:		
1. Quoted:		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	9,279.17	7,875.00
(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	24,821.50	-
(vi) Commercial Papers	15,000.00	1,500.00
Long Term Investments:		
1. Quoted:		
(i) Shares: (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	2,000.01	5,354.17
(iii) Units of mutual funds	-	-
(iv) Government Securities	63,220.81	50,612.79
2. Unquoted:		
(i) Shares: (a) Equity	33,312.57	19,325.04
(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 March 31, 2016

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

Category	Rs. in Lacs					
	As at March 31, 2016			As at March 31, 2015		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
(a) Subsidiaries	-	5,189.14	5,189.14	-	4,747.90	4,747.90
(b) Companies in the same group	1,870.04	-	1,870.04	43.29	-	43.29
(c) Other related parties	-	-	-	-	-	-
2. Other than related parties	33,35,044.82	1,63,530.30	34,98,575.12	30,45,515.79	1,39,454.23	31,84,970.02
Total	33,36,914.86	1,68,719.44	35,05,634.30	30,45,559.08	1,44,202.13	31,89,761.21

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

Category	Rs. in Lacs			
	As at March 31, 2016		As at March 31, 2015	
	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties				
(a) Subsidiaries	18,695.20	18,695.20	9,237.98	9,237.98
(b) Companies in the same group	15,317.37	15,317.37	10,787.06	10,787.06
(c) Other related parties	-	-	-	-
2. Other than related parties	1,17,028.83	1,14,321.49	68,291.61	65,341.96
Total	1,51,041.40	1,48,334.06	88,316.65	85,367.00

(8) Other information

	As at March 31	
	2016	2015
	Amount	Amount
(i) Gross Non-Performing Assets:		
(a) Related parties	-	-
(b) Other than related parties	3,22,416.98	2,09,972.20
(ii) Net Non-Performing Assets:		
(a) Related parties	-	-
(b) Other than related parties	1,23,511.37	81,820.64
(iii) Assets acquired in satisfaction of debt	-	-

NOTE 49 Disclosures as required under Revised Regulatory Framework for NBFCs (Notification No. DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014)

I) Capital

Particulars	As at March 31	
	2016	2015
i) CRAR (%)	17.3%	18.3%
ii) CRAR-Tier I Capital (%)	14.6%	15.5%
iii) CRAR-Tier II Capital (%)	2.7%	2.8%
iv) Amount of subordinated debt raised as Tier-II capital (Rs. in Lacs)	17,500.00	21,500.00
v) Amount raised by issue of Perpetual Debt Instruments	-	-

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

II) Investments

Particulars	Rs. in Lacs	
	As at March 31	
	2016	2015
1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,33,016.74	74,579.99
(b) Outside India	15,317.32	10,787.01
(ii) Provision for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1,33,016.74	74,579.99
(b) Outside India	15,317.32	10,787.01
2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off/write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

III) Derivatives

a) Forward Rate Agreement/Interest Rate Swap

The Company is not carrying out any activity of providing Forward/Interest rate swap cover to third parties.

b) Exchange Traded Interest Rate (IR) Derivatives

The Company is not carrying out any activity of providing Derivative cover to third parties.

c) Disclosures on Risk Exposure in Derivatives

Qualitative Disclosures –

- i) The Company undertakes the derivatives transaction to prudently hedge the risk in context of a particular borrowing or to diversify sources of borrowing and to maintain fixed and floating borrowing mix. The Company does not indulge into any derivative trading transactions. The Company reviews the proposed transaction and outlines any considerations associated with the transaction, including identification of the benefits and potential risks (worst case scenarios); an independent analysis of potential savings from the proposed transaction. The Company evaluates all the risks inherent in the transaction viz., Counter Party Risk, Market Risk, Operational Risk, Basis Risk etc.
- ii) Credit risk is controlled by restricting the counterparties that the Company deals with, to those who either have banking relationship with the Company or are internationally renowned or can provide sufficient information. Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled. Normally, transactions entered for hedging, will run till its life, irrespective of profit or loss. However in case of exceptions it has to be un-winded only with prior approval of M.D./CFO/Treasurer. Liquidity risk is controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
- iii) The respective functions of trading, confirmation and settlement should be performed by different personnel. The front office and back-office role is well defined and segregated. All the derivatives transactions are quarterly monitored and reviewed by CFO and Treasurer. All the derivative transactions have to be reported to the board of directors at every quarterly board meetings including their financial positions.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Quantitative Disclosures –

d) FCNR(B) Loans Availed:

		Rs. in Lacs			
Sr. No.	Particulars	As at March 31, 2016		As at March 31, 2015	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount) For hedging	78,987.00		53,592.00	
(ii)	Marked to Market Positions [1]				
	(a) Asset (+) Estimated gain	1,657.21	-	823.53	-
	(b) Liability (-) Estimated loss	-	(105.80)	(369.90)	(216.27)
(iii)	Credit Exposure [2]	-	-	-	-
(iv)	Unhedged Exposures	-	-	-	-

IV) Disclosures relating to Securitisation

- a) 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.301/3.10.01/2012-13 dated August 21, 2012

Applicable for transactions effected after the date of circular:

		Rs. in Lacs	
Sr. No.	Particulars	As at March 31	
		2016	2015
1	No of SPVs sponsored by the NBFC for securitisation transactions	16	12
2	Total amount of securitised assets as per books of the SPVs sponsored	1,36,825.69	1,54,321.26
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 form of corporate undertaking	17,196.42	8,307.81
	Others	-	-
	b) On-balance sheet exposures		
	First loss- Cash collateral term deposits with banks	20,038.00	20,085.00
	Others- Retained interest in pass through certificates (excluding accrued interest)	472.12	1,242.81
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	(i) Exposure to own securitizations		
	First loss	-	-
	Loss	-	-
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others- Excess Interest Spread	27,856.85	27,176.87
	b) On-balance sheet exposures		
	(i) Exposure to own securitisations		
	First loss	-	-
	Others- Cash collateral term deposits with banks	1,856.00	2,000.00
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

b) Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

During the current year and the previous year the Company has not sold any financial assets to Securitisation/Reconstruction Company for asset reconstruction.

c) Details of Assignment transactions undertaken by NBFCs (During the year)

Particulars	Rs. in Lacs	
	Year ended March 31	
	2016	2015
(i) No. of accounts	-	-
(ii) Aggregate value (net of provisions) of accounts sold	-	-
(iii) Aggregate consideration	-	-
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/loss over net book value	-	-

d) Details of non-performing financial assets purchased/sold

- i) Details of non-performing financial assets purchased:
During the current year and the previous year the Company has not purchased any non-performing financial assets.
- ii) Details of Non-performing Financial Assets sold:
During the current year and the previous year the Company has not sold any non-performing financial assets.

e) Unsecured Advances

During the current year, the Company has granted unsecured advances of Rs. 1,67,916.29 Lacs (March 31, 2015: Rs. 1,42,013.49 Lacs).

VI) Miscellaneous

a) Registration obtained from other financial sector regulators

During the current year and the previous year, the Company has not obtained any registration from other financial sector regulators.

V) Exposures

a) Exposure to Real Estate Sector

During the current year and the previous the Company has no exposure to Real estate sector.

b) Exposure to Capital Market

During the current year and the previous year the Company has no exposure to Capital Market.

c) Details of financing of parent Company products

Of the total financing activity undertaken by the Company during the financial year 2015-16, 45% (March 31, 2015: 48%) of the financing was towards parent Company products.

d) Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) exceeded by the NBFC

During the current year and the previous year, the Company has not exceeded the prudential exposure limits.

b) Disclosure of Penalties imposed by RBI and other regulators

During the current year and the previous year, there are no penalties imposed by RBI and other regulators.

c) Related Party Transactions

(refer note no. 40)

d) Rating assigned by credit rating agencies and migration of ratings during the year
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+' which is the highest level of rating.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

During the year under review, India Ratings & Research Private Limited, which is part of Fitch Group, upgraded the rating of Company's National Long-term instrument and Lower Tier II Subordinated Debt programme to 'IND AAA/Stable' from 'IND AA+/Stable'. The 'IND AAA' national ratings denote the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

During the year under review, CARE Ratings has assigned the 'CARE AAA' rating to Company's Long-term debt instrument and Lower Tier II Subordinated Debt programme. The Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

Brickwork Ratings India Private Limited has, during the year, upgraded the rating of the Company's Long-term Subordinated Debt

Issue to 'BWR AAA/stable' from "BWR AA+/positive". 'BWR AAA' stands for an instrument that is considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

VII) Net Profit or Loss for the Period, Prior Period items and change in accounting policies

There are no such material items which require disclosures in the notes to accounts in terms of the relevant Accounting Standard.

VIII) Revenue Recognition

(Refer note no. 3 under Summary of Significant Accounting Policies).

IX) Accounting Standard 21- Consolidated Financial Statements (CFS)

All the subsidiaries of the Company have been consolidated as per Accounting Standard 21 Refer Consolidated Financial Statements (CFS).

Additional Disclosures:

X) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Provisions for depreciation on Investment	-	-
Provision towards NPA	52,596.10	33,259.02
Provision made towards Income tax	53,560.00	51,995.00
Other Provision and Contingencies (with details)	-	-
Provision for diminution in the fair value of restructured advances	0.64	9.56
Provision for Standard Assets	1,353.00	1,079.31

Draw Down from Reserves

Year ended March 31 2016: Nil

Year ended March 31 2015:

Refer note no. 24 regarding transitional depreciation of Rs. 317.77 Lacs (net of deferred tax of Rs. 163.62 Lacs) arising pursuant to requirements of schedule II of the Companies Act, 2013 which was charged to opening balance of surplus in Statement of Profit and Loss.

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

XI) Concentration of Deposits, Advances, Exposures and NPAs

a) Concentration of Deposits (for deposit taking NBFCs)

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Total Deposits of twenty largest depositors	44,718.44	37,130.21
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	8.7%	7.4%

b) Concentration of Advances

	Rs. in Lacs	
	As at March 31	
	2016	2015
Total Advances to twenty largest borrowers	80,359.22	37,180.54
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	2.2%	1.1%

c) Concentration of Exposures

	Rs. in Lacs	
	As at March 31	
	2016	2015
Total Exposure to twenty largest borrowers/customers	80,359.22	37,180.54
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the NBFC on borrowers/customers	2.2%	1.1%

d) Concentration of NPAs

	Rs. in Lacs	
	As at March 31	
	2016	2015
Total Exposure to top four NPA accounts	7,411.47	6,241.67

e) Sector-wise NPAs

Sr. No.	Sector	Rs. in Lacs	
		Percentage of NPAs to Total Advances in that sector	Percentage of NPAs to Total Advances in that sector
		As at March 31, 2016	As at March 31, 2015
1	Agriculture & allied activities/Auto	9.2%	6.5%
2	MSME/Corporate borrowers	4.2%	5.6%
3	Unsecured personal loans	10.3%	13.1%
4	Other loans	0.7%	3.4%
5	Services	-	-

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

f) Movement of NPAs

Particulars	Rs. in Lacs	
	As at Year ended March 31	
	2016	2015
(i) Net NPAs to Net Advances (%)	3.5%	2.6%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	2,09,972.20	1,40,569.12
(b) Additions during the year	2,13,047.58	1,47,895.67
(c) Reductions during the year	1,00,602.80	78,492.59
(d) Closing balance	3,22,416.98	2,09,972.20
(iii) Movement of Net NPAs		
(a) Opening balance	81,820.64	57,564.17
(b) Additions during the year	91,707.63	67,419.23
(c) Reductions during the year	50,016.90	43,162.76
(d) Closing balance	1,23,511.37	81,820.64
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	96,617.08	63,358.06
(b) Provisions made during the year	91,439.33	61,506.02
(c) Write-off/write-back of excess provisions	38,843.23	28,247.00
(d) Closing balance	1,49,213.18	96,617.08

XII) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Rs. in Lacs	
			Total Assets as at March 31, 2016	Total Assets as at March 31, 2015
Mahindra Finance USA, LLC	De Lage Landen Financial Services	USA	2,43,751.58	1,67,299.84

XIII) Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas
NA	NA

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

XIV) Asset Liability Management: Maturity pattern of certain items of Assets and Liabilities As at March 31, 2016

	Rs. in Lacs							Total	
	1 to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years		
Deposits	15,664.40	18,168.12	15,454.38	46,352.65	85,920.79	2,81,033.37	15,832.63	-	4,78,426.35
Advances	2,84,937.61	1,47,877.40	1,54,020.45	3,80,287.32	6,11,279.67	14,88,932.17	2,94,618.21	2,446.12	33,64,398.95
Reserves and surplus	-	-	-	-	-	-	-	-	5,97,518.72
Investments	14,975.11	-	9,846.39	-	15,000.00	11,202.82	24,568.95	72,740.79	1,48,334.05
Borrowings	92,097.89	1,40,400.00	77,678.57	1,35,712.86	4,69,544.05	8,49,582.22	3,85,396.19	2,58,030.00	24,08,441.78
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	6,567.13	-	7,114.39	13,251.00	53,227.83	-	-	80,160.34

XV) Disclosure of Complaints

Customer Complaints

(a) No. of complaints pending at the beginning of the year	9
(b) No. of complaints received during the year	132
(c) No. of complaints redressed during the year	136
(d) No. of complaints pending at the end of the year	5

Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

NOTE 50 DISCLOSURE ON RESTRUCTURED STANDARD ADVANCES:

During the previous year, the Company has restructured one of the standard advance accounts resulting in reduction in rate of interest and increase in tenor of the loan. The details of the same are provided here below:

Type of Restructuring		Rs. in Lacs					
		Standard	Substandard	Doubtful	Loss	Total	
Sr. No.	Asset Classification						
Details							
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	1	-	-	-	1
		Amount Outstanding	446.15	-	-	-	446.15
		Provision thereon #	31.87	-	-	-	31.87
2	Fresh Restructuring during the year	No. of Borrowers					
		Amount Outstanding					
		Provision thereon					
3	Up-gradations to restructured standard category during the FY	No. of Borrowers					
		Amount Outstanding					
		Provision thereon					
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of FY and hence need to be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers					
		Amount Outstanding					
		Provision thereon					
5	Down gradations of restructured accounts during the FY	No. of Borrowers					
		Amount Outstanding					
		Provision thereon					
6	Write-offs of restructured accounts during the FY	No. of Borrowers					
		Amount Outstanding					
7	Restructured Accounts as on March 31 of the FY (Closing Figures)	No. of Borrowers	1	-	-	-	1
		Amount Outstanding	446.15	-	-	-	446.15
		Provision thereon #	32.51	-	-	-	32.51

Note : Since the disclosure of restructured advance account pertains to section "Others", the first two sections, namely, "Under CDR Mechanism" and "Under SME Debt Restructuring Mechanism" as per format prescribed in the guidelines are not included above.

Represents higher provisioning and provision for diminution in fair value of Rs. 22.31 Lacs (March 31,2015: Rs. 22.31 Lacs) and Rs. 10.20 Lacs (March 31,2015: Rs. 9.56 Lacs) respectively.

NOTE 51 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

Dhananjay Mungale Chairman

Ramesh Iyer Vice-Chairman & Managing Director

M. G. Bhide Director

Piyush Mankad Director

Naresh Kumar Kataria Partner
Membership No.037825

C.B. Bhawe Director

Rama Bijapurkar Director

V. S. Parthasarathy Director

Dr. Anish Shah Director

Place : Mumbai

Date : 23rd April, 2016

V. Ravi Executive Director & Chief Financial Officer

Arnavaz Pardiwala Company Secretary

Independent Auditor's Report

To the Members of
Mahindra & Mahindra Financial Services Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **Mahindra & Mahindra Financial Limited** ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries are referred to as "the Group"), comprising the consolidated balance sheet as at March 31, 2016, and the consolidated statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of the preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

4. While conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 financial control relevant to the Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the 'Other Matter' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 of the consolidated state of affairs of the Group, as at March 31, 2016, and its consolidated profit and consolidated cash flows for the period from April 1, 2015 to March 31, 2016.

9. Other Matters

a. We did not audit the financial statements of the joint venture entity whose financial statements reflect

total assets of Rs. 243,751.58 lakhs as at March 31, 2016, total revenues of Rs. 10,684.46 lakhs, and net cash inflows amounting to Rs 358.14 lakhs, 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 insofar as it relates to these financial statements, is based solely on the reports of the other auditors.

- b. Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, we report that:

- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the consolidated financial statements;
- b. in our opinion proper books of account as required by law relating to preparation of the consolidated financial statements have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors;
- c. the consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of

its subsidiary companies, incorporated in India, none of the directors of the aforesaid companies, is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its Indian subsidiaries and the operating effectiveness of such controls, refer our separate report in Annexure I.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group in accordance with the generally accepted accounting practice – Refer Note 47 to the consolidated financial statements.
- ii. The Group did not have any long-term contracts for which there were any material foreseeable losses. Provision has been made in the consolidated financial statements as required under the applicable law or accounting standards, for material foreseeable losses, if any, on derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. Based on the auditor's report of the Indian subsidiary there were no amounts which were required to be transferred to the said fund.

For **B. K. Khare & Co.**
Chartered Accountants
Firm's Registration Number 105102W

Naresh Kumar Kataria
Partner
Membership Number: 037825

Place : Mumbai
Date : April 23, 2016

Annexure I to our Report

of even date on the Consolidated Financial Statements of Mahindra & Mahindra Financial Services Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the **Mahindra & Mahindra Financial Services Limited** as of March 31, 2016 and for the period from April 1, 2015 to March 31, 2016 we have audited the internal financial controls over financial reporting of Mahindra & Mahindra Financial Services Limited (hereinafter referred to as "the Holding Company") and its four subsidiary companies incorporated in India ("Indian Subsidiary Companies"), as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding company and its Indian Subsidiary Companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control sated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that operate effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and efforts, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on internal financial controls over financial reporting based on our audit for the Group Companies in India. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India ("ICAI") and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Group Companies in India.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of

controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and Group Companies in India have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria

established by the Group Companies in India considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For **B. K. Khare & Co.**
Chartered Accountants
Firm's Registration Number 105102W

Naresh Kumar Kataria
Partner
Membership Number: 037825

Place : Mumbai
Date : April 23, 2016

Consolidated Balance Sheet

as at March 31, 2016

Rs. in Lacs

Particulars	Note No.	As at March 31	
		2016	2015
I. EQUITY & LIABILITIES			
1) Shareholders' funds			
a) Share Capital	1	11,292.03	11,282.81
b) Reserves and Surplus	2	635,647.75	582,988.88
		646,939.78	594,271.69
Minority Interest		6,752.75	4,929.60
2) Non-current liabilities			
a) Long-term borrowings	3	2,034,120.59	1,686,524.66
b) Other Long-term liabilities	4	43,263.99	30,247.97
c) Long term provisions	5	49,184.40	35,266.53
		2,126,568.98	1,752,039.16
3) Current liabilities			
a) Short Term Borrowings	6	521,753.18	525,861.91
b) Trade payables	7	50,725.49	49,545.23
c) Other current liabilities	8	991,031.27	818,226.02
d) Short term provisions	9	156,912.91	118,440.41
		1,720,422.85	1,512,073.57
TOTAL		4,500,684.36	3,863,314.02
II. ASSETS			
1) Non-current assets			
a) Fixed Assets	10		
i) Tangible assets		12,345.94	11,415.94
ii) Intangible assets		559.35	470.09
iii) Capital work-in-progress		1.85	31.54
b) Non-current investments	11	65,220.87	55,967.01
c) Deferred tax assets (Net)	12	59,923.93	42,125.77
d) Long-term loans and advances	13	2,284,205.04	1,988,826.44
e) Other non-current assets	14	5,236.44	23,263.46
		2,427,493.42	2,122,100.25
2) Current assets			
a) Current investments	15	54,670.33	9,449.80
b) Trade receivables	16	2,000.45	1,454.15
c) Cash and cash equivalents	17	60,975.36	49,364.02
d) Short-term loans and advances	18	1,946,693.60	1,676,198.37
e) Other current assets	19	8,851.20	4,747.43
		2,073,190.94	1,741,213.77
Total		4,500,684.36	3,863,314.02
Summary of significant accounting policies and notes to the financial statements		I & II	

The notes referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred in our report of even date.

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

Dhananjay Mungale
Chairman

Ramesh Iyer
Vice-Chairman &
Managing Director

M. G. Bhide
Director

Piyush Mankad
Director

Naresh Kumar Kataria
Partner
Membership No.037825

C.B. Bhav
Director

Rama Bijapurkar
Director

V. S. Parthasarathy
Director

Dr. Anish Shah
Director

Place : Mumbai
Date : 23rd April, 2016

V Ravi
Executive Director &
Chief Financial Officer

Arnavaz Pardiwala
Company Secretary

Consolidated Statement of Profit and Loss

for the year ended March 31, 2016

Particulars	Note No.	Rs. in Lacs	
		Year ended March 31	
		2016	2015
I. Revenue from operations	20	655,386.74	602,114.28
II. Other income	21	4,365.01	3,976.28
III. Total Revenue (I+II)		659,751.75	606,090.56
IV. Expenses:			
Employee benefits expense	22	70,409.22	56,710.19
Finance costs	23	286,834.73	264,299.81
Depreciation and amortization expense	24	4,569.78	4,550.76
Loan provisions and write offs	25	109,819.07	84,912.26
Other expenses	26	65,706.97	55,630.68
Total expenses		537,339.77	466,103.70
V. Profit before exceptional and extraordinary items and tax (III-IV)		122,411.98	139,986.86
VI. Exceptional items (net) - income/(expense)		-	-
VII. Profit before extraordinary items and tax (V-VI)		122,411.98	139,986.86
VIII. Extraordinary items		-	-
IX. Profit before tax (VII-VIII)		122,411.98	139,986.86
X. Tax expense:			
(1) Current tax		61,439.94	57,611.27
(2) Deferred tax		(17,768.11)	(10,111.16)
		43,671.83	47,500.11
XI. Profit/(Loss) for the period from continuing operations (IX-X)		78,740.15	92,486.75
XII. Minority Interest		1,510.79	1,196.21
XIII. Profit/(Loss) for the period (XI-XII)		77,229.36	91,290.54
XIV. Earnings per equity share (Rupees):	32		
(Face value - Rs. 2/- per share)			
(1) Basic		13.69	16.19
(2) Diluted		13.58	16.05
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Statement of Profit and Loss. This is the Statement of Profit and Loss in our report of even date.

For B. K. Khare and Co. Chartered Accountants FRN : 105102W	Dhananjay Mungale Chairman	Ramesh Iyer Vice-Chairman & Managing Director	M. G. Bhide Director	Piyush Mankad Director
Naresh Kumar Kataria Partner Membership No.037825	C.B. Bhawe Director	Rama Bijapurkar Director	V. S. Parthasarathy Director	Dr. Anish Shah Director
Place : Mumbai Date : 23rd April, 2016	V Ravi Executive Director & Chief Financial Officer	Arnavaz Pardiwala Company Secretary		

Consolidated Cash Flow Statement

for the year ended March 31, 2016

Rs. in Lacs

Particulars	Year ended March 31	
	2016	2015
A. Cash Flow From Operating Activities		
Profit before taxes and contingencies and exceptional items	122,411.98	139,986.86
Add/(Less): Non Cash Expenses		
Depreciation and amortisation expense	4,569.78	4,550.76
Exchange Fluctuation	1,022.95	573.01
Provision for non-performing assets (net)	56,064.16	34,728.06
Bad Debts & Write offs	51,978.52	48,804.81
General provision for Standard assets	1,775.75	1,330.83
Higher provision & provision for diminution in the fair value of restructured advances	0.64	31.87
Employee stock compensation costs	1,431.06	1,065.33
	116,842.86	91,084.67
Add/(Less): Income considered separately		
Income from investing activities	(5,218.58)	(3,962.26)
(Profit)/Loss on sale of assets	(100.34)	(9.65)
(Profit)/Loss on sale of Investment	-	(468.64)
Income from Assignment/Securitisation transactions	(20,633.45)	(25,622.33)
	(25,952.37)	(30,062.88)
Operating profit before working capital changes (I)	213,302.47	201,008.65
Less:		
(Increase)/Decrease in interest accrued on investment/others	901.85	909.07
(Increase)/Decrease in Trade receivables	(86.84)	(40,040.07)
(Increase)/Decrease in Loans & Advances	(693,637.71)	(539,160.34)
	(692,822.70)	(578,291.34)
Add: Increase in Current liabilities	49,400.74	39,424.22
	(II) (643,421.96)	(538,867.12)
Cash generated from operations (I+II)	(430,119.49)	(337,858.47)
Advance taxes paid	(65,547.73)	(59,145.11)
	(495,667.22)	(397,003.58)
Net Cash Generated From/(Used In) Operating Activities (A)	(495,667.22)	(397,003.58)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Software	(5,538.04)	(4,469.93)
Sale of fixed assets	236.85	603.22
Purchase of Investments	(234,599.19)	(267,533.24)
Investments in/maturity of term deposits with banks	10,913.77	(4,066.77)
Sale of Investments	180,074.80	274,769.77
Income received from investing activities	4,920.43	4,105.38
(Increase)/Decrease in Earmarked balances with banks	5.56	0.24
Net Cash Generated From/(Used In) Investing Activities (B)	(43,985.82)	3,408.67

Consolidated Cash Flow Statement

for the year ended March 31, 2016

Particulars	Rs. in Lacs	
	Year ended March 31	
	2016	2015
C. Cash Flow from Financing Activities		
Issue of Equity Shares (net of issue expenses)	796.64	552.76
Increase/(Decrease) in Bank borrowings (net)	(122,402.47)	(245,042.73)
Increase/(Decrease) in long term borrowings (net)	585,673.70	133,089.93
Increase/(Decrease) in short term borrowings (net)	1,334.43	338,500.62
Increase/(Decrease) in Fixed Deposits (net)	6,777.96	100,738.59
Proceeds from Assignment/Securitisation transactions	99,463.75	89,044.34
Dividend paid (including tax on dividend)	(28,590.94)	(26,176.51)
Net Cash Generated From/(used in) Financing Activities (C)	543,053.07	390,707.00
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	3,400.03	(2,887.91)
Cash And Cash Equivalents at the beginning of the year	20,549.11	23,437.02
Cash And Cash Equivalents at the end of the year	23,949.14	20,549.11
(Refer Note No. 17)		

COMPONENTS OF CASH AND CASH EQUIVALENTS

	Rs. in Lacs	
	Year ended March 31	
	2016	2015
Cash and cash equivalents at the end of the year		
- Cash on hand	2,772.55	1,929.42
- Cheques and drafts on hand	544.34	296.98
- Balances with banks in current accounts	20,632.25	18,322.71
	23,949.14	20,549.11

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	Dhananjay Mungale Chairman	Ramesh Iyer Vice-Chairman & Managing Director	M. G. Bhide Director	Piyush Mankad Director
Naresh Kumar Kataria Partner Membership No.037825	C.B. Bhawe Director	Rama Bijapurkar Director	V. S. Parthasarathy Director	Dr. Anish Shah Director
Place : Mumbai Date : 23rd April, 2016	V Ravi Executive Director & Chief Financial Officer	Arnavaz Pardiwala Company Secretary		

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

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" prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 Asset Management Company Pvt. Ltd. (MAMCPL)	India	100.00%
Mahindra Trustee Company Pvt. Ltd. (MTCPL)	India	100.00%
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 (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended).

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 Schedule III of the Companies Act, 2013. Based on the nature of services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

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 Mahindra Rural Housing Finance Limited, one of the subsidiaries, follows similar norms prescribed by The National Housing Bank for Housing Finance Companies. The Company has a policy of making additional provision on a prudential basis (refer note no. 33 of notes to the financial statements).

The joint venture (MFUSA) 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:

Revenue is recognised as earned and accrued when it is reasonably certain that its ultimate collection will be made and the revenue is measurable.

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) Delayed payment charges, fee based income and interest on trade advances, are

recognised when they become measurable and when it is not unreasonable to expect their ultimate collection.

- d) In respect of MMFSL, income on business assets classified as Non-performing Assets, is recognised strictly in accordance with the guidelines issued by The Reserve Bank of India for Non-Banking Financial Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.
 - e) In respect of MRHFL, income on business assets classified as Non-performing Assets, is recognised on realisation in accordance with the guidelines issued by The National Housing Bank for Housing Finance Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.
 - f) 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.
 - g) The joint venture's (MFUSA) interest income from finance receivables and inventory receivables is recognised using the effective-interest method. Late payment charges are credited to income when received. Accrual of interest and finance fees is suspended when collection is greater than 90 days delinquent or if indication of impairment exists. Income is recognised on cash basis after a receivable is put on non accrual status. The accrual of interest resumes when the receivable becomes less than 90 days delinquent and the customer is no longer in default status.
- #### iii. Subvention income:
- Subvention received from dealers/manufacturers on vehicles financed 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.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

v. Insurance consultancy fees:

Revenue from Insurance Consultancy is recognised net of service tax on rendition of service in accordance with the terms of the contract with customer.

vi. Income from assignment/securitisation transactions:

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

i. In case of 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.

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 and 8).

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 accrued on time proportion basis.

5) Fixed assets, depreciation and amortization:

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 lower of their net book value and net realisable value.

b) Depreciation on Tangible assets:

Depreciation on tangible assets is charged on Straight Line Method (SLM) in accordance with the useful lives specified in Part – C of Schedule II to the Companies Act, 2013 on a pro-rata basis except for following assets in respect of which useful life is taken as estimated by the management based on the actual usage pattern of the assets:

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

- a) Assets costing less than Rs.5000/- are fully depreciated in the period of purchase.
 - b) Vehicles used by employees are depreciated over a period of 48 months considering this period as the useful life of the vehicle for the Company.
 - c) In respect of MMFSL, 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.
 - d) Residual value of the assets is considered as nil reflecting the realisable value at the end of the useful life of an asset.
- c) Intangible assets:**
Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.
- d) Amortization of Intangible assets:**
Intangible assets comprises of computer software which is amortized over the estimated useful life. The maximum period for such amortization is 36 months based on estimates of useful life.
- 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.
 - 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 item 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 existing assets/liabilities**
- a. In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate which is either a premium or discount arising at the inception of a forward contract is amortised over the life of the contract. Unamortised forward premium as at the year end is reflected as Other long-term/short-term liabilities depending on the period over which the premium is amortised.
 - 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 is recognised as income or expense for the period.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

- d. As per the risk management policy, the Company has taken foreign currency swap to cover the risk exposure on account of foreign currency loans. Such transactions are structured in such a way that the Company's foreign currency liability is crystallized at a rate of exchange prevailing on the date of taking the swap. Accordingly, no loss or gain is expected on the settlement of swap as compared to the rate of exchange prevailing on the date of the swap. In such cases, foreign currency gains/losses on currency swap contracts are recognised to the extent of loss/gain on the underlying loan liabilities.
- e. 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 respect of the Company (MMFSL), in terms of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, investments held as long-term investments are generally carried at cost comprising of acquisition and incidental expenses. Long-term investments in structured instruments are carried at cost less principal repayments till reporting date. 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 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 Corporation of India. Contributions to the scheme 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.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

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 or charged to Statement of Profit and Loss 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 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. The options which have lapsed are reversed by a credit to Employee compensation cost, equal to the amortised portion of value of lapsed portion and credit to Deferred employee compensation cost equal the unamortised portion.

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

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 1 SHARE CAPITAL		
Authorised capital:		
70,00,00,000 equity shares of Rs.2/- each	14,000.00	14,000.00
50,00,00,000 Redeemable preference shares of Rs.100/- each	5,000.00	5,000.00
Issued capital:		
56,87,64,960 equity shares of Rs.2/- each	11,375.30	11,375.30
Subscribed and paid-up capital:		
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 by it to employees (41,63,582 equity shares of Rs.2/- each (March 2015 : 46,24,289 equity shares of Rs.2/- each))	83.27	92.49
Total	11,292.03	11,282.81

	As at March 31			
	2016		2015	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
a) Reconciliation of number of equity shares -				
Balance at the beginning of the year	568764960	11,375.30	568764960	11,375.30
Add : Fresh allotment of shares	-	-	-	-
Balance at the end of the year	568764960	11,375.30	568764960	11,375.30
b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries/associates:				
Holding company : Mahindra & Mahindra Limited	291207660	5,824.15	291207660	5,824.15
Percentage of holding (%)	51.20%	51.20%	51.20%	51.20%
c) Shareholders holding more than 5 percent shares:				
Mahindra & Mahindra Limited	291207660	5,824.15	291207660	5,824.15
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. 83.27 Lacs (March 31, 2015 : Rs. 92.49 Lacs) in respect of 41,63,582 equity shares of face value of Rs. 2/- each (March 31, 2015 : 46,24,289 equity shares of face value of Rs. 2/- each) pertaining to Employee Stock Option Scheme 2005 and Employee Stock Option Scheme 2010 and Securities premium reserve by Rs. 64.39 Lacs (March 31, 2015 : Rs. 64.39 Lacs) in respect of 7,85,275 equity shares (March 31, 2015 : 7,85,275 equity shares) pertaining to Employee Stock Option Scheme 2005 held by the Trust, as at the year-end pending allotment of shares to eligible employees.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
NOTE 2 RESERVES AND SURPLUS		
Capital redemption reserve:		
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	-	-
Balance as at the end of the year	5,000.00	5,000.00
Securities premium reserve:		
Balance as at the beginning of the year	2,02,324.25	2,01,824.74
Add : Additions during the year on account of -		
i) Exercise of employee stock options	928.15	499.51
ii) Fresh issue of shares	-	-
	2,03,252.40	2,02,324.25
Less : Deductions during the year in respect of share issue expenses	-	-
Balance as at the end of the year	2,03,252.40	2,02,324.25
Less : Shares issued to ESOP trust but not allotted to employees pertaining to Employees Stock Option Scheme 2005	64.39	64.39
Net balance as at the end of the year	2,03,188.01	2,02,259.86
Statutory reserve:		
Balance as at the beginning of the year	1,01,279.18	83,352.56
Add : Transfers from Surplus in the Statement of Profit and Loss	15,486.38	17,926.62
	1,16,765.56	1,01,279.18
Less : Deductions during the year	-	-
Balance as at the end of the year	1,16,765.56	1,01,279.18
General reserve:		
Balance as at the beginning of the year	46,358.20	37,480.45
Add : Transfers from Surplus in the Statement of Profit and Loss	6,726.00	8,877.75
	53,084.20	46,358.20
Less : Deductions during the year	-	-
Balance as at the end of the year	53,084.20	46,358.20
Foreign exchange fluctuation reserve:		
Balance as at the beginning of the year	1,885.69	1,312.48
Add : Additions during the year	1,036.49	573.21
	2,922.18	1,885.69
Less : Deductions during the year	-	-
Balance as at the end of the year	2,922.18	1,885.69
Employees stock options outstanding:		
A) Employee Stock Option Outstanding:		
Balance as at the beginning of the year	5,241.45	1,333.81
Add : Fresh grant of options	139.10	4,465.00
	5,380.55	5,798.81
Less : Transfers/reversals during the year		
i) Transfers to securities premium reserve on exercise of options	928.15	499.51
ii) Reversals for options lapsed	16.72	57.85
Balance as at the end of the year (A)	4,435.68	5,241.45
Less:		
B) Deferred Employee Compensation:		
Balance as at the beginning of the year	3,599.85	462.18
Add : Fresh grant of options	139.10	4,465.00
	3,738.95	4,927.18

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 2 RESERVES AND SURPLUS		
Less : Amortisation during the year		
i) Transfer to employee benefit expenses (refer note no. 22)	1,727.88	1,269.48
ii) Reversals for options lapsed	16.72	57.85
Balance as at the end of the year (B)	1,994.35	3,599.85
Balance as at the end of the year (A-B)	2,441.33	1,641.60
Surplus in Statement of profit and loss:		
Balance as at the beginning of the year	2,24,564.35	1,87,814.12
Less : Transitional depreciation charge (net of deferred tax) on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24). **	-	329.77
	2,24,564.35	1,87,484.35
Add : Adjustments as per the Scheme of Amalgamation	-	529.87
Add : Profit for the year transferred from the Statement of Profit and Loss	77,229.36	91,290.54
	3,01,793.71	2,79,304.76
Less : Appropriations:		
General reserve	6,726.00	8,877.75
Statutory reserve	15,486.38	17,926.62
Proposed dividend on equity shares	22,750.60	22,750.60
Corporate dividend tax on equity shares	4,584.26	4,552.41
Deferred Tax Liability on Special Reserve adjustments **	-	633.03
	49,547.24	54,740.41
Balance as at the end of the year	2,52,246.47	2,24,564.35
Total	6,35,647.75	5,82,988.88

** excluding share attributable to minority interest.

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 3 LONG-TERM BORROWINGS		
a) Secured - #		
Non-convertible debentures (refer note no. 50(i)(a)) \$	7,30,390.00	3,57,040.00
Term loans:		
- from banks (refer note no. 50(ii)(a))	7,14,494.28	7,87,597.03
- from others (refer note no. 50(iii)(a))	15,186.00	21,682.49
Foreign currency loans		
- from banks (refer note no. 50(iv)(a))	53,227.83	12,500.00
- from others (refer note no. 50(v)(a))	1,08,561.47	75,101.31
Total	16,21,859.58	12,53,920.83
b) Unsecured -		
Unsecured bonds (Subordinate debts) (refer note no. 51(i)(a)) \$	1,24,410.00	1,00,910.00
Term loans:		
- from banks (refer note no. 51(ii)(a))	-	10,000.00
Fixed deposits (refer note no. 51(iv)(a))	2,87,851.01	3,21,693.83
Total	4,12,261.01	4,32,603.83
Total (a+b)	20,34,120.59	16,86,524.66

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

\$ The funds raised by the Company during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 4 OTHER LONG-TERM LIABILITIES		
Deposits/advances received against loan agreements (refer note no. 39)	2,338.12	1,804.35
Interest accrued but not due on borrowings	31,390.82	19,283.53
Deferred subvention income	2,296.12	2,508.93
Unrealised gains on loan transfers under securitisation transactions (refer note no. 42(c))	4,730.46	5,175.94
Cash profit on loan transfers under assignment transactions pending recognition	5.64	35.22
Other long term liabilities	1.00	-
Premium on forward exchange contracts	2,501.83	1,440.00
Total	43,263.99	30,247.97

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 5 LONG-TERM PROVISIONS		
Provisions for employee benefits (refer note no. 40)	1,244.91	1,316.61
Others:		
Provisions for Non-performing assets (refer note no. 33(a), 34 and 35)	39,513.68	26,419.74
Contingent provisions for standard assets (refer note no. 33(b) and 35)	8,413.39	7,504.79
Higher provisions on restructured standard advances (refer note no. 33(d))	8.52	17.77
Provisions for diminution in the fair value of restructured advances (refer note no. 33(d))	3.90	7.62
Total	49,184.40	35,266.53

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 6 SHORT TERM BORROWINGS		
a) Secured - #		
Term loans from banks (refer note no. 51(i))	41,400.00	75,600.00
Cash credit facilities with banks (refer note no. 51(i))	82,929.05	59,754.56
Foreign currency loans (refer note no. 51(ii))	55,269.45	36,064.29
Total	1,79,598.50	1,71,418.85
b) Unsecured -		
Loans and advances from related parties (ICDs) (refer note no. 50(iii)(b))	30,000.00	-
Fixed deposits (refer note no. 50(iv)(a))	16,154.68	6,943.06
Commercial Papers (CPs) (refer note no. 51(iii))	2,96,000.00	3,47,500.00
Total	3,42,154.68	3,54,443.06
Total (a+b)	5,21,753.18	5,25,861.91

All secured loans/debentures are secured by pari passu charges on office premises 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 consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 7 TRADE PAYABLES		
a) Trade payables of Micro, Small and Medium Enterprises		
- Finance	-	-
- Expenses	-	-
b) Trade payables other than Micro, Small and Medium Enterprises		
- Finance	33,708.78	35,102.69
- Expenses	17,016.71	14,442.54
Total	50,725.49	49,545.23

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 8 OTHER CURRENT LIABILITIES		
Current maturities of long-term debt		
a) Secured - #		
Non-convertible debentures (refer note no. 50(i)(b)) \$	2,34,470.00	1,52,270.00
Term loans		
- from banks (refer note no. 50(ii)(b))	3,57,386.09	3,43,954.34
- from others (refer note no. 50(iii)(b))	6,109.49	7,039.44
Foreign currency loans		
- from banks (refer note no. 50(iv)(b))	26,932.51	42,044.47
- from others (refer note no. 50(v)(b))	52,566.87	35,853.50
	6,77,464.96	5,81,161.75
b) Unsecured -		
Fixed deposits (refer note no. 51(iv)(c))	1,61,030.66	1,29,621.50
Term loan from banks (refer note no. 51(ii)(b))	10,000.00	-
	1,71,030.66	1,29,621.50
Interest accrued but not due on borrowings	57,784.61	40,486.58
Unclaimed dividends	52.14	57.69
Deposits/advances received against loan agreements (refer note no. 39)	1,581.54	1,460.65
Amount received in advance from ESOS Trust	147.66	156.88
Credit balances in current accounts with banks as per books	43,682.72	28,370.30
Deferred subvention income	2,108.73	2,284.76
Unrealised gains on loan transfers under securitisation transactions (refer note no. 42(c))	20,665.25	19,175.40
Cash profit on loan transfers under assignment transactions pending recognition	17.93	85.42
Insurance premium payable	2,947.33	3,840.65
Payables under assignment/securitisation transactions	1,871.91	2,932.13
Taxes deducted at Source	3,352.08	3,142.33
Premium payable to bank under forward exchange contracts on FCNR loans	2,181.64	-
Others	6,142.11	5,449.98
Total	9,91,031.27	8,18,226.02

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

\$ The funds raised by the company (MMFSL) during the year by issue of Secured/Unsecured Non Convertible Debentures/Bonds were utilised for the purpose intended, i.e. towards lending, financing, to refinance the existing indebtedness of the Company or for long-term working capital, in compliance with applicable laws.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
NOTE 9 SHORT-TERM PROVISIONS		
Provisions for employee benefits (refer note no. 40)	6,388.55	4,998.54
Others:		
Provisions for estimated loss/expenses on assignments	-	6,756.56
Provisions for Non-performing assets (refer note no. 33(a), 34 and 35)	1,16,541.39	73,535.35
Contingent provisions for standard assets (refer note no. 33(b) and 35)	6,836.01	5,968.86
Higher provisions on restructured standard advances (refer note no. 33(d))	13.79	4.54
Provisions for diminution in the fair value of restructured advances (refer note no. 33(d))	6.30	1.94
Proposed dividend on equity shares #	22,750.60	22,750.60
Corporate dividend tax #	4,376.27	4,424.02
Total	1,56,912.91	1,18,440.41

The Board of Directors have recommended a dividend of Rs. 4/- per share on equity shares of face value of Rs. 2/- each (March 31, 2015: Rs. 4/- per share on equity shares of face value Rs. 2/- each) for the current financial year. The dividend will absorb a sum of Rs. 27,126.87 Lacs (March 31, 2015: Rs. 27,174.62 Lacs) including dividend distribution tax.

The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2006 ('principal rules'), vide notification issued by Ministry of Corporate Affairs dated March 30, 2016. The Companies (Accounting Standards) Rules, 2016 is effective from March 30, 2016. According to the amended rules, the proposed dividend mentioned above need not be recorded as a liability as at March 31, 2016 (Refer Para 8.5 of AS-4 – Contingencies and Events occurring after Balance Sheet date). The Company believes that the Rule 3(2) of the principal rules has not been withdrawn or replaced and accordingly, the Companies (Accounting Standards) Rules, 2016 will apply for the accounting periods commencing on or after March 30, 2016. Therefore, the Company has recorded Rs. 27,126.87 lacs as liability for proposed dividend (including corporate dividend distribution tax) as at March 31, 2016.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Asset description	Gross Block at Cost				Depreciation & Amortisation				Net Block		
	As at 1st April, 2015	As at Additions	Deductions/ adjustments	As at 31st March, 2016	As at 1st April, 2015	Transitional depreciation #	Additions	Deductions/ adjustments	As at 31st March, 2016	As at 1st April, 2015	
i) Tangible assets:											
Premises	108.92	23.12	0.00	132.04	19.41	-	1.96	-	21.37	110.67	89.51
	<i>108.92</i>	-	<i>0.00</i>	<i>108.92</i>	<i>17.59</i>	-	<i>1.82</i>	-	<i>19.41</i>	<i>89.51</i>	<i>91.33</i>
Computers	5,534.78	1,225.36	281.24	6,478.90	3,902.62	-	952.69	280.60	4,574.71	1,904.19	1,632.16
	<i>4,490.89</i>	<i>1,093.96</i>	<i>50.06</i>	<i>5,534.79</i>	<i>2,238.21</i>	<i>435.62</i>	<i>1,277.45</i>	<i>48.64</i>	<i>3,902.64</i>	<i>1,632.15</i>	<i>2,252.68</i>
Furniture and Fixtures	6,976.96	735.98	68.47	7,644.47	2,932.55	-	867.19	59.01	3,740.73	3,903.74	4,044.41
	<i>6,373.10</i>	<i>622.26</i>	<i>18.42</i>	<i>6,976.94</i>	<i>2,089.71</i>	<i>36.38</i>	<i>818.48</i>	<i>12.02</i>	<i>2,932.55</i>	<i>4,044.39</i>	<i>4,283.39</i>
Vehicles	5,701.87	1,275.39	467.11	6,510.15	3,012.51	-	982.32	351.69	3,643.14	2,867.01	2,689.36
	<i>5,281.39</i>	<i>667.40</i>	<i>246.90</i>	<i>5,701.89</i>	<i>2,214.71</i>	<i>3.48</i>	<i>943.17</i>	<i>148.87</i>	<i>3,012.49</i>	<i>2,689.40</i>	<i>3,066.68</i>
Office Equipment	6,505.03	1,938.19	338.33	8,104.89	3,544.53	-	1,327.35	327.32	4,544.56	3,560.33	2,960.50
	<i>4,972.18</i>	<i>1,581.05</i>	<i>48.21</i>	<i>6,505.02</i>	<i>2,316.05</i>	<i>42.26</i>	<i>1,228.09</i>	<i>41.87</i>	<i>3,544.53</i>	<i>2,960.49</i>	<i>2,656.13</i>
Total (i)	24,827.56	5,198.04	1,155.15	28,870.45	13,411.62	-	4,131.51	1,018.62	16,524.51	12,345.94	11,415.94
As on 31-03-2015	<i>21,226.48</i>	<i>3,964.67</i>	<i>363.59</i>	<i>24,827.56</i>	<i>8,876.27</i>	<i>517.74</i>	<i>4,269.01</i>	<i>251.40</i>	<i>13,411.62</i>	<i>11,415.94</i>	<i>12,350.21</i>
ii) Intangible assets:											
Computer software	1,868.29	527.53	-	2,395.82	1,402.25	-	438.27	-	1,840.52	555.30	466.04
	<i>1,614.60</i>	<i>253.69</i>	<i>-</i>	<i>1,868.29</i>	<i>1,120.50</i>	<i>-</i>	<i>281.75</i>	<i>-</i>	<i>1,402.25</i>	<i>466.04</i>	<i>494.10</i>
Goodwill*	4.05	-	-	4.05	-	-	-	-	-	4.05	4.05
	<i>4.05</i>	<i>-</i>	<i>-</i>	<i>4.05</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4.05</i>	<i>4.05</i>
Total (ii)	1,872.34	527.53	-	2,399.87	1,402.25	-	438.27	-	1,840.52	559.35	470.09
As on 31-03-2015	<i>1,618.65</i>	<i>253.69</i>	<i>-</i>	<i>1,872.34</i>	<i>1,120.50</i>	<i>-</i>	<i>281.75</i>	<i>-</i>	<i>1,402.25</i>	<i>470.09</i>	<i>498.15</i>
Total (i+ii)	26,699.90	5,725.57	1,155.15	31,270.32	14,813.87	-	4,569.78	1,018.62	18,365.03	12,905.29	11,886.03
As on 31-03-2015	<i>22,845.13</i>	<i>4,218.36</i>	<i>363.59</i>	<i>26,699.90</i>	<i>9,996.77</i>	<i>517.74</i>	<i>4,550.76</i>	<i>251.40</i>	<i>14,813.87</i>	<i>11,886.03</i>	<i>12,848.36</i>

Previous year figures are in Italics.

* Goodwill arising on consolidation

represents transitional depreciation charge adjusted in opening balance of Surplus in Statement of Profit and Loss (as on 1 April 2014) on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no. 24).

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 11 NON-CURRENT INVESTMENTS		
i) Quoted (at cost) : Trade		
Government securities (refer note no.11 (i))	63,220.81	50,612.79
Secured redeemable non-convertible debentures (refer note no. 11(ii))	2,000.01	5,354.17
(Non-current portion of long term investments in secured redeemable non-convertible debentures)		
	(A) 65,220.82	55,966.96
ii) Unquoted (at cost):		
(a) Equity investment in other entities:		
New Democratic Electoral Trust	0.05	0.05
(500 equity shares of Rs.10/- each fully paid up; March 2015: Nil)		
	(B) 0.05	0.05
Total (A + B)	65,220.87	55,967.01
Additional Information:		
Aggregate amount of quoted investments and market value -		
i) Aggregate amount	65,220.82	55,966.96
ii) Market value	67,928.16	58,916.61
Aggregate amount of unquoted investments	0.05	0.05

**i) Details of quoted Long-term investments in Government stock:
As at March 31, 2016:**

Rs. in Lacs

Particulars	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	1,070.70
Govt Stock 8.20%-15/02/2022	100	1000000	1,005.27
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.54
Govt Stock 8.13%-21/09/2022	100	1500000	1,506.11
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 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,030.88
Govt Stock 9.15%-14/11/2024	100	2500000	2,648.71
Govt Stock 9.15%-14/11/2024	100	1000000	1,099.95
MP SDL 8.15%-13/11/2025	100	2500000	2,501.01
TN SDL 8.27%-23/12/2025	100	1000000	1,002.00
UP SDL 8.39% 27/01/2026	100	500000	500.66
UP SDL 8.39% 27/01/2026	100	1000000	1,001.31
Govt Stock 8.33%-09/07/2026	100	2000000	2,062.09
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.24%-15/02/2027	100	1000000	1,016.75
Govt Stock 8.28%-21/09/2027	100	1500000	1,380.75
Govt Stock 8.28%-21/09/2027	100	2000000	1,868.10

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 8.28%-21/09/2027	100	2000000	1,867.90
Govt Stock 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.33
Govt Stock 8.97%-05/12/2030	100	1000000	1,026.39
Govt Stock 8.97%-05/12/2030	100	1000000	1,027.65
Govt Stock 8.97%-05/12/2030	100	500000	515.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,031.33
Govt Stock 8.97%-05/12/2030	100	500000	524.88
Govt Stock 8.97%-05/12/2030	100	1000000	1,040.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,594.21
Govt Stock 8.97%-05/12/2030	100	1000000	1,104.47
Govt Stock 8.97%-05/12/2030	100	1000000	1,088.07
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,191.79
Govt Stock 8.28%-15/02/2032	100	2500000	2,401.50
Govt Stock 8.32%-02/08/2032	100	1000000	1,010.56
Govt Stock 8.32%-02/08/2032	100	1000000	1,031.88
Govt Stock 8.24%-10/11/2033	100	1000000	1,026.53
Govt Stock 8.33%-07/06/2036	100	1500000	1,549.82
Govt Stock 8.30%-02/07/2040	100	1500000	1,359.30
Govt Stock 8.83%-12/12/2041	100	1000000	1,017.45
Govt Stock 8.83%-12/12/2041	100	1000000	1,022.75
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
Total		63500000	63,220.81

As at March 31, 2015:

Rs. in Lacs

Particulars	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	1,084.47
Govt Stock 8.13%-21/09/2022	100	1500000	1,507.06
Govt Stock 8.20%-15/02/2022	100	1000000	1,006.17
Govt Stock 8.20%-15/02/2022	100	1000000	1,001.80
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 7.16%-20/05/2023	100	1000000	900.55
Govt Stock 7.16%-20/05/2023	100	1000000	904.70
Govt Stock 8.83%-25/11/2023	100	2000000	2,034.93
Govt Stock 9.15%-14/11/2024	100	2500000	2,666.00
Govt Stock 9.15%-14/11/2024	100	1000000	1,111.57
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 8.28%-21/09/2027	100	1000000	932.65
Govt Stock 8.24%-15/02/2027	100	2000000	1,898.50
Govt Stock 8.24%-15/02/2027	100	1000000	959.15
Govt Stock 8.24%-15/02/2027	100	1000000	956.33
Govt Stock 8.28%-21/09/2027	100	2000000	2,002.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,028.19

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Particulars	Face Value (Rs.)	Units	Amount
Govt Stock 8.97%-05/12/2030	100	1000000	1,029.53
Govt Stock 8.97%-05/12/2030	100	500000	516.53
Govt Stock 8.97%-05/12/2030	100	1000000	1,033.47
Govt Stock 8.97%-05/12/2030	100	500000	526.58
Govt Stock 8.97%-05/12/2030	100	1000000	1,042.83
Govt Stock 8.97%-05/12/2030	100	1500000	1,600.64
Govt Stock 8.97%-05/12/2030	100	1000000	1,111.60
Govt Stock 8.97%-05/12/2030	100	1000000	1,094.09
Govt Stock 8.97%-05/12/2030	100	1500000	1,450.20
Govt Stock 8.97%-05/12/2030	100	2000000	2,204.88
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	1,018.13
Govt Stock 8.83%-12/12/2041	100	1000000	1,023.64
Govt Stock 8.83%-12/12/2041	100	1500000	1,469.33
Total		51000000	50,612.79

In respect of MMFSL, quoted investments of Rs. 63,220.81 Lacs (March 31, 2015 : Rs. 50,612.79 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 January 04, 2007 issued by The Reserve Bank of India.

ii. Details of investments in Secured redeemable non-convertible debentures:

As at March 31, 2016:

Sr. No.	ISIN Description	Total Quantity	Face Value	Rs. in Lacs		Total
				(a) Non Current	(b) Current	
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000	-	416.67	416.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
8	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000	-	250.00	250.00
9	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	200	2000	-	833.33	833.33
10	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	150	1500	-	375.00	375.00

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value	(a) Non Current	(b) Current	Total
11	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500	-	625.00	625.00
12	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750	-	187.50	187.50
13	INTREPID FINANCE AND LEASING PRIVATE LIMITED SR-F 13 XIRR NCD 28AG17 FVRS750000	80	800	166.67	400.00	566.67
14	LIGHT MICROFINANCE PRIVATE LIMITED SR-F 13.6 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
15	M POWER MICROFINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	75	750	156.25	375.00	531.25
16	SAIJA FINANCE PRIVATE LIMITED SR-F 13.1 XIRR NCD 28AG17 FVRS10LAC	80	800	166.67	400.00	566.67
17	SATIN CREDITCARE NETWORK LIMITED SR-F 12.3 XIRR NCD 28AG17 FVRS10LAC	300	3000	625.00	1,500.00	2,125.00
18	SV CREDITLINE PVT. LTD. SR-F 12.75 XIRR NCD 28AG17 FVRS10LAC	200	2000	416.67	1,000.00	1,416.67
19	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 12.75 XIRR NCD 28AG17 FVRS750000	150	1500	312.50	750.00	1,062.50
Total				2,000.01	9,279.17	11,279.18

Note: Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of issue.

As at March 31, 2015:

Rs. in Lacs

Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. in lacs)	(a) Non Current	(b) Current	Total
1	ANNAPURNA MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000.00	416.67	500.00	916.67
2	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
3	AROHAN FINANCIAL SERVICES PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	100	1000.00	416.67	500.00	916.67
4	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
5	ASIRVAD MICRO FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500.00	625.00	750.00	1,375.00
6	DISHA MICROFIN PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
7	FUSION MICROFINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
8	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000.00	250.00	500.00	750.00

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

						Rs. in Lacs
Sr. No.	ISIN Description	Total Quantity	Face Value (Rs. in lacs)	(a) Non Current	(b) Current	Total
9	FUTURE FINANCIAL SERVICES LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500.00	625.00	750.00	1,375.00
10	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	100	1000.00	250.00	500.00	750.00
11	GRAMA VIDYAL MICRO FINANCE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	200	2000.00	833.33	1,000.00	1,833.33
12	SATIN CREDITCARE NETWORK LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	150	1500.00	375.00	750.00	1,125.00
13	SONATA FINANCE PRIVATE LIMITED SR-F 13.25 XIRR NCD 23JN17 FVRS10LAC	150	1500.00	625.00	750.00	1,375.00
14	SV CREDITLINE PRIVATE LIMITED SR-F 13.25 XIRR NCD 16SP16 FVRS10LAC	75	750.00	187.50	375.00	562.50
Total				5,354.17	7,875.00	13,229.17

Note: Secured redeemable non-convertible debentures are redeemable in tranches as per the terms and conditions of issue.

			As at March 31	
			2016	2015
NOTE 12 DEFERRED TAX ASSETS (NET)				
Deferred tax assets				
Provisions for non performing assets/loss and expenses on assignments			54,163.79	36,985.97
Provisions for standard assets			5,280.12	4,662.96
Other disallowances			1,479.98	983.15
Difference between written down value of assets as per books of account and Income Tax Act, 1961			1,006.12	700.50
		(a)	61,930.01	43,332.58
Deferred tax liabilities				
Special Reserve			2,006.08	1,206.81
		(b)	2,006.08	1,206.81
Net Deferred tax assets		(a) - (b)	59,923.93	42,125.77

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 13 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good unless otherwise stated:		
Capital advances	152.97	282.24
Deposits for office premises/others	2,211.70	1,954.20
Other loans and advances	61.90	42.71
Loans against assets (secured, including overdue loans) #	22,72,274.36	19,77,507.70
Retained interest in Pass Through Certificates under securitization transactions (refer note no. 42(e))	162.02	403.46
Retained interest under assignment transitions	150.75	257.64
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 42(c))	4,730.45	5,175.94
Loans and advances (including overdue loans) @	4,460.89	3,202.55
# Includes non-performing assets of Rs. 77,911.67 lacs (March 2015 : 51,958.78 lacs) (refer note no. 5, 9, 33(a) and 34)		
@ Includes non-performing assets of Rs. 388.39 lacs (March 2015 : Rs.214.80 lacs) (refer note no. 5, 9 and 33(a))		
Total	22,84,205.04	19,88,826.44

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 14 OTHER NON-CURRENT ASSETS		
Term deposits with banks with maturity greater than 12 months		
- Free	-	4,086.77
- Under lien (refer note no. 17)	3,370.23	18,414.12
Derivative contract receivables	459.52	-
Exchange gain receivable on forward contracts on FCNR loans	391.45	168.00
Deferred premium on FCNR loan forward contracts	1,015.24	594.57
Total	5,236.44	23,263.46

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 15 CURRENT INVESTMENTS		
i) Quoted -		
Units of mutual funds @	5,569.66	74.80
Secured redeemable non-convertible debentures (refer note no. 11(2)(b)) (Current portion of long term investments in secured redeemable non-convertible debentures)	9,279.17	7,875.00
	14,848.83	7,949.80
ii) Unquoted (at cost) -		
Certificate of deposits with banks #	24,821.50	-
Commercial Papers (CPs)	15,000.00	1,500.00
(1500 CP instruments, face value of Rs.5.00 Lacs per CP issued by IMFR Capital Finance Private Limited and 1500 CP instruments, face value of Rs.5.00 Lacs per CP issued by Janalakshmi Financial Services Limited ; March 31, 2015 : 300 CP instruments, face value of Rs.5.00 Lacs per CP issued by IKF Finance Limited)		
	39,821.50	1,500.00
Total	54,670.33	9,449.80

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
ADDITIONAL INFORMATION:		
Aggregate amount of quoted investments and market value		
Aggregate amount	14,848.83	7,949.80
Market Value*	14,848.83	7,949.80
Aggregate amount of unquoted investments	39,821.50	1,500.00

* Of the total quoted investments mentioned above, book value for secured redeemable non-convertible debentures is taken as market value as in the absence of trades, market quotes are not available.

@ Details of quoted current investments in Units of Mutual Fund

As at March 31, 2016:

Particulars	Units	Amount
KOTAK MUTUAL FUND	137613.67	3,379.67
ICICI PRUDENTIAL MUTUAL FUND	410474.45	907.36
RELIANCE MUTUAL FUND	35243.43	1,282.63
Total		5,569.66

As at March 31, 2015:

Particulars	Units	Amount
JM MUTUAL FUND	717185.28	74.80
Total		74.80

Details of unquoted current investments in Certificate of deposits

As at March 31, 2016:

Rs. in Lacs

Particulars	Face Value (Rs.)	Units	Amount
IDBI BANK	100000	5000	4,992.89
IDBI BANK	100000	10000	9,982.22
ORIENTAL BANK OF COMMERCE	100000	10000	9,846.39
Total		25000	24,821.50

As at March 31, 2015 : Nil

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 16 TRADE RECEIVABLES		
Secured, considered doubtful:		
Trade receivable on hire purchase transactions # (outstanding for a period exceeding six months)	374.19	375.53
Unsecured, considered good unless otherwise stated:		
Outstanding for a period exceeding six months #	65.02	77.69
Outstanding for a period not exceeding six months #	1,561.24	1,000.93
# Includes non-performing assets of Rs. 413.21 Lacs (March 2015 : Rs. 398.29 Lacs) (refer note no. 5, 9 and 33(a))		
Total	2,000.45	1,454.15

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 17 CASH AND BANK BALANCE		
Cash and cash equivalents:		
Cash on hand	2,772.55	1,929.42
Cheques and drafts on hand	544.34	296.98
Bank balance in current accounts	20,632.25	18,322.73
	23,949.14	20,549.13
Other bank balances:		
Earmarked balances with banks -		
- Unclaimed dividend accounts with banks	53.45	59.01
Term deposits with original maturity of more than 3 but less than 12 months	92.00	-
Term deposits under lien (refer note no. 17)	36,880.77	28,755.88
	37,026.22	28,814.89
Total	60,975.36	49,364.02

Details of term deposits under lien:

Rs. in Lacs

	As at March 31, 2016			As at March 31, 2015		
	Cash and bank balances	Other Non-current assets	Total	Cash and bank balances	Other Non-current assets	Total
Term deposits for SLR (i)	15,307.00	2,470.00	17,777.00	10,783.00	13,722.00	24,505.00
Collateral deposits for securitization transactions (ii)	21,380.77	513.23	21,894.00	17,469.88	4,615.12	22,085.00
Legal deposits (iii)	3.00	17.00	20.00	3.00	17.00	20.00
Margin deposits towards Constituent Subsidiary General Ledger (CSGL) account (iv)	190.00	310.00	500.00	500.00	-	500.00
Under lien with IRDA for broking license (v)	-	60.00	60.00	-	60.00	60.00
Total	36,880.77	3,370.23	40,251.00	28,755.88	18,414.12	47,170.00

Term deposits with scheduled banks under lien include:

- Rs. 17,777.00 Lacs (March 31, 2015 : Rs. 24,505.00 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 January 04, 2007 issued by The Reserve Bank of India.
- Rs. 21,894.00 Lacs (March 31, 2015 : Rs. 22,085.00 Lacs) being collateral deposits kept with banks as retained exposure under credit enhancements pertaining to securitization transactions (refer note no. 42 (f)).
- Rs. 20.00 Lacs (March 2015 : Rs.20.00 Lacs) as special deposits kept with banks towards guarantee against legal suits filed by the Company.
- Rs. 500.00 Lacs (March 2015 : Rs. 500 Lacs) as collateral deposits kept with banks towards Constituent Subsidiary General Ledger (CSGL) account for holding securities for SLR purpose.
- In respect of MIBL, Term deposits with Insurance Regulatory & Development Authority of India for broking licence Rs. 60 Lacs (March 2015: Rs. 60.00 Lacs).

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 18 SHORT-TERM LOANS AND ADVANCES		
Secured, considered good unless otherwise stated:		
Loans against assets (secured, including overdue loans) #	17,31,541.51	15,02,304.31
Unsecured, considered good unless otherwise stated:		
Retained interest in Pass Through Certificates (PTC) under securitization transactions (refer note no.42(e))	310.32	839.89
Retained interest under assignment transactions	143.30	524.46
Interest Only Strip (I/O Strip) under securitization transactions (refer note no. 42(c))	20,665.26	19,175.40
Loans and advances (including overdue loans) @	12,684.31	13,560.56
Bills of Exchange	29,447.55	14,955.03
Trade Advances @	1,16,616.51	1,05,574.35
Inventory funding (secured, including overdue loans)	21,752.81	9,896.55
Inter corporate deposits given @	100.00	100.00
Deposits for office premises/others	402.31	375.83
Advance payment of taxes (net of provisions)	10,422.07	6,343.48
Other Short term advances	2,607.65	2,548.51
# Includes non-performing assets of Rs. 2,15,292.80 Lacs (March 2015 : Rs. 1,36,103.12 Lacs) (refer note no. 5, 9, 33(a) and 34)		
@ Includes non-performing assets of Rs. 2,443.46 Lacs (March 2015 : Rs. 2,050.78 Lacs) (refer note no.5, 9, 33(a))		
Total	19,46,693.60	16,76,198.37

Rs. in Lacs

	As at March 31	
	2016	2015
NOTE 19 OTHER CURRENT ASSETS		
Interest accrued on -		
a) Investments	1,232.70	958.56
b) Others deposits	3,389.16	2,281.44
Derivative contracts receivables	-	784.47
Exchange gains receivable on forward contracts on FCNR loans	888.13	-
Deferred premium on FCNR loan forward contracts	3,341.21	722.96
Total	8,851.20	4,747.43

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 20 REVENUE FROM OPERATIONS		
a) Interest		
Income from loans	5,82,766.20	5,30,058.94
Income from hire purchase	26.09	31.64
Interest on term deposits/Inter-corporate deposits/Bonds etc.	6,356.72	5,542.22
Interest on retained interest in PTCs under securitization transactions	43.55	97.12
Interest on government securities		
- Long term	4,710.02	3,710.69
	(a) 5,93,902.58	5,39,440.61
b) Other financial services		
Income from insurance business/services	11,043.64	9,663.44
Service charges and other fees on loan transactions	26,758.29	25,369.11
Income from hire purchase	0.13	0.20
Income from bill discounting	3,047.41	2,018.08
Income from lease	1.24	0.51
Income from assignment/securitisation transactions (refer note no. 42)	20,633.45	25,622.33
	(b) 61,484.16	62,673.67
Total	6,55,386.74	6,02,114.28

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 21 OTHER INCOME		
Dividend income on		
- Current investments in mutual fund units	163.78	84.89
Profit/premium on sale/redemption of:		
- Current investments	1.16	468.64
Profit on sale/retirement of owned assets (net)	107.10	15.13
Income from shared services	3,027.53	2,418.96
Others	1,065.44	988.66
Total	4,365.01	3,976.28

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 22 EMPLOYEE BENEFITS EXPENSE		
Salary, bonus and incentives	61,897.06	49,931.47
Contribution to provident fund and other funds	4,563.15	3,704.05
Employee stock compensation costs # (refer note no.31(g))	1,748.82	1,288.63
Staff welfare expenses	2,200.19	1,786.04
Total	70,409.22	56,710.19

Inclusive of ESOP costs reimbursements (net) to the holding company Rs. 17.24 Lacs (March 2015: Rs. 19.15 Lacs).

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 23 FINANCE COSTS		
Interest expenses	2,84,204.58	2,61,899.78
Other borrowing costs	2,630.15	2,400.03
Total	2,86,834.73	2,64,299.81

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 24 DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation on tangible assets	4,131.51	4,269.01
Amortization of intangible assets	438.27	281.75
Total	4,569.78	4,550.76

Consequent to the enactment of the Act, the Company had in the year ended, March 31, 2015 recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II to the Act or as assessed by the management (Refer Accounting Policies, Note no.4 (b)). This had resulted in additional charge of depreciation of Rs.1,536.05 lacs for the year ended March 31, 2015. Further, as per the transitional provision, carrying value of assets of Rs. 341.76 lacs (net of Deferred tax of Rs. 175.98 lacs) was adjusted in the opening balance of retained earnings in respect of assets where the remaining useful life was NIL as at April 01, 2014.

Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 25 LOAN PROVISIONS AND WRITE OFFS		
Bad debts and write offs (refer note no. 33(c))	51,978.52	48,804.81
Provision for Non performing assets (Net) (refer note no. 33(a), 34 and 35)	56,064.16	34,744.75
General provision for standard assets (refer note no. 33(b) and 35)	1,775.75	1,330.83
Higher provision on restructured standard advances (refer note no. 33(d))	-	22.31
Provision for diminution in the fair value of restructured advances (refer note no. 33(d))	0.64	9.56
Total	1,09,819.07	84,912.26

Significant Accounting Policies and Notes

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Rs. in Lacs

	Year ended March 31	
	2016	2015
NOTE 26 OTHER EXPENSES		
Electricity charges	1,953.43	1,676.72
Rent	6,902.19	5,799.81
Repairs to -		
- Buildings	567.39	382.45
- Others	337.23	217.77
Insurance	1,842.01	1,442.69
Rates and taxes, excluding taxes on income	560.22	367.08
Directors' sitting fees and commission	337.59	216.83
Commission and brokerage	17,251.03	16,271.72
Legal and professional charges	8,919.65	6,670.64
Loss on sale/retirement of owned assets (net)	6.76	5.48
Payments to auditors -		
Audit fees	76.28	66.46
Taxation matters	10.45	7.00
Other services	48.83	25.97
Reimbursement of expenses	1.30	0.79
Corporate Social Responsibility donations and expenses (refer note no. 45)	3,135.74	2,645.80
General and administrative expenses	23,756.87	19,833.47
Total	65,706.97	55,630.68

NOTE 27 Above expenses include following expenditure incurred in foreign currency

Rs. in Lacs

	Year ended March 31	
	2016	2015
Travelling expenses	33.02	19.86
Legal and professional fees	201.97	126.68
Other expenses	37.96	55.97

NOTE 28 The Company has the following investments in Joint Venture for which the required treatment as per Accounting Standard AS 27 - 'Financial Reporting of Interests in Joint Ventures', has been given in the Consolidated Financial Statements.

Name of Joint Venture	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 MIBL has submitted the application on April 04, 2016 for renewal of its Composite Broking License which is due for renewal on May 17, 2016.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 31 EMPLOYEE STOCK OPTION PLAN

- a) The Company had allotted 134,32,750 equity shares (face value of Rs.2/- each) under Employee Stock Option Scheme 2005 at a premium of Rs.8.20 per share on December 06, 2005 and 48,45,025 Equity shares (face value of Rs.2/- each) under Employee Stock Option Scheme 2010 at par on February 03, 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 1,41,14,193 equity shares to employees up to March 31, 2016 (March 31, 2015 : 1,36,53,486 equity shares), of which 4,60,707 equity shares (March 31, 2015 : 6,15,552 equity shares) were issued during the current year. All the equity shares issued to employees during the current year are out of Employee Stock Option Scheme 2010.

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	3 years from the date of vesting
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

- b) The details of modification to Employee stock option scheme (extension of exercise period):

The Nomination and Remuneration Committee of the Board of Directors of Mahindra & Mahindra Financial Services Limited at its Meeting held on 23rd April, 2015, has approved the extension of the exercise period to 36 months from the date of vesting as against the current period of 6 months in respect of the stock options granted under the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme 2010.

The details of increase/(decrease) in fair value as a result of extension of the exercise period are as follows:

Sr. No.	Scheme Name	Grant date	Fair value per option on the date of grant (Rs.)	Pre modification fair value per option (Rs.)	Post modification fair value per option (Rs.)	Increase/(decrease) in fair value per option (Rs.)
1	ESOS 2010	25-Jan-2012	117.31	276.65	273.82	(2.83)
2	ESOS 2010	22-Jul-2013	198.64	272.99	268.41	(4.58)
3	ESOS 2010	21-Oct-2013	259.46	272.25	267.57	(4.68)
4	ESOS 2010	21-Oct-2014	267.23	268.69	264.07	(4.62)

As per the requirements of paragraph 24 of the Guidance Note on Accounting for Employee Share-based payments issued by the Institute of Chartered Accountants of India (ICAI), the Company has not taken in to account above decrease in fair value measured immediately before and after modification of the terms and conditions and hence continued to measure the amount recognised for services received as consideration for the stock options based on the grant date fair value of the stock options granted.

Significant Accounting Policies and Notes

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- c) During the year, the Company has granted 57,920 stock options to the eligible employees under the Employees' Stock Option Scheme 2010. The details are as under:

	Grant dated October 21, 2015
No. of options granted	57920
Intrinsic value of shares based on latest available closing market price (Rs.)	240.15
Total amount to be amortized over the vesting period (Rs. in Lacs)	139.10
Charge to Statement of profit and loss for the year (Rs. in Lacs)	31.76
Compensation in respect of lapsed cases (Rs. in Lacs)	-
Unamortized amount carried forward (Rs. in Lacs)	107.34

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

Vesting date	Grant dated October 21, 2015	
	Expected Vesting	Fair Value (Rs.) per share
October 21, 2016	11584	
October 21, 2017	11584	
October 21, 2018	11584	223.42
October 21, 2019	11584	
October 21, 2020	11584	
	57920	

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

Variables #	Grant dated October 21, 2015
1) Risk free interest rate	7.53%
2) Expected life	4.50 years
3) Expected volatility	37.37%
4) Dividend yield	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	242.15

the values mentioned against each of the variables are based on the weighted average percentage of vesting.

d) Summary of stock options

Summary of Stock Options	As at/Year ended March 31			
	2016		2015	
	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	21,22,955	2.00	11,63,249	12.70
Options granted during the year	57,920	2.00	16,01,507	2.00
Options forfeited/lapsed during the year #	5,995	2.00	26,249	11.07
Options exercised during the year	4,60,707	2.00	6,15,552	21.84
Options outstanding at the end of the year	17,14,173	2.00	21,22,955	2.00
Options vested but not exercised at the end of the year	2,87,526	2.00	1,24,345	2.00

including nil (March 31, 2015: 13,225) 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 March 31st, 2016

e) Information in respect of options outstanding:

Grant date/Exercise price	As at March 31			
	2016		2015	
	No. of stock options	Weighted average remaining life ^{\$}	No. of stock options	Weighted average remaining life
Scheme 2010:				
February 07, 2011 at Rs.2.00	1,44,188	34 months	3,55,735	13 months
January 25, 2012 at Rs.2.00	62,830	41 months	95,790	19 months
July 22, 2013 at Rs.2.00	28,878	52 months	38,504	28 months
October 21, 2013 at Rs.2.00	41,365	51 months	44,644	31 months
October 21, 2014 at Rs.2.00 #	13,78,992	59 months	15,88,282	37 months
October 21, 2015 at Rs.2.00	57,920	68 months	-	-
Total	17,14,173		21,22,955	

\$ the increase in weighted average remaining life as at March 31, 2016 as compared to March 31, 2015 is on account of modification to Employee Stock Option Scheme 2010 representing extension of exercise period to 36 months from the date of vesting as against the erstwhile exercise period of 6 months from the date of vesting (refer note no. 31 (b)).

net of nil (March 2015: 13,225) options forfeited/lapsed out of the options granted during the year.

f) 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.)
April 23, 2015	280.33
May 22, 2015	268.97
June 29, 2015	270.34
July 27, 2015	264.08
August 21, 2015	264.41
September 24, 2015	229.04
October 28, 2015	227.17
November 24, 2015	238.94
December 21, 2015	243.26
January 22, 2016	201.98
February 22, 2016	217.58
March 22, 2016	240.11

g) 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.

h) Fair value of options

The fair value of options used to compute proforma net profit and earnings per share in note no. 28 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 March 31st, 2016

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

the values mentioned against each of the variables are based on the weighted average percentage of vesting.

* 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	21-Oct-2014	21-Oct-2015
1) Risk free interest rate	7.73%	8.11%	7.61%	8.60%	8.50%	7.53%
2) Expected life	4.5 years	5.5 years	3.5 years	3.25 years	3.25 years	4.50 years
3) Expected volatility	42.38%	46.08%	35.53%	39.27%	38.83%	37.37%
4) Dividend yield	2.28%	2.11%	1.70%	1.32%	1.35%	1.65%
5) Price of the underlying share in the market at the time of option grant (Rs.)	138.60	133.14	212.35	272.40	280.80	242.15

the values mentioned against each of the variables are based on the weighted average percentage of vesting.

NOTE 32 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 *	
	As at March 31			
	2016	2015	2016	2015
Net profit after tax (Rs. in Lacs)	77,229.36	91,290.54	77,306.49	91,358.91
Weighted average number of equity shares of Rs.2/- each – Basic	564278639	563837362	564278639	563837362
Weighted Average number of equity shares of Rs.2/- each – Diluted	568764960	568764960	568764960	568764960
Basic Earnings Per Share (Rs.)	13.69	16.19	13.70	16.20
Diluted Earnings Per Share # (Rs.)	13.58	16.05	13.59	16.06

Dilution in Earnings per share is on account of 41,63,582 equity shares (March 2015 : 46,24,289 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. 77.13 Lacs (March 2015 : Rs. 68.37 Lacs).

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 33 LOAN PROVISIONS AND WRITE OFFS

- a. The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by The Reserve Bank of India. As per the practice consistently followed, the Company has also made additional provision on a prudential basis.

The RBI vide its notification no DNBR. 011/CGM (CDS)-2015 dt. March 27, 2015 has revised the asset classification norms for NPAs and substandard assets under its prudential norms applicable to NBFCs in a phased manner commencing from financial year ending 31st March, 2016, upto the financial year ending 31st March, 2018 which would result in an additional provision. The Company follows prudential norms for income recognition, asset classification and provisioning for NPAs as prescribed by RBI for NBFCs and has also been making additional provision on a prudential basis.

As on 31st March, 2016, the Company has recognised NPAs based on 4 months' norms as against the revised regulatory norms of recognising NPAs at 5 months applicable for the current financial year resulting in an additional provision of Rs. 3,454.79 Lacs and income de-recognition of Rs. 2,095.16 Lacs with a consequent impact of Rs. 5,549.96 Lacs on Profit before tax for the year ended 31st March, 2016.

The cumulative additional provision made by the Company as on March 31, 2016 is Rs. 73,567.48 Lacs (March 31, 2015 : Rs. 53,319.01 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. 1,353.00 Lacs (March 2015 : Rs. 1,057.00 Lacs).

The total amount of provision on Standard assets of Rs.14,035.00 Lacs (March 2015 : Rs.12,682.00 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. 5,262.00 Lacs as at 31st March, 2016 (March 2015 : Rs. 4,757.00 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.
- d. In accordance with the Prudential norms for restructured advances, the Company has made provisions of Rs. 32.51 Lacs (March 31, 2015 : Rs. 31.87 Lacs) as Higher provisions and Provisions for diminution in fair value on account of restructured advance which are shown separately under Long-term and Short-term provisions in the Balance sheet (refer note no.5 and 9).

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 34 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
As at March 31, 2016				
Housing loans	3,02,346.98	14,346.37	9,337.78	3,26,031.13
Other loans & advances – secured	419.04	1.82	-	420.86
Other loans & advances	820.62	-	-	820.62
Percentage to total loans	92.77%	4.38%	2.85%	100.00%
As at March 31, 2015				
Housing loans	1,97,566.35	8,274.60	3,990.68	2,09,831.63
Other loans	313.50	-	-	313.50
Percentage to total loans	94.16%	3.94%	1.90%	100.00%

NOTE 35 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, 2016 is Rs. 612.67 Lacs (March 2015: Rs. 224.03 Lacs).

In line with notification no.NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank, MRHFL has made a provision @ 0.40 % on outstanding Standard Assets.

Rs in Lacs

Provisions made	Standard	Sub Standard	Doubtful	Loss
As at March 31, 2016				
Housing loans - secured	1,209.42	2,554.84	3,212.15	131.76
Other loans & advances – secured	1.68	0.27	-	-
Other loans & advances	3.30	-	-	-
As at March 31, 2015				
Housing loans	790.30	1,297.07	1,408.97	80.34
Other loans	1.35	-	-	-

NOTE 36 As per section 29C (i) of the National Housing Bank Act, 1987, MRHFL is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose a Special Reserve created by the Company under Section 36(1)(viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The company has transferred an amount to Special Reserve in terms of 36(1)(viii) of the Income Tax Act, 1961 and section 29C of the National Housing Bank Act, 1987, as amended, at year end. The company does not anticipate any withdrawal from Special Reserve in foreseeable future.

NOTE 37 Commission and brokerage mainly represents amount incurred in respect of acquisition of customers and mobilisation of public deposits.

NOTE 38 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 39 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 consolidated financial statements for the year ended March 31st, 2016

NOTE 40 EMPLOYEE BENEFITS

Defined benefit plans – as per actuarial valuation:

Leave Benefits (Non-funded)

Defined Benefit Plans -As per actuarial valuation on March 31, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
I. Expense recognised in the Statement of Profit and Loss for the year ended March 31		
Current service cost	1,575.12	1,400.91
Interest cost	129.81	104.14
Expected return on plan assets	-	-
Actuarial (Gains)/Losses	(1,200.10)	(969.32)
Total expense	504.83	535.73
II. Net asset/(liability) recognised in the Balance Sheet as at March 31		
Present Value of Defined Benefit obligation as at March 31	1,726.97	1,468.11
Fair value of plan assets as at March 31	-	-
Funded status (Surplus/(Deficit))	(1,726.97)	(1,468.11)
Net asset/(liability) as at March 31	(1,726.97)	(1,468.11)
III. Change in the obligations during the year ended March 31		
Present Value of Defined Benefit obligation at the beginning of the year	1,468.11	1,137.71
Current service cost	1,572.20	1,291.84
Interest cost	129.81	213.20
Actuarial (Gains)/Losses	(1,200.10)	(969.33)
Benefits paid	(243.05)	(205.31)
Present Value of Defined Benefit obligation at the end of the period	1,726.97	1,468.11
IV. 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

Gratuity (funded): Defined Benefit Plans-As per actuarial valuation on March 31, 2016

	Rs. in Lacs	
	As at March 31	
	2016	2015
I. Expense recognised in the Statement of Profit and Loss Account for the year ended March 31		
Current service cost	1,238.45	1,002.05
Interest cost	158.72	120.89
Expected return on plan assets	(170.63)	(136.90)
Actuarial (Gains)/Losses	(651.82)	(421.23)
Funded amount to be transferred to Gratuity Fund	-	(70.18)
Adjustment due to change in opening balance of plan assets	-	(97.67)
Total expense	574.72	396.96
II. Net asset/(liability) recognised in the Balance Sheet as at March 31		
Present Value of Defined Benefit obligation as at March 31	2,269.42	1,771.78
Fair value of plan assets as at March 31	2,249.59	1,811.28
Funded status (Surplus/(Deficit))	(19.83)	39.50
Net asset/(liability) as at March 31	(19.83)	39.50

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

	As at March 31	
	2016	2015
III. Change in the obligations during the year ended 31st March		
Present Value of Defined Benefit obligation at the beginning of the year	1,771.78	1,336.79
Transfer of Projected benefit obligation from MBCSPL	-	0.30
Current service cost	1,238.45	1,002.05
Interest cost	158.72	120.89
Actuarial (Gains)/Losses	(799.14)	(553.74)
Benefits paid	(100.39)	(134.51)
Present Value of Defined Benefit obligation at the end of the period	2,269.42	1,771.78
IV. Change in the fair value of plan assets during the year ended March 31		
Fair value of plan assets at the beginning of the year	1,811.28	1,256.92
Expected return on plan assets	170.76	136.73
Contributions by employer	515.62	517.04
Actuarial (Gains)/Losses	(147.68)	(133.91)
Funded amount to be transferred to Gratuity Fund	-	70.18
Adjustment due to change in opening balance of Plan assets	-	98.83
Actual Benefits paid	(100.39)	(134.51)
Fair value of plan assets at the end of the year	2,249.59	1,811.28
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	

Experience Adjustments (Gratuity)

Rs. in Lacs

	Year ending				
	31/03/2012	31/03/2013	31/03/2014	31/03/2015	31/03/2016
Defined Benefit obligation at the end of the year	764.35	1,046.46	1,371.09	1,771.78	2,267.66
Plan assets at the end of the year	564.89	967.88	1,320.08	1,811.28	2,243.09
Funded status Surplus/(Deficit)	(199.46)	(78.58)	(51.01)	39.50	(24.57)
Experience adjustments on plan liabilities (gain)/loss	(112.32)	(111.33)	(65.61)	(190.55)	(266.97)
Experience adjustments on plan assets gain/(loss)	(10.77)	(18.89)	(25.00)	(34.22)	(41.95)

Significant Accounting Policies and Notes

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NOTE 41 DISCLOSURE ON DERIVATIVES

Outstanding derivative instruments and un-hedged foreign currency exposures as on 31st March, 2016

The Company has outstanding Foreign Currency Non-Repatriable (FCNR (b)) loans of US \$ 1,209.88 Lacs (March 31, 2015 : US \$ 872.71 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 March 31, 2016.

NOTE 42 SECURITISATION/ASSIGNMENT TRANSACTIONS

- a) During the year, the Company has without recourse securitised on "at par" basis vide PTC route loan receivables of 30940 contracts (March 31, 2015 : 27907 contracts) amounting to Rs. 85,586.85 Lacs (March 31, 2015: Rs. 72,229.92 Lacs) for a consideration of Rs 85,586.85 Lacs (March 31, 2015: Rs. 72,229.92 Lacs) and de-recognised the assets from the books.
- b) Income from assignment/securitization transactions include write back of provision for loss/expenses in respect of matured assignment transactions amounting to Rs 6,756.56 Lacs (March 31, 2015 :

Rs. 8,807.91 Lacs) considered no longer necessary (refer Accounting policy 4 (vii) A (iii)).

- c) 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).
- d) 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. 12,062.65 Lacs (March 31, 2015: Rs. 11,024.71 Lacs).
- e) 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.

Applicable for transactions effected after the date of circular:

Sr. No.	Particulars	Rs. in Lacs	
		As at March 31 2016	2015
1	No of SPVs sponsored by the NBFC for securitisation transactions	16	12
2	Total amount of securitised assets as per books of the SPVs sponsored	1,36,825.69	1,54,321.26
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 form of corporate undertaking	17,196.42	8,307.81
	Others	-	-
	b) On-balance sheet exposures		
	First loss- Cash collateral term deposits with banks	20,038.00	20,085.00
	Others- Retained interest in pass through certificates	472.12	1,242.81

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Rs. in Lacs

Sr. No. Particulars	As at March 31	
	2016	2015
4 Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitizations		
First loss	-	-
Loss	-	-
(ii) Exposure to third party securitisations		
First loss	-	-
Others -		
Excess Interest Spread	27,856.85	27,176.87
b) On-balance sheet exposures		
(i) Exposure to own securitisations		
First loss	-	-
Others-		
Cash collateral term deposits with banks	1,856.00	2,000.00
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

NOTE 43 There were 180 cases (March 2015: 119 cases) of frauds amounting to Rs. 627.20 Lacs (March 31, 2015 : Rs. 353.81 Lacs) reported during the year. The Company has recovered an amount of Rs. 117.89 Lacs (March 31, 2015 : Rs 107.39 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 44 The gold loans outstanding as a percentage of total assets is at 0.02% (March 2015: 0.03%).

NOTE 45 During the year, the Company has incurred expenditure of Rs. 3,021.48 Lacs (March 31, 2015 : Rs. 2,532.24 Lacs) towards Corporate Social Responsibility activities which includes contribution/donations made to the trusts which are engaged in activities prescribed under section 135 of the Companies Act, 2013 read with Schedule VII to the said Act and expense of Rs. 114.26 lacs (March 2015: Rs.113.56 Lacs) towards the CSR activities undertaken by the Company (refer note no. 26).

NOTE 46 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18:

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

Holding Company:	Mahindra and Mahindra Limited
Fellow subsidiary Companies:	2 x 2 Logistics Private Limited
	Mahindra USA, Inc.
	Mahindra Two Wheelers Limited
	NBS International Ltd.
	Mahindra First Choice Wheels Ltd.
	Mahindra First Choice Services Ltd.
	Mahindra Defence Systems Ltd.
	Mahindra Retail Pvt. Ltd.
	Mahindra Integrated Business Solutions Ltd.
	Mahindra Vehicle Manufacturers Ltd.
Key Management Personnel:	Mr. Ramesh Iyer (Managing Director)
Relatives of Key Management Personnel:	Ms Janaki Iyer
	Ms Ramlaxmi Iyer
	Mr Risheek Iyer

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

B) Related party transactions are as under:

		Rs. in Lacs		
Sr. No.	Nature of transactions	Holding Company	Fellow subsidiary Companies	* Key Management Personnel
1	Income			
	Loan income	-	64.15	-
		-	(3.52)	-
	Subvention/Disposal loss income	4,049.60 (3,663.07)	-	-
	Other income	-	3.47	-
		(64.21)	-	-
2	Expenses			
	Interest	126.12	-	20.12
		-	-	(20.11)
	Other Expenses	1,832.96 (1,503.21)	620.81 (432.33)	-
	Remuneration to MD	-	-	436.13 (645.48)
3	Investment in share capital	-	-	-
4	Purchase of Fixed Assets	327.50 (413.60)	37.73	-
5	Sale of Fixed Assets	-	-	-
6	Finance			
	Fixed deposits taken	-	-	18.94
		-	-	(202.90)
	Fixed deposits repaid	-	-	21.67
		-	-	(188.25)
	Dividend paid – for previous year	11,648.31 (11,065.89)	-	23.85 (23.71)
	Inter corporate deposits taken	30,000.00	-	-
		-	-	-
	Inter corporate deposits repaid	-	-	-
		-	-	-
	Inter corporate deposits given	-	-	-
		-	-	-
	Inter corporate deposits refunded	-	-	-
		-	-	-
7	Other transactions			
	Reimbursement from parties	-	-	-
		-	-	-
	Reimbursement to parties	-	153.08	-
		-	(119.72)	-
8	Balances as at the end of the period			
	Receivables	315.06 (1,234.25)	127.42	-
		-	-	-
	Loan given and outstanding (including interest accrued but not due)	-	1,870.04 (43.29)	-
		-	-	-
	Inter corporate deposits given (including interest accrued but not due)	-	-	-
		-	-	-

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Sr. No.	Nature of transactions	Rs. in Lacs		
		Holding Company	Fellow subsidiary Companies	* Key Management Personnel
	Payables	-	220.33	-
		-	(157.98)	-
	Subordinate debt held (including interest accrued but not due)	-	-	-
		-	-	-
	Inter corporate deposits taken (including interest accrued but not due)	30,113.51	-	-
		-	-	-
	Fixed deposits (including interest accrued but not due)	-	-	226.54
		-	-	(231.80)

Notes:

i) Figures in bracket represent corresponding figures of previous year.

* Key Management Personnel as defined in Accounting Standard 18 as well as the Companies Act, 2013.

C) The significant related party transactions are as under:

		Rs. in Lacs		
Nature of transactions		Holding Company	Fellow subsidiary Companies	* Key Management Personnel
Income				
Revenue from operations				
Subvention/Disposal loss income	Mahindra & Mahindra Limited	4,049.60	-	-
		(3,663.07)	-	-
Loan income	2 x 2 Logistics Pvt. Ltd.	-	62.08	-
		-	-	-
Loan income	Mahindra Retail Pvt. Ltd.	-	-	-
		-	(3.28)	-
Expenses				
Interest				
Interest expense on inter corporate deposits and non-convertible debentures	Mahindra & Mahindra Limited	126.12	-	-
		-	-	-
Other expenses				
Rent	Mahindra & Mahindra Limited	1,267.00	-	-
		(951.24)	-	-
Commission & Valuation charges	Mahindra First Choice Wheels Limited	-	526.94	-
		-	(417.19)	-
Purchase of fixed assets	Mahindra & Mahindra Limited	254.81	-	-
		(413.60)	-	-
Purchase of fixed assets	NBS International	-	30.97	-
		-	-	-

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

Finance

Fixed Deposits	Ramesh Iyer and relatives	-	-	18.94
		-	-	(202.90)
Fixed deposits matured	Ramesh Iyer and relatives	-	-	21.67
		-	-	(188.25)
Dividend paid - for previous year	Mahindra & Mahindra Limited	11,648.31	-	-
		(11,065.89)	-	-
Inter corporate deposits taken	Mahindra & Mahindra Limited	30,000.00	-	-
		-	-	-

Balances at the year end

Receivables	Mahindra & Mahindra Limited	315.06	-	-
		(1,234.25)	-	-
Receivables	NBS International	-	127.42	-
		-	-	-
Payables	Mahindra First Choice Wheels Limited	-	155.44	-
		-	(114.87)	-
Inter corporate deposits taken (including interest accrued but not due)	Mahindra & Mahindra Limited	30,113.51	-	-
		-	-	-
Loan outstanding	2 x 2 Logistics Pvt. Ltd.	-	1,865.14	-
		-	-	-
Loan outstanding	Mahindra Retail Pvt. Ltd.	-	-	-
		-	(30.08)	-
Fixed deposits (including interest accrued but not due)	Ramesh Iyer and relatives	-	-	226.54
		-	-	(231.80)

Figures in bracket represent corresponding figures of previous year.

* Key Management Personnel as defined in Accounting Standard 18 as well as the Companies Act, 2013.

d) Disclosure required under Section 186(4) of the Companies Act, 2013 As at March 31, 2016

Particulars	Relation	Balance as on April 1, 2015	Advances	Repayments	Rs. in Lacs
					Balance as on March 31, 2016
Loans and advances					
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	30.08	-	25.18	4.90
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	13.21	1,952.93	101.00	1,865.14
		43.29	1,952.93	126.18	1870.04

Notes:

- Above loans & advances have been given for general business purposes.
- There were no guarantees given/securities provided during the year

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

As at March 31, 2015

		Rs. in Lacs			
Particulars	Relation	Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
Loans and advances					
Mahindra Retail Pvt. Ltd.	Fellow subsidiary	36.11	-	6.03	30.08
2 x 2 Logistics Pvt. Ltd.	Fellow subsidiary	-	13.58	0.37	13.21
Total		36.11	13.58	6.40	43.29

Notes:

- i) Above loans & advances have been given for general business purposes.
- ii) There were no guarantees given/securities provided during the year.

Rs. in Lacs

		Year ended March 31	
		2016	2015
NOTE 47 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)			
Contingent liabilities			
a)	Demand against the Company not acknowledged as debts -		
i)	Income tax	3,873.42	4,416.81
ii)	Value Added Tax (VAT)	191.98	191.98
iii)	Service tax	5,283.34	-
b)	Corporate guarantees towards assignment transactions	15,331.13	31,338.63
c)	Credit enhancement in terms of corporate guarantee for securitization transactions [refer note no. 42 (e)]	17,196.42	8,307.81
d)	Legal suits filed by customers in consumer forums and civil courts claiming compensation from the Company	3,384.32	3,126.01
		45,260.61	47,381.24
Commitments			
a)	Estimated amount of contracts remaining to be executed on capital account	303.83	606.62
		303.83	606.62
Total		45,564.44	47,987.86

Rs. in Lacs

Particulars	As at April 1, 2015	Additional Provisions	Utilizations/ Reversals	As at March 31, 2016
NOTE 48 CHANGES IN PROVISIONS				
Provision for Standard assets	13,473.65	1,775.75	-	15,249.40
Provision for Non-performing assets	99,955.09	95,385.82	39,285.84	1,56,055.07

NOTE 49 Disclosure of trade payables to Micro, Small and Medium Enterprises under Current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount outstanding as on March 31, 2016 to Micro, Small and Medium Enterprises on account of principle amount aggregate to Rs. Nil (March 31, 2015: Rs. Nil) [including overdue amount of Rs. Nil (March 31, 2015: Rs. Nil)] and interest due thereon is Rs. Nil (March 31, 2015: Rs. Nil) and interest paid during the year Rs. Nil (March 31, 2015: Rs. Nil).

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 50 SECURED LONG-TERM BORROWINGS

i) Secured non-convertible debentures

Rs. in Lacs

Particulars	As at March 31, 2016			Total
	Rate range	(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturity beyond 5 years	8.70%-9.00%	1,89,200.00	-	1,89,200.00
Maturity between 3 years to 5 years	8.48%-9.45%	2,01,950.00	-	2,01,950.00
Maturity between 1 year to 3 years	8.48%-10.25%	3,39,240.00	-	3,39,240.00
Maturity within 1 year	8.57%-10.20%	-	2,34,470.00	2,34,470.00
Total		7,30,390.00	2,34,470.00	9,64,860.00

Rs. in Lacs

Particulars	As at March 31, 2015			Total
	Rate range	(a) Non-current	(b) Current Maturities	
Repayable on maturity:				
Maturity beyond 5 years	8.70%-8.95%	53,000.00	-	53,000.00
Maturity between 3 years to 5 years	8.65%-10.25%	1,22,760.00	-	1,22,760.00
Maturity between 1 year to 3 years	8.65%-10.20%	1,81,280.00	-	1,81,280.00
Maturity within 1 year	8.60%-9.95%	-	1,52,270.00	1,52,270.00
Total		3,57,040.00	1,52,270.00	5,09,310.00

ii) Secured term loans from banks

Rs. in Lacs

Particulars	As at March 31, 2016			Total
	Rate range	(a) Non-current	(b) Current Maturities	
1) Repayable on maturity:				
a) Maturing beyond 5 years	-	-	-	-
b) Maturing between 3 years to 5 years	9.65%-9.75%	25,000.00	-	25,000.00
c) Maturing between 1 year to 3 years	9.65%-9.75%	90,000.00	-	90,000.00
d) Maturing within 1 year	9.50%-9.95%	-	1,27,500.00	1,27,500.00
Total for repayable on maturity		1,15,000.00	1,27,500.00	2,42,500.00
2) Repayable in installments:				
i) Quarterly -				
a) Maturing beyond 5 years	-	-	-	-
b) Maturing between 3 years to 5 years	9.30%	19,781.75	-	19,781.75
c) Maturing between 1 year to 3 years	9.30%-9.65%	1,07,512.54	-	1,07,512.54
d) Maturing within 1 year	9.30%-9.71%	-	67,819.42	67,819.42
Total		1,27,294.29	67,819.42	1,95,113.71
ii) Half yearly -				
a) Maturing between 3 years to 5 years	9.45%-9.70%	53,333.33	-	53,333.33
b) Maturing between 1 year to 3 years	9.65%-9.75%	1,16,000.00	-	1,16,000.00
c) Maturing within 1 year	9.65%-9.75%	-	1,11,733.33	1,11,733.33
Total		1,69,333.33	1,11,733.33	2,81,066.66
iii) Yearly -				
a) Maturing beyond 5 years	-	-	-	-
b) Maturing between 3 years to 5 years	9.34%-9.70%	1,20,933.33	-	1,20,933.33
c) Maturing between 1 year to 3 years	9.34%-9.70%	1,81,933.33	-	1,81,933.33
d) Maturing within 1 year	9.50%-9.70%	-	50,333.34	50,333.34
Total		3,02,866.66	50,333.34	3,53,200.00
Total for repayable in installments		5,99,494.28	2,29,886.09	8,29,380.37
Total (1+2)		7,14,494.28	3,57,386.09	10,71,880.37

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

As at March 31, 2015

Rs. in Lacs

Particulars	Rate range	As at March 31, 2015		Total
		(a) Non-current	(b) Current Maturities	
1) Repayable on maturity:				
Maturity beyond 3 years	10.25%	30,000.00	-	30,000.00
Maturity between 1 year to 3 years	9.70%-10.30%	2,37,500.00	-	2,37,500.00
Maturity within 1 year	9.45%-10.40%	-	1,27,000.00	1,27,000.00
Total		2,67,500.00	1,27,000.00	3,94,500.00
2) Repayable in installments:				
i) Bimonthly-				
Maturity within 1 year	10.25%	-	6,200.00	6,200.00
Total		-	6,200.00	6,200.00
ii) Quarterly-				
Maturity beyond 3 years	10.00%	3,095.24	-	3,095.24
Maturity between 1 year to 3 years	9.95%-10.80%	1,00,768.46	-	1,00,768.46
Maturity within 1 year	9.95%-10.80%	-	36,054.34	36,054.34
Total		1,03,863.70	36,054.34	1,39,918.04
iii) Half-yearly-				
Maturity beyond 3 years	10.25%	21,666.67	-	21,666.67
Maturity between 1 year to 3 years	10.00%-10.25%	2,26,066.67	-	2,26,066.67
Maturity within 1 year	10.00%-10.25%	-	1,67,200.00	1,67,200.00
Total		2,47,733.33	1,67,200.00	4,14,933.33
iv) Yearly-				
Maturity beyond 3 years	10.20%-10.25%	55,333.33	-	55,333.33
Maturity between 1 year to 3 years	10.20%-10.25%	1,13,166.67	-	1,13,166.67
Maturity within 1 year	10.25%	-	7,500.00	7,500.00
Total		1,68,500.00	7,500.00	1,76,000.00
Total for repayable in installments		5,20,097.03	2,16,954.34	7,37,051.37
Total (1+2)		7,87,597.03	3,43,954.34	11,31,551.37

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

iii) Secured term loans from others:

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on installments				
Maturity beyond 5 years	9.30%-9.55%	475.40	-	475.40
Maturity between 3 years to 5 years	8.85%-9.55%	4,847.48	-	4,847.48
Maturity between 1 year to 3 years	8.85%-9.70%	9,863.12	-	9,863.12
Maturity within 1 year	6.00%-10.15%	-	6,109.49	6,109.49
Total for repayable on installments		15,186.00	6,109.49	21,295.49

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on installments:				
Maturity beyond 5 years	9.15%-10.05%	2,305.80	-	2,305.80
Maturity between 3 years to 5 years	9.15%-10.05%	7,786.39	-	7,786.39
Maturity between 1 year to 3 years	6.00%-10.15%	11,590.30	-	11,590.30
Maturity within 1 year	6.00%-10.30%	-	7,039.44	7,039.44
Total for repayable on installments		21,682.49	7,039.44	28,721.93

iv) Foreign currency loans from banks

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
Maturity between 1 year to 3 years	8.69%-9.97%	53,227.83	-	53,227.83
Maturity within 1 year	9.16%-9.33%	-	26,932.51	26,932.51
Total		53,227.83	26,932.51	80,160.34

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
Maturity between 1 year to 3 years	8.95%	12,500.00	-	12,500.00
Maturity within 1 year	9.05%-9.98%	-	42,044.47	42,044.47
Total		12,500.00	42,044.47	54,544.47

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

v) Foreign currency loans from others

Rs. in Lacs

	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
1) Repayable on maturity:				
Maturity beyond 5 years	1.99%-3.69%	5,657.04	-	5,657.04
Maturity between 3 years to 5 years	1.99%-3.69%	32,704.62	-	32,704.62
Maturity between 1 year to 3 years	1.99%-3.69%	70,199.81	-	70,199.81
Maturity within 1 year	1.99%-3.69%	-	52,566.87	52,566.87
Total		108,561.47	52,566.87	1,61,128.34

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
1) Repayable on maturity:				
Maturity beyond 5 years	1.99%-3.69%	4,045.72	-	4,045.72
Maturity between 3 years to 5 years	1.99%-3.69%	22,282.02	-	22,282.02
Maturity between 1 year to 3 years	1.99%-3.69%	48,773.57	-	48,773.67
Maturity within 1 year	1.99%-3.69%	-	35,853.50	35,853.50
Total		75,101.31	35,853.50	1,10,954.81

NOTE 51 UNSECURED BORROWINGS

i) Subordinated debts (long-term)

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
a) Maturing beyond 5 years	8.90%-10.50%	74,830.00	-	74,830.00
b) Maturing between 3 years to 5 years	9.50%-10.02%	41,720.00	-	41,720.00
c) Maturing between 1 year to 3 years	10.50%-12.00%	7,860.00	-	7,860.00
Total		124,410.00	-	124,410.00

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
Maturing beyond 5 years	9.18%-10.50%	78,550.00	-	78,550.00
Maturing between 3 years to 5 years	9.85%-11.75%	15,480.00	-	15,480.00
Maturing between 1 year to 3 years	10.50%-12.00%	6,880.00	-	6,880.00
Total		1,00,910.00	-	1,00,910.00

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

ii) Term loan from banks

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
Maturing within 1 year	10.00%	-	10,000.00	10,000.00
Total		-	10,000.00	10,000.00

Rs. in Lacs

Particulars	As at March 31, 2015			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
Maturing between 1 year to 3 years	10.00%	10,000.00	-	10,000.00
Total		10,000.00	-	10,000.00

iii) Inter corporate deposits

Rs. in Lacs

Particulars	As at March 31, 2016			
	Rate range	(a) Non-current	(b) Current Maturities	Total
Repayable on maturity:				
Maturing within 1 year	8.85%-9.05%	-	30,000.00	30,000.00
Total		-	30,000.00	30,000.00

As at March 31, 2015 : Nil

iv) Fixed deposits

As at March 31, 2016

Rs. in Lacs

Particulars	Rate range	Long Term			Total
		(a) Short Term	(b) Non-current	(c) Current Maturities	
a) Maturing beyond 3 years	8.20%-10.10%	-	15,832.63	-	15,832.63
b) Maturing between 1 year to 3 years	8.20%-10.60%	-	2,72,018.38	-	2,72,018.38
c) Maturing within 1 year	7.90%-10.60%	16,154.68	-	1,61,030.66	1,77,185.34
Total		16,154.68	2,87,851.01	1,61,030.66	4,65,036.35

As at March 31, 2015

Rs. in Lacs

Particulars	Rate range	Long Term			Total
		(a) Short Term	(b) Non-current	(c) Current Maturities	
a) Maturing beyond 3 years	8.90%-10.10%	-	6,561.15	-	6,561.15
b) Maturing between 1 year to 3 years	9.15%-10.60%	-	3,15,132.68	-	3,15,132.68
c) Maturing within 1 year	8.40%-10.75%	6,943.06	-	1,29,621.50	1,36,564.56
Total		6,943.06	3,21,693.83	1,29,621.50	4,58,258.39

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 52 SHORT - TERM BORROWINGS

i) Secured term loans from banks and cash credit facilities

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	9.10%-12.15%	1,24,329.05
TOTAL		1,24,329.05

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	9.60%-10.50%	1,35,354.56
Total		1,35,354.56

ii) Foreign currency loans from others (secured)

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	0.86%	55,269.45
Total		55,269.45

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	0.60%	36,064.29
Total		36,064.29

iii) Commercial papers

Particulars	Rs. in Lacs	
	As at March 31, 2016	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	8.09%-9.40%	2,96,000.00
Total		2,96,000.00

Particulars	Rs. in Lacs	
	As at March 31, 2015	
	Rate range	Amount
Repayable on maturity:		
Maturing within 1 year	8.88%-9.15%	3,47,500.00
Total		3,47,500.00

NOTE 53 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 III of the Companies Act, 2013 is not given.

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 54 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 March 31, 2016:

	Year ended 31st March 2016			Year ended 31st March 2015		
	Financing activities	Other reconciling items	Total	Financing activities	Other reconciling items	Total
External revenue	648,582.35	11,169.40	659,751.75	596,345.22	9,745.34	606,090.56
Inter segment revenue	2,156.89	3,870.07	6,026.96	1,938.24	2,875.03	4,813.27
Total revenue	650,739.24	15,039.47	665,778.71	598,283.46	12,620.37	610,903.83
Segment results (Profit before tax and after interest on financing segment)	115,341.52	7,070.46	122,411.98	133,467.22	6,519.64	139,986.86
Less: Interest on unallocated reconciling items	-	-	-	-	-	-
Net Profit before tax	115,341.52	7,070.46	122,411.98	133,467.22	6,519.64	139,986.86
Less: Income taxes	-	-	43,671.83	-	-	47,500.11
Net profit	-	-	78,740.15	-	-	92,486.75
Other information:						
Segment assets	4,421,958.53	8,379.83	4,430,338.36	3,813,108.90	1,735.87	3,814,844.77
Unallocated corporate assets	-	-	70,346.00	-	-	48,469.25
Total assets	4,421,958.53	8,379.83	4,500,684.36	3,813,108.90	1,735.87	3,863,314.02
Segment liabilities	3,818,061.36	1,803.60	3,819,864.96	3,263,050.51	1,062.22	3,264,112.73
Unallocated corporate liabilities	-	-	-	-	-	-
Total liabilities	3,818,061.36	1,803.60	3,819,864.96	3,263,050.51	1,062.22	3,264,112.73
Capital expenditure	5,293.85	399.18	5,693.03	4,053.74	164.62	4,218.36
Depreciation/amortisation	4,432.15	137.63	4,569.78	4,426.64	124.12	4,550.76
Non cash expenditure other than depreciation	59,367.20	222.17	59,589.37	37,243.79	152.29	37,396.08

Significant Accounting Policies and Notes

to the consolidated financial statements for the year ended March 31st, 2016

NOTE 55 DISCLOSURE REQUIRED UNDER SCHEDULE III OF COMPANIES ACT, 2013

Name of Entity	Net Assets		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs. In lacs)	As % of consolidated profit & loss	Amount (Rs. In lacs)
Parent				
Mahindra & Mahindra Financial Services Limited	94.48%	6,17,587.68	84.12%	66,234.50
	<i>95.63%</i>	<i>5,73,002.49</i>	<i>89.12%</i>	<i>82,422.16</i>
Subsidiaries				
Indian				
1. Mahindra Insurance Brokers Limited	2.03%	13,247.87	5.23%	4,121.29
	<i>1.75%</i>	<i>10,486.17</i>	<i>3.95%</i>	<i>3,649.54</i>
2. Mahindra Rural Housing Finance Limited	1.75%	11,460.87	6.97%	5,484.53
	<i>1.29%</i>	<i>10,466.17</i>	<i>4.18%</i>	<i>3,865.17</i>
3. Mahindra Asset Management Company Private Limited	(0.07%)	(454.09)	(0.57%)	(445.03)
	-	<i>(6.27)</i>	<i>(0.01%)</i>	<i>(5.78)</i>
4. Mahindra Trustee Company Private Limited	0.00%	(7.45)	(0.01%)	(4.92)
	-	<i>(2.53)</i>	-	<i>(2.53)</i>
Foreign				
Minority Interests in all Subsidiaries	1.03%	6,752.75	1.92%	1,510.79
	<i>0.82%</i>	<i>4,929.60</i>	<i>1.29%</i>	<i>1,196.21</i>

Name of Entity	Net Assets		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs. In lacs)	As % of consolidated profit & loss	Amount (Rs. In lacs)
Foreign				
1. Mahindra Finance USA, LLC	0.78%	5,104.90	2.34%	1,838.99
	<i>0.51%</i>	<i>3,060.75</i>	<i>1.47%</i>	<i>1,361.98</i>
Total	100.00%	6,80,819.40	100.00%	78,740.15
	100.00%	5,99,201.30	100.00%	92,486.75

NOTE 56 MAMCPL was incorporated under the Companies Act, 1956 on June 20, 2013. The company is a subsidiary of Mahindra & Mahindra Financial Services Ltd. The company is incorporated to function as an investment manager to the "Mahindra Mutual Fund". The company has been granted a license from SEBI on February 4, 2016 and is awaiting product approvals from SEBI.

NOTE 57 MTCPL was incorporated under the Companies Act, 1956 on July 10, 2013. The company is a subsidiary of Mahindra & Mahindra Financial Services Ltd. The company is incorporated to function as a Trustee to the proposed "Mahindra Mutual Fund".

NOTE 58 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	Dhananjay Mungale Chairman	Ramesh Iyer Vice-Chairman & Managing Director	M. G. Bhide Director	Piyush Mankad Director
Naresh Kumar Kataria Partner Membership No.037825	C.B. Bhav Director	Rama Bijapurkar Director	V. S. Parthasarathy Director	Dr. Anish Shah Director
Place : Mumbai Date : April 23, 2016	V Ravi Executive Director & Chief Financial Officer	Arnavaz Pardiwala Company Secretary		

Annexure A

Form AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/ joint ventures

Part "A" : Subsidiaries

(Rs. in lacs)					
Sr. No.	Particulars	1	2	3	4
1	Name of the subsidiary	Mahindra Insurance Brokers Limited	Mahindra Rural Housing Finance Limited	Mahindra Asset Management Company Private Limited*	Mahindra Trustee Company Private Limited*
2	Reporting period for the subsidiary concerned	April 01, 2015 to March 31, 2016	April 01, 2015 to March 31, 2016	April 01, 2015 to March 31, 2016	April 01, 2015 to March 31, 2016
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year	NA	NA	NA	NA
4	Share Capital	257.73	7,572.92	6,055.00	15.00
5	Reserves & Surplus	21,780.06	20,003.78	(451.29)	(7.45)
6	Total Assets	23,743.22	330,123.97	5,723.32	9.04
7	Total Liabilities	23,743.22	330,123.97	5,723.32	9.04
8	Investments	13,390.00	-	5,569.66	-
9	Turnover	14,919.79	49,536.90	-	-
10	Profit before taxation	7,520.42	9,669.64	(445.02)	(4.92)
11	Provision for taxation	2,671.43	3,401.61	-	-
12	Profit after taxation	4,848.59	6,268.03	(445.02)	(4.92)
13	Proposed dividend & tax thereon	465.30	-	-	-
14	% of shareholding	85.00	87.50	100.00	100.00

*Companies have not started operations

Annexure A

Form AOC - 1

Part "B" : Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associate/Joint Ventures	Mahindra Finance USA, LLC
1. Latest audited Balance Sheet Date	March 31, 2016
2. Shares of Associate/Joint Ventures held by the company at the year end	
No.	54933313
Amount of Investment in Associates/Joint Venture (Rs. in lacs)	15,317.32
Extent of Holding %	49.00
3. Description of how there is significant influence	Power to influence decisions
4. Reason why the associate/joint venture is not consolidated	Not Applicable
5. Networth attributable to Shareholding as per latest audited Balance Sheet (Rs. in lacs)	22,964.54
6. Profit/Loss for the year	
i. Considered in Consolidation (Rs. in lacs)	1,838.99
ii. Not Considered in Consolidation (Rs. in lacs)	1,914.06

For B. K. Khare and Co. Chartered Accountants FRN : 105102W	Dhananjay Mungale Chairman	Ramesh Iyer Vice-Chairman & Managing Director	M. G. Bhide Director	Piyush Mankad Director
Naresh Kumar Kataria Partner Membership No.037825	C.B. Bhav Director	Rama Bijapurkar Director	V. S. Parthasarathy Director	Dr. Anish Shah Director
Place : Mumbai Date : April 23, 2016	V Ravi Executive Director & Chief Financial Officer	Arnavaz Pardiwala Company Secretary		

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

This Annual Report is printed on environment friendly paper.



**EMPOWERING DREAMS.
ENABLING PROGRESS.**

COLLABORATE

COLLABORATION IS KEY TO CREATING A SUSTAINABLE FUTURE. WE COLLABORATE WITH STAKEHOLDERS, INDUSTRY EXPERTS AND CIVIL SOCIETIES TO DEVELOP COST-EFFICIENT AND SUSTAINABLE SOLUTIONS. RELEVANT COLLABORATION IS THE CORNERSTONE OF OUR SUSTAINABILITY EFFORTS.

SUSTAIN

OUR SUSTAINABILITY GOAL IS ESSENTIAL FOR CONSISTENT BUSINESS PROGRESS. WE AIM TO BUILD A SUSTAINABLE FUTURE FOR A WIDE CROSS-SECTION OF OUR CUSTOMERS.

SAVE

SUSTAINABILITY IS MORE THAN A BUZZWORD. SUSTAINABLE EFFORTS NOT ONLY SAVES THE PLANET, BUT IT ALSO EMPOWERS BUSINESSES WITH INNOVATIVE SOLUTIONS FOR GROWTH.

GROW

OUR CORE VALUES INSPIRE US TO CREATE A SUSTAINABLE WORLD. WE AIM TO GROW AS A SUSTAINABLE BUSINESS AND EMPOWER OUR STAKEHOLDER TO PROSPER.

WE, AT MAHINDRA FINANCE,
ARE PLAYING THE ROLE OF
A CATALYST IN THE FAST
ECONOMIC GROWTH OF
RURAL INDIA. OUR MODEL OF
DOING BUSINESS IS SOCIALLY
INCLUSIVE TO HELP EMPOWER
INDIA AT THE GRASSROOTS.
FROM A HUMBLE FARMER TO
AN ASPIRING ENTREPRENEUR,
WE HELP MILLIONS OF
DREAMS TAKE FLIGHT WITH
CONFIDENCE. AND WITH IT,
AN ENTIRE NATION.



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EXECUTIVE SPEAK



AT MAHINDRA & MAHINDRA FINANCIAL SERVICES SECTOR, SUSTAINABILITY IS IMBIBED IN OUR WAYS OF WORKING SINCE INCEPTION. FOCUS ON RURAL CUSTOMERS AT THE BOTTOM OF THE PYRAMID AND ENABLING THEM TO RISE HAS BEEN OUR BUSINESS PHILOSOPHY.

WE STRONGLY BELIEVE IN PEOPLE EMPOWERMENT AND CREATING SHARED VALUE. AS WE ARE PROGRESSING, WE ARE ENSURING THAT OUR BUSINESS MODEL BECOMES MORE INCLUSIVE AND EFFICIENT. WE ARE MAKING CONTINUOUS EFFORTS TO BENEFIT OUR STAKEHOLDERS AND BRING IMPROVEMENTS FOR THE SOCIETY AND ENVIRONMENT.



AS AN INTEGRAL ENABLER FOR LIVELIHOOD CREATION, WE HAVE BEEN A FACILITATOR OF ENTREPRENEURSHIP, FARM MECHANIZATION AND AFFORDABLE HOUSING ALONG WITH PROVIDING SECURITY OF LIFE, PROPERTY AND ACCESS TO ESSENTIAL FINANCIAL PRODUCTS AND SERVICES.

We commenced on our journey towards reporting our sustainability performance through our first standalone Sustainability Report for the year 2012-13. We are now releasing our fourth sustainability report for 2015-16 with the theme Empowering Dreams. Enabling Progress. based on the Global Reporting Initiative's (GRI) G4 guidelines which highlights our endeavors towards creating a better future. Also, we have proactively volunteered to release our First Business Responsibility Report (BRR) for year 2015-16 in accordance with the SEBI Mandate of releasing BRR by top 500 listed companies.

By offering a wide portfolio of financial products and services which are essential for creating livelihood, we are constantly encouraging entrepreneurship, facilitating farm mechanization, making affordable housing available and providing security of life, property to our customers. The driving factor of our continued growth over the years has been our dedication towards customer centricity and thorough understanding of markets where we operate. This approach has given us trigger to align our long-term organizational goals with the nation's objective of enhancing financial inclusion. Today, we have our presence in over 2.8 lakhs villages and a workforce of over 21,000 employees across 1,167 offices. It helps us to empower dreams & enable progress of over 4 million customers across India.

We are continuously driving interventions on sustainability at organizational level with our Board taking keen interest to understand our initiatives and progress made in each of them regularly and by ensuring adequate engagement of our employees, customers and the local communities in the areas we operate. These initiatives includes road safety of our field staff, installation of LED lights and recycling of waste in our branch and regional offices, providing financial security to our customer's through insurance options and many more. Our commendable efforts on sustainability endeavors have been recognized at various levels and platforms. On DJSI and GDP, we continue to be industry leader in NBFC/Diversified Financial Services segment in the reporting year. Also, employees' volunteering is one of our key strength in making a promising impact to the society in areas of health, education, environment protection, skill enhancement, rural development and technology incubation. Around 40% of our employees volunteered in various CSR initiatives and contributed 43,417 man-hours during the year.

We are steering a positive change and working in alignment with Mahindra Group's 'Rise for Good' philosophy by putting cohesive efforts towards sustainability, corporate social responsibility and corporate governance initiatives. Through our long-term Sustainability Roadmap, we have been ensuring contribution to making our planet a better place, empowering communities & focusing on growth and well being of our employees.

Our orientation towards rural India had been a differentiator for us in terms of enabling progress. The challenges and opportunities prevailing in markets we operate have been well managed through our robust risk management framework. We continually aspire to make sustainability a strategic differentiator for us and encourage adoption of sustainable practices across our value chain partners and stakeholders at large.

I encourage you all to read through our progress journey on sustainability presented in this report capturing our efforts towards building a shared and inclusive economy.

Ramesh Iyer

*Vice Chairman & Managing Director,
President – Financial Services Sector &
Member of the Group Executive Board*



WE ARE EXPANDING SCOPE OF OUR REACH AND ENGAGEMENT ON SUSTAINABILITY TO OTHER STAKEHOLDERS AND VALUE CHAIN PARTNERS AS WELL BY ENCOURAGING THEM TO ADOPT SUSTAINABLE PRACTICES.

REPORTING SCOPE



Report Boundary & Scope

The reporting period for Mahindra & Mahindra Financial Services Sector fourth standalone Sustainability Report is April 2015 to March 2016. We are committed to reporting our triple-bottom line performance on an annual basis. We follow the Global Reporting Initiative (GRI) Sustainability Reporting G4 Guidelines, the world's most widely adopted non-financial reporting framework. It is used to help communicate sustainability performance and encourage transparency and accountability.

This report is prepared adhering to 'In Accordance - Core' option of GRI G4 Guideline.

The following companies of the Financial Services Sector (FSS) are part of the scope:

1. Mahindra and Mahindra Financial Services Ltd. (MMFSL)
2. Mahindra Insurance Brokers Ltd. (MIBL)
3. Mahindra Rural Housing Finance Ltd. (MRHFL)

Considering a large network of 1,167 branch offices across India, the scope has been kept limited to the Head Office (HO) and following Regional Offices (ROs), which majorly assess the control over business in all the parts of the country.

Going forward we intent to include more offices in our scope of report in a phased wise manner.

Regional Distribution and Scope Presence

NORTH

1. Chandigarh
2. Delhi
3. Jaipur
4. Lucknow

EAST

5. Bhubaneswar
6. Kolkata
7. Guwahati

WEST

8. Ahmedabad
9. Mumbai - Head Office
10. Pune
11. Thane

SOUTH

12. Bengaluru
13. Cochin
14. Hyderabad
15. Chennai

CENTRAL

16. Bhopal
17. Nagpur
18. Nashik
19. Patna
20. Raipur
21. Ranchi



NORTH



WEST



SOUTH

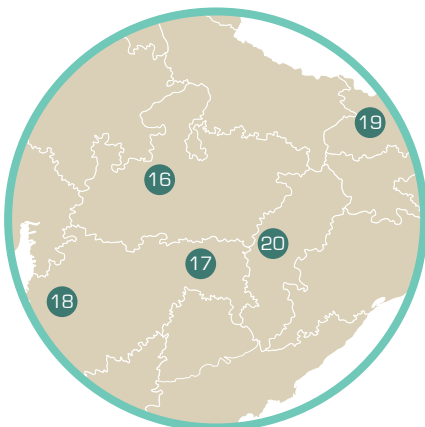


EAST

Regarding GRI indicators on Labour Practices (LA) reported here, the scope covers entire business operations and all the locations of Financial Services Sector.

Also for different Material Aspects managed and covered as a part of this report, we have kept our scope to include all the locations and units where they are applicable.

This report has been externally assured by KPMG



CENTRAL

Change in Scope

No change is made in the scope of reporting during the current Reporting Cycle, compared with last year.

Report Scope Limitations

The report's purview is pan-India and does not cover any branches. We look forward to adding other regional offices and expanding the scope of report in the coming years.

Location of the organization's Headquarters

Registered Office

Gateway Building, Apollo Bunder, Mumbai 400 001.

Corporate Office

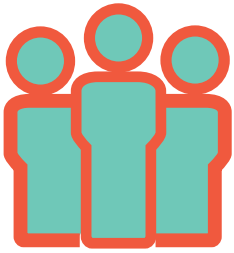
Sadhana House, 2nd floor, Behind Mahindra Towers, 570, P.B. Marg, Worli, Mumbai 400 018.



Please email your suggestions, views and opinions to:

sustainability-mmfs@mahindra.com

COMPANY PROFILE



MAHINDRA GROUP

About Mahindra

Our operations span 20 key industries that form the foundation of every modern economy. Our businesses and brands live our purpose of enabling people everywhere to Rise.

Core Purpose

To 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. Our Core Purpose defines our purpose of existence and binds the entire workforce across the globe to develop solutions which can create a sustainable future. It sets our aspirations to grow as a sustainable business and outlines our approach to help our stakeholders to prosper and rise.

A USD 17.8 billion
global Mahindra Group

Largest selling
tractor brand, by volume, in the world

Employing more than
200,000 people
in over 100 countries

India's No. 1
UV Maker

One of India's Leading
Telecom Software
Services Exporters

Largest
non-banking financial services
provider in rural India with
over 2 million customers



Mahindra & Mahindra Ltd. won the Golden Peacock Award 2015 for excellence in Corporate Governance and National Award 2015 by Institute of Company Secretaries of India for being one of the two best governed companies.

Core Values.



GOOD CORPORATE CITIZENSHIP



PROFESSIONALISM



CUSTOMER FIRST



QUALITY FOCUS



DIGNITY OF THE INDIVIDUAL

Sustainability Performance of Mahindra Group at a Glance - 2015-16

	<p>Tech Mahindra listed on World Index M&M and Mahindra Finance listed on Emerging Market Index</p>
	<p>M&M, Mahindra Finance and TechM featured on CDLI 2015 - TechM bagged the perfect score</p>
<p>Mr. Anand Mahindra represented the corporate world at the historic Paris Climate Change Agreement Signing Ceremony</p>	<p>M&M became the 1st GLOBAL COMPANY to join EP100, a global energy commitment to double the energy productivity by 2030.</p>
	<p>M&M: sustainable plus platinum TechM: sustainable plus gold</p>
<p>IBBI Declaration Reported/disclosed biodiversity performance on the 10 point declaration</p>	<p>Cumulative Energy Savings 150,578 GJ</p>
	<p>Mahindra Sustain India's largest Solar EPC player</p>
<p>Total CSR Investments of INR 1,851.10 million</p>	<p>M&M emerged as the Best Company for CSR in India by The Economic Times survey</p>
<p>Project Hariyali 9.2 MILLION TREES PLANTED till FY 2015-16</p>	
<p>120,466 girl children were taken into Project Nanihi Kali's fold this year</p>	



Mahindra & Mahindra Financial Services Limited (MMFSL)

Mahindra & Mahindra Financial Services Limited (MMFSL) is a subsidiary of the Indian conglomerate Mahindra & Mahindra (M&M). It is a leading Non-Banking Financial Company (NBFC), which caters to the financing needs of a large population residing in rural and semi-urban areas of India. We provide a range of retail products and services, such as financing utility vehicles for commercial use and personal use, tractors, SME loans and many other financial products.

On recognizing the demand in niche segments, we have introduced Mutual Fund Distribution, Fixed Deposit Schemes and Personal Loans.

Mahindra Insurance Brokers Ltd. (MIBL)

Mahindra Insurance Brokers Ltd., a subsidiary company of Mahindra & Mahindra Financial Services Ltd. (Mahindra Finance), entered the insurance broking business in May 2004 to meet the insurance needs of customers primarily in India's rural and semi-urban markets.

MIBL undertakes Direct Insurance broking business in both Non-Life and Life insurance segments for individuals and corporate. The insurance broking service helps customers to select the best insurance products. The Company's customized solutions (like Mahindra Loan Suraksha, Mahindra Arogya Suraksha and Sampurna Suraksha) and the team are well-integrated and equipped to meet our customer needs, vindicating the Company's objective of serving the underserved markets. MIBL widened its operations and upgraded the license to a Composite Broker License in September 2011, thus foraying into Reinsurance Broking business, along

with Direct Broking. Today, MIBL has marked its presence not only in India, but on the global map having established relationships with reinsurers and reinsurance brokers in over 25 countries.

During the year under review, MIBL serviced 1.3 million insurance cases, totalling 1,330,929 cases for both Life and Non-Life Retail business.

Mahindra Rural Housing Finance Limited (MRHFL)

Leveraging our grassroots presence in rural India, our subsidiary Mahindra Rural Housing Finance Limited caters to housing needs of rural India. We have also partnered with National Housing Bank (NHB), the regulator and apex financial institution for housing in India, to strengthen our presence in rural housing. We continued to focus on serving customers in rural India, with a majority of the loans disbursed to customers in villages with an average annual household income of less than Rs. 1.5 lakhs. During the year under review, around 125,074 families were provided home loans (in addition to around 263,080 existing families as on 31st March, 2015). We have been expanding MRHFL's geographical presence, to provide affordable services for rural households and have also entered the semi-urban market segment.

The Securities and Exchange Board of India (SEBI) vide its letter dated 4th February, 2016 has granted the certificate of registration to 'Mahindra Mutual Fund' ("the Fund") and approval to the Company's wholly-owned subsidiary **Mahindra Asset Management Company Private Limited (MAMCPL)**, to act as the asset management company/investment manager to the Fund. **During the year under review, MAMCPL has not commenced any business activities.**

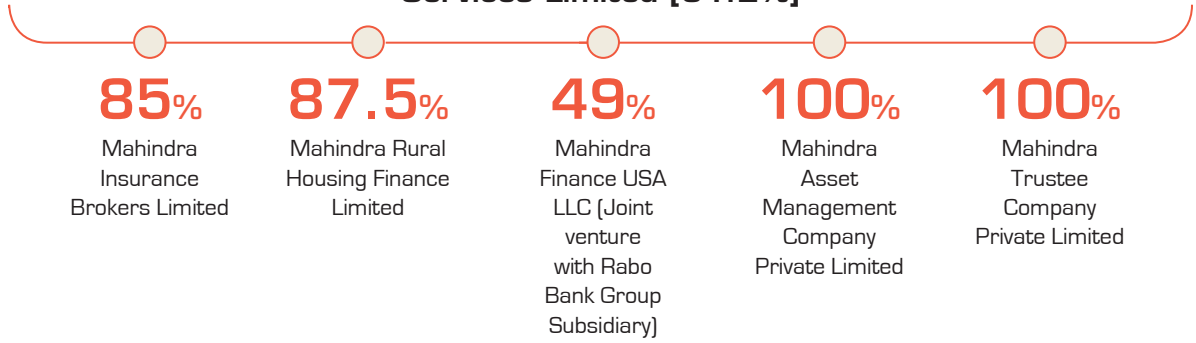
In 2011, Mahindra & Mahindra Financial Services Sector entered into a joint venture with the US based De LageLanden Financial Services Inc. (DLLFS), a wholly-owned subsidiary of the Rabobank Group. The joint venture is marketed as **Mahindra Finance USA LLC**, providing exclusive wholesale inventory financing to the US based tractor dealers and retail financing to end-user customers on Mahindra tractors, implements or used products. DLLFS and Mahindra Financial Services Sector have 51% and 49% stakes, respectively in Mahindra Finance USA LLC.

Leveraging a vast network of 1,167 branch offices and a significant human resource strength of over 15,821 employees, Mahindra & Mahindra Financial Services Sector has established over 5.2 lakhs customer relationships across India. Mahindra & Mahindra Financial Services Sector has financed assets of Rs. 2,670,633 lakhs, generating income of Rs. 590,510 lakhs and PAT (Profit after Tax) of Rs. 67,260 lakhs in March 2016.

Over the years, Mahindra & Mahindra Financial Services Sector has extended support in retail financing for other products like tractors, two-wheelers, commercial vehicles and pre-owned vehicles. The Company also provides trade advances for business needs to dealers of Mahindra Group products.

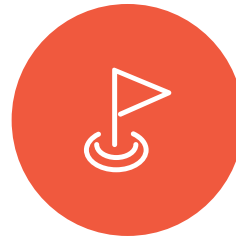
MAHINDRA & MAHINDRA LIMITED (MMFSL)

Mahindra & Mahindra Financial Services Limited [51.2%]



VISION

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



MISSION

To transform rural lives and drive positive change in the communities.

Mahindra Group's Rise Philosophy is imbibed in us.

Core Purpose

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

Brand Pillars



Core Values



Milestones

1991

- Organization incorporated and received certificate for the commencement of business

1993

- Commenced operations with the financing of M&M Utility Vehicles

1995

- First branch outside Mumbai, established at Jaipur with the aim to expand business

2008

- Entered the home loan business through our subsidiary MRHFL

2007

- Issued a certificate by the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 classifying it as an 'Asset Finance Company - Deposit Taking'

2006

- Issued Initial Public Offering (IPO)
- Collaboration with Maruti Udyog Limited

2009

- NHB provides 12.5% equity participation for our subsidiary, MRHFL

2010

- Introduction of finance for Commercial Vehicles and Construction Equipment

2011

- Total Assets crosses the Rs. 100 billion benchmark
- Maiden QIP Issue
- Joint Venture with Rabobank subsidiary for tractor financing in USA
- Consolidated the product portfolio by introducing Small and Medium Enterprises (SME) financing

2012

- Crossed the benchmark of financing over two million customers through more than 1,000 branches
- Won the inaugural Porter Prize in the category of Creating Distinctive Value
- MRHFL selected as the winner of the Golden Peacock Innovation Management Award
- MIBL announced a strategic partnership with Leap Frog investments
- Ranked 9th in the prestigious Dun & Bradstreet's India's Top 500 Companies 2011 based on the total income in the FIs/ NBFCs/FSS Companies 2011

1996

- Started financing M&M dealers for purchase of tractors

1999

- Tractor retail financing in rural and semi-urban areas introduced

2001

- A decade of good work results in total assets, crossing the Rs. 10 billion mark

2005

- MIBL becomes our wholly-owned subsidiary

2004

- Listing of non-convertible debentures on BSE on the wholesale debt market segment

2002

- Started financing of non-M&M vehicles
- International Finance Corporation grants us Tier II debt

2013

- Winner of the prestigious Golden Peacock Award for Excellence in Corporate Governance
- Woori Financials & Mahindra & Mahindra Financial Services Sector sign an MoU for a joint venture
- Consolidated PBT crossed Rs 1,000 Crores
- Recognized as Asia's Most Promising Brands by the World Consulting & Research Corporation
- Ranked 10th in the prestigious Dun & Bradstreet's India's Top 500 Companies 2012, based on the total income in the FIs/ NBFCs/ FSS

2014

- India Ratings and Brickworks Ratings upgraded the Company's long-term debt rating to 'AAA'. CARE Ratings also assigned 'AAA' rating to the Company's long-term debt
- MIBL declared 'Broker of the Year' at 18th Asia Insurance Industry Awards
- Won ABP Award for Most Admired Company in Financial Services Sector
- Crossed the benchmark of financing over 3 million customers through more than 1,000 branches

2015

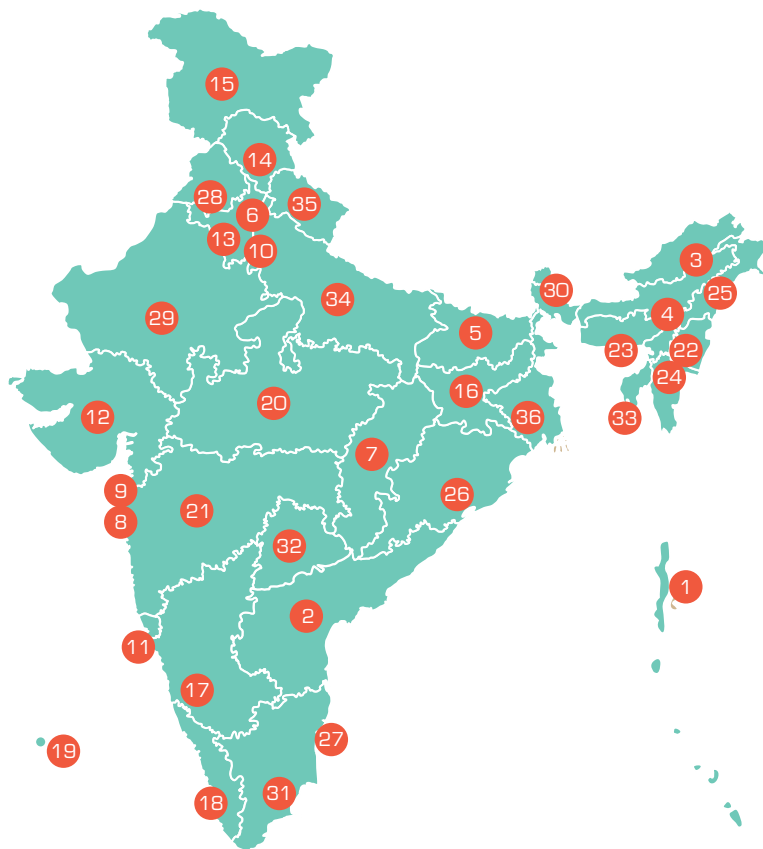
- Mahindra & Mahindra Financial Services Sector was successfully appraised and rated at Maturity Level 3 of the People Capability Maturity Model® (People-CMM®)
- Financial Services Sector won 3 awards at the Rural Marketing Forum & Award 2016
- The Securities and Exchange Board of India approval to the Company's wholly-owned subsidiary Mahindra Asset Management Company Private Limited (MAMCPL), to act as the asset management company/ investment manager to the Fund

Shareholding Pattern

Shareholding pattern by ownership as on 31st March, 2016

Category of Shareholders	Number of Shares held	% of Shareholding
Promoter and Promoter Group	295,371,242	51.93
Mutual Funds	44,136,968	7.76
FII's	191,464,366	33.66
Bodies Corporate	4,417,050	0.78
Indian Public/HUF	20,541,676	3.61
NRIs	1,130,036	0.20
Trusts	860,191	0.15
Indian Financial Institutions/Banks	6,330,301	1.11
Venture Capital Funds	1,855,000	0.33
Insurance Companies	2,028,550	0.36
Clearing Members	629,580	0.11
Total	568,764,960	100.00

Presence in villages across India



Sr. No.	States	No. of villages of MF's presence
1	Andaman and Nicobar Islands	317
2	Andhra Pradesh	9269
3	Arunachal Pradesh	162
4	Assam	4791
5	Bihar	24215
6	Chandigarh	22
7	Chhattisgarh	10688
8	Dadra and Nagar Haveli	68
9	Daman and Diu	25
10	Delhi	265
11	Goa	18
12	Gujarat	13246
13	Haryana	5460
14	Himachal Pradesh	6615
15	Jammu and Kashmir	1934
16	Jharkhand	8477
17	Karnataka	15636
18	Kerala	1642
19	Lakshadweep	2
20	Madhya Pradesh	29161
21	Maharashtra	22915
22	Manipur	3
23	Meghalaya	1317
24	Mizoram	74
25	Nagaland	2
26	Odisha	13138
27	Puducherry	83
28	Punjab	7289
29	Rajasthan	21519
30	Sikkim	325
31	Tamil Nadu	11694
32	Telangana	8726
33	Tripura	419
34	Uttar Pradesh	44374
35	Uttaranchal	3122
36	West Bengal	18994
GRAND TOTAL		286007

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



Recognition

At Mahindra Finance, we are deeply honoured for being recognized for our commitment to excellence. Some of our key awards and achievements include:

Mr. Ramesh Iyer received 'Business Leadership Award' at the Indian Achievers Forum.

Mr. Ramesh Iyer received an award in the category 'CEO – FINANCIAL SERVICES' at the CEO Awards 2015.

Mr. V. Ravi was conferred with the 'Most Influential CFOs of India' Award by the Chartered Institute of Management Accountants (CIMA).

Mahindra Finance was declared winner in the Best Innovative CSR Project Category by India CSR Awards.

Mahindra Finance was bestowed with the 'Best Innovative Workplace Practices' and 'Excellence in HR' at the Business World HR Excellence.

Mahindra Finance was bestowed with an award by the Indian Development Foundation (IDF) for our CSR initiatives.

Mahindra Finance received the 'Best Integrated Rural Marketing Campaign' Award for 'Bharat Ko Pehchante Hai Hum' campaign at 'The Rural Marketing Forum and Awards' organized by CMO Asia.


MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM ●

We made it to the Dow Jones Sustainability Emerging Markets Index (DJSI 2015) for the third consecutive year.



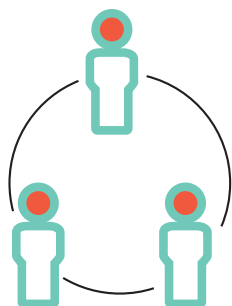
CMMI®

We were appraised at level 3 of the People Capability Maturity Model (People-CMM). An appraisal rating level 3 indicates that the organization is performing at a defined level; and its processes are well characterized, understood and described in its standards, procedures, tools and methods.



We were featured in the Carbon Disclosure Leadership Index (CDLI) 2015 in India for the 2nd year in a row.

CORPORATE GOVERNANCE



At Mahindra & Mahindra Financial Services Sector, we believe that our strong commitment to business ethics in all our business processes and engagements with our stakeholders is beneficial for attaining operational excellence, engaged workforce, satisfied investors and creates consistent shareholder value. We ensure that our performance goals are met with integrity.

We believe that sound corporate governance is pivotal to enhance and retain investor trust; and we always seek to ensure that the performances of corporate governance goals are met with integrity. We continue to adopt best practices in the area of corporate governance and promote and practice a culture that is built on core values, beliefs and ethics. We have an active, experienced and well-informed Board to ensure highest standards of corporate conduct.

Our Company has established robust business practices and procedures to ensure that it remains fully compliant with mandated regulations and achieves business excellence to enhance stakeholder value, retain trust and goodwill of our investors, business partners, employees and meet societal expectations as well. Through sustained efforts and robust business processes we have been able to achieve highest standards of corporate governance.

Code of Conduct

Ethical business conduct is critical to our business. Our Code of Conduct helps maintain the standards of business conduct for the FSS. The purpose of this Code is to deter wrong-doings and promote ethical conduct. Accordingly, all employees are expected to read and understand this Code, uphold these standards in day-to-day activities, and comply with all applicable laws, rules and regulations and all applicable policies adopted by the Company. The Board has established

two detailed Codes of Conduct, one for Board members and the other for senior management and employees of the Company.

The Codes of Conduct represent an integral part of the induction of new employees; and have been posted on the Company's website. All Board members and senior management personnel affirm compliance with these codes annually. We expect the employees to exhibit the highest level of integrity and ethics in every sphere of activity. We deem any act of corruption to be non-negotiable and undertake stringent action against anyone found indulging in such unethical acts. No incidents of unethical behaviour were found during the reporting period.

Fair Practices Code

Our core purpose and values are the foundation of our Codes of Conduct. These codes form the foundation of our identity, drive employee action and permeate through the organization, helping us maintain high standards of business conduct. The Fair Practices Code outlines standard procedures for loan appraisals, disbursements and grievance mechanisms to ensure fair dealing with customers.

Governance

We have extensive corporate governance policies to address multiple aspects of our operations. The stipulations mandated by Clause 49 of the Listing Agreement with the Stock Exchanges are fully complied with.

The composition of the Board of your Company is in conformity with the provisions of the Companies Act, 2013 and the Listing Regulations, as amended from time to time.

The Board currently comprises of nine Directors. The Chairman of the Company is an Independent Director and the number of Non-Executive and Independent Directors (including a lady Director) is more than one-half 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 Vice-Chairman & 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.

We continue to strengthen our principles of transparency, fairness and accountability to generate long-term value for our stakeholders on a continuous and sustainable basis, thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

As on 31st March, 2016, our Board of Directors comprised:

- Mr. Dhananjay Mungale, Chairman & Independent Director
- Mr. M. G. Bhide, Independent Director

- Mr. Piyush Mankad, Independent Director
- Mrs. Rama Bijapurkar, Independent Director
- Mr. V. S. Parthasarathy, Director
- Mr. C. V. Bhave, Independent Director
- Mr. Ramesh Iyer, Vice Chairman & Managing Director
- Dr. Anish Shah, Director
- Mr. V. Ravi, Executive Director and Chief Financial Officer

All the information regarding our Board of Directors can be found on our website: <http://www.mahindrafinance.com/management.aspx>

The Company has seven Board - level committees including:

- Audit Committee
- Nomination & Remuneration Committee
- Stakeholders Relationship Committee
- Asset Liability Committee (ALCO)
- Risk Management Committee
- Corporate Social Responsibility Committee
- Strategy Committee for Acquisitions

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

Details about the roles and responsibilities of the Committees may be found at: <http://www.mahindrafinance.com/management.aspx>

Compliance

We comply with the high standards of corporate governance, business integrity and professionalism across business operations. We have an active Audit Committee to overview adherence to all regulatory frameworks applicable to the Company. The Company does not engage in any anti-competitive practice, and is committed to protect intent of consumers in all markets in which it operates.

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.

Regulatory Compliance

The Audit Committee and the Board of Directors monitor regulatory compliance in the Company, while the responsibility of adherence to the policy and procedures lies with respective department heads. Internal audits

are conducted at regular intervals to ensure strict adherence. Wherever related party observations exist, and they are immediately brought to the notice of the senior management and corrective actions are taken to resolve the issue. Regulatory compliance is periodically reviewed by the Group Executive Board (GEB) of Mahindra & Mahindra Limited, the parent Company.

Performance Evaluation of the Board

The Companies Act, 2013 and revised Clause 49 of the Listing Agreement entered into with the Stock Exchanges stipulates the evaluation of the performance of the Board, its Committees, Individual Directors and the Chairperson.

The Company has formulated a policy for performance evaluation of the Independent Directors, the Board, its Committees and other individual Directors, which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors.

Policies

The Mahindra Group has extensive Corporate Governance Policies that provide guidance on more specific matters. All Group companies are expected to follow them in letter and spirit to foster the Mahindra 'culture' throughout the Company. The FSS abides by all the policies established by our parent Company.

These policies are on:

- Corporate Communications
- Disaster Management
- Employee Relations
- Capital Budgeting
- Corporate Representation in Trade and Industry Forum
- Corporate Social Responsibility
- Corporate Finance
- Dealing with Dealers and Retail Customers
- E-business Security
- Environment and Pollution
- Human Resources
- Insider Trading
- Intranet Usage
- Investor Grievances
- Quality
- Investor Relations
- Safety and Occupational Health
- Prevention of Sexual Harassment
- Trade Marks
- Green IT Guidelines
- Business Responsibility Policy
- Human Rights in Economic Decision Making Process
- Dealing with Suppliers and Vendors
- Whistle Blower Policy

Public Policy Advocacy

Senior Executives of the Company represent Mahindra Finance on governing councils, executive committees and various other committees of several trade and industry associations and organizations. Some of the major participations in industry forums by our top management are listed below:

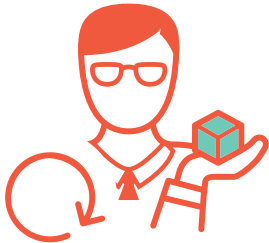
Vice Chairman & Managing Director, Mr. Ramesh Iyer, is part of the following committees:

- Member of core committee of Finance Industry Development Council (FIDC) since 2005
- Member of Task Force of NBFCs of Federation of Indian Chambers of Commerce and Industry (FICCI) since 2007
- Co-Chairman of the Group on Finance and Leasing and Insurance of the Council of Economic Affairs, set up by the Society of Indian Automobile Manufacturers (SIAM), since 2010
- Member of the CII National Committee on Financial Inclusion since 2011
- Member of Banking, Finance and Economics Committee of the Bombay Chamber of Commerce and Industry since 2011
- Member of Managing Committee of the Bombay Chamber of Commerce and Industry since 2012
- Member of the CII National Committee on NBFC since 2013
- Member of the Governing Council of the Mahindra Leadership University since 2014
- Member of the Reserve Bank of India Committee constituted for Comprehensive Financial Services for the year 2013
- Member of the Academic Advisory Committee in Finance Area, Birla Institute of Management Technology (BimTech) since 2014
- Member of WeSchools' PGDM-Rural Management Committee (Emerging Economies) since 2015
- Member of Directors' Forum by FICCI since 2015

Chief Financial Officer, Mr. V. Ravi, is part of the following committees:

- Member of the Finance Industry Development Council
- Member of Corporate Finance Committee of Federation of Indian Chambers of Commerce and Industry
- Member of the Capital Markets Group of Banking, Finance and Economics Committee of the Bombay Chamber of Commerce and Industry

STAKEHOLDER ENGAGEMENT AND MATERIALITY



Understanding the stakeholder's expectation and mapping them vis-à-vis our business priority is vital for our long-term sustainability. We have adopted the stakeholder engagement and materiality assessment process in line with the GRI G4 guidelines; and our approach on this is shared here in the section below.

We undertake materiality assessments to identify and prioritize sustainability aspects for purposes of deciding where to set on the directions, mobilize our resources, define goals and targets, along with evolving and reporting on our business practices. It is the process of defining what's important from social, environmental and business (financial) dimensions for the organization.

In the current reporting cycle, Mahindra & Mahindra Financial Services Sector conducted a stakeholder engagement and materiality analysis by engaging with key

external and internal stakeholders. Our external stakeholders were defined as parties interested in Mahindra Finance's performance, operations, products and services and identified as: Employees, Customers, Shareholders, Dealers, Regulators, Lenders and Community. Internal stakeholders covers senior management members and member of our Sustainability Council, comprising departmental heads and reporting to the Company's Steering Committee, which is the apex committee overseeing overall business progress.

The material issues were arrived through a detailed discussion with key internal stakeholders on the importance of relevant issues from the business perspective and from external stakeholder's perspective; and through engagement with external stakeholders on aspects they consider important. A consensus mapping of internal stakeholder and top seven external stakeholders was done to identify the focus areas relating to each stakeholder in business, society and the environment.

Stakeholder Engagement – Our Approach



IDENTIFY

The material issues were arrived at by conducting in-depth secondary research of sustainability literature and industry reports.



ENGAGE

Engaging with senior management forming the FSS Sustainability Council and external stakeholders. The Company reached its external stakeholders through telephonic, email and face-to-face surveys.



PRIORITIES

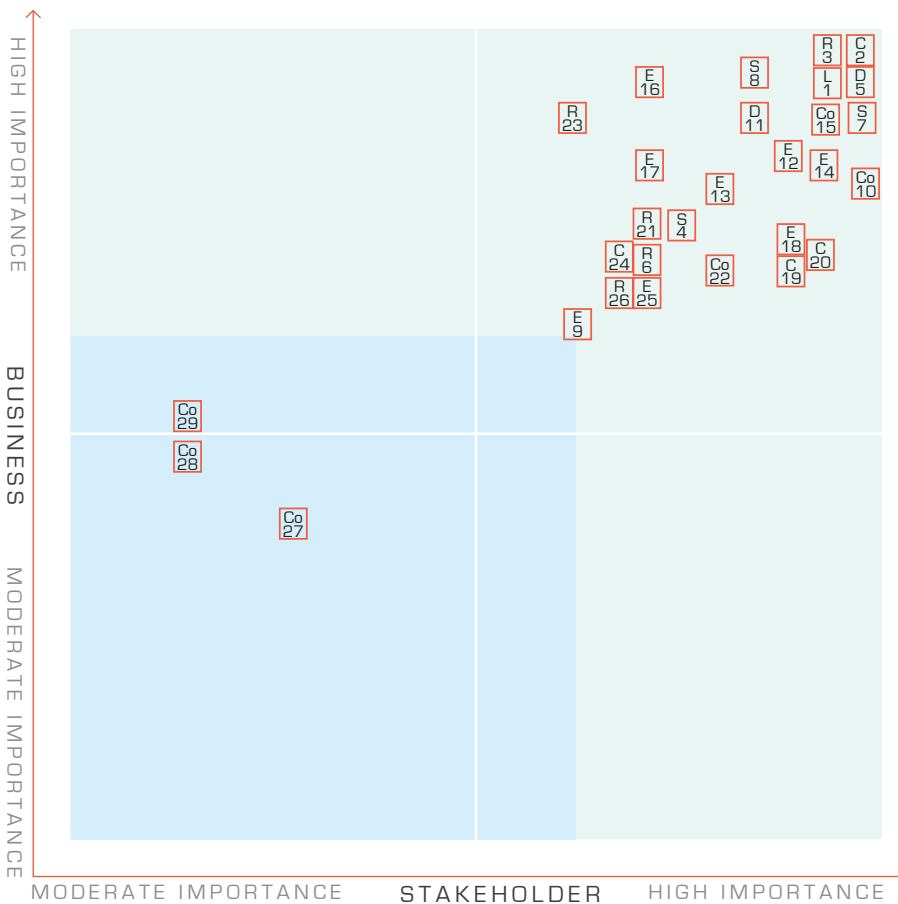
Internal and external stakeholders ranked issues most important to our business and to our stakeholders. For issues important to our business, an average mean of responses was taken, while for the issues important to the stakeholders, a weighted average of responses by internal and external stakeholders was considered.



VALIDATE

Most important issues emerging from the prioritization were validated with internal stakeholders.

The Materiality Matrix was plotted, which maps the concerns of external stakeholders with the priorities of internal stakeholders. All key aspects and their related indicators and parameters have been covered in our sustainability report.



1. Credit Ratings (L)
2. Customer Need Identification and Satisfaction (C)
3. Corporate Governance (R)
4. Sustainable Business Model (S)
5. Business Profitability (D)
6. Investor Security (R)
7. RONW, EPS (S)
8. Transparency and Communications (S)
9. Community Initiatives (E)
10. Financial Literacy (Co)
11. Dealer Relationship (D)
12. Safety (E)
13. Talent Attraction and Retention (E)
14. Employee Engagement (E)
15. Product and Services Information to Customers (Co)
16. Human Rights (E)
17. Risk Management Framework (E)
18. Employee Productivity (E)
19. Product Portfolio (C)
20. Brand Management (C)
21. Financial Inclusion (R)
22. Paper and Waste IT Products Management (Co)
23. Representation with Regulators (R)
24. Customer Privacy (C)
25. Diversity and Equal Opportunity (E)
26. Supply Chain Management (R)
27. Environmental Regulations (Co)
28. Emissions to Air - GHG (Co)
29. Effluents and Waste (Co)

E: Employees; C: Customers; D: Dealers; S: Shareholders, L: Lenders;
R: Regulators; Co: Community

BOUNDARY SETTING

Within the organization	Link with GRI G4 Aspects	Indicators covered in the report	Significant Impact	Reference Page No.
Credit Ratings, Investor Security	Economic Performance, Product Responsibility	EC8, G4-DMA	Within the organization	30-31, 32-35
Customer Need Identification & Satisfaction, Products & services information to customers	Product Responsibility	EC8, G4-DMA	Within the organization	32-35
Corporate Governance	Governance, Society	G4-34, G4- 56, SO8	Within the organization	8-10, 16-19, 24-27
Sustainable Business Model	Economic	G4- DMA	Within the organization	8-10, 24-27, 32-35
Business Profitability	Economic	EC1, EC2	Within the organization	30-31
RONW/ EPS	Economic	Reported in the Mahindra Finance Annual Report 2015-16	Within the organization	Pg. 34 – Financial Report
Transparency and Communications	Stakeholder Engagement Product Responsibility	PR7, G4-24, G4-27	Within the organization	18-22
Human Rights	Social – Human Rights	G4-DMA	Within the organization	16-17, 40-41
Community Initiatives	Society	SO1	Within the organization and community	50-54
Financial Literacy & Inclusion	Economic Performance, Financial Sector Disclosure	EC8, FS16	Impact within the organization and external impact on Customers	26, 32-35, 54
Talent Attraction & Retention, Employee Engagement	Labour Practices & Decent Work	LA1, LA3, LA9	Within the organization	40-48
Paper & Waste IT products' management	Environment	EN1	Within the organization	36-38
Product Portfolio	Economic Performance	G4-DMA, PR5 – PR7	Within the organization	32-35
Environmental Regulations, Emissions to air – GHG, Effluents & Waste	Environment Performance – Materials, Energy, Emissions, Compliance	EN1, EN3, EN15 – EN17, EN29	Within the organization	16-19, 36-38
Supply Chain Management	Organizational Profile	G4-12	Within the organization and external impact on stakeholders	28-29
Risk Management Framework	Climate Change Risks	G4-DMA, G4-2, EC-2	Impact within the organization and external impact on Customers	30-31
Diversity & Equal Opportunity	Labour Practices & Decent Work, Human Rights	LA1, HR3	Within the organization	40-47

We effectively engage with our stakeholders around the year through various initiatives and intervention. We ensure that the feedback is taken from them and actions and outcomes are communicated to them. The initiatives on stakeholder engagement for the reporting period are included here:

Process of Stakeholder Engagement

Key Stakeholders	Key Material Issues	Stakeholder Engagement	Result of the Engagement
Employees	Skill Development, Employee Engagement	<p>We have undertaken various initiatives for employees to facilitate training, engagement and communication [Top-bottom & Bottom-Top]</p> <ul style="list-style-type: none"> ● Training Calendar ● Newsletters ● Engagement Activities and Drives ● Safety Awareness Programmes & Aarogya ● Coffee & Conversation (Informal communication between employees and the Senior Management) ● EVP Book ● Diversity and Inclusion 	<ul style="list-style-type: none"> ● Our GPTW score increased from 74 to 78 ● Our training man-days for 2015-16 are 4.9 mandays/employee/year for manager and above and 8.2 mandays/employee/year for employees overall ● Our M-Cares score is 4.21 on the scale of 5 ● We have a Diversity Council to support and encourage Diversity & Inclusion initiatives across the sector
Customers	Lending Practices and Customer Satisfaction, Business Ethics	<p>We have organized various engagement activities for our customers throughout the year.</p> <ul style="list-style-type: none"> ● Sparsh (Customer Contact programme) ● Gram Sabha (Meeting in villages) ● Shikhar Sammelan (Customer Meeting) ● Mandi Diwas (Targeting weekly bazaar day of village) ● Road Shows ● Loan Mela ● Branch Vehicle Display (Promotional Scheme) 	<ul style="list-style-type: none"> ● Customer base of over 4 million ● Providing financial literacy to the community ● Based on the issues arising in the Customer CaPS survey, action points were developed to tackle the issues. The implementation has resulted in better customer satisfaction. The CaPS score achieved for 2015-16 is 63, which exceeded our target of 60 this year
Dealers	Service and Support, Dealer Satisfaction	Mahindra Finance has a Dealer Council for dealer engagement	<ul style="list-style-type: none"> ● Based on the feedback received during the Dealer CaPS survey, action points are developed to tackle the issues. The implementation has resulted in a decrease in dissatisfaction with interest rates, improving manpower availability at dealerships; and making the documentation process simpler

Key Stakeholders	Key Material Issues	Stakeholder Engagement	Result of the Engagement
Shareholders	Business Performance and Responsible Investments	<p>The Company regularly interacts with its shareholders and investors through multiple channels of communication, such as announcement of financial results, postal ballot results, annual report, media releases, dissemination of information on the website of the Company and Stock Exchanges and subject specific communications</p> <p>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 shareholders</p>	<ul style="list-style-type: none"> ● We are adhering to good corporate governance practices and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes ● During the year under review, CRISIL Limited [CRISIL] reaffirmed the rating of Long-term Debt Instruments and Bank Facilities as 'CRISIL AA+ / Stable' and 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+' which is the highest level of rating ● India Ratings & Research Private Limited, which is part of Fitch Group, maintained the rating of the Company's National Long-term instrument and Lower Tier II Subordinated Debt programme at 'IND AAA / Stable' ● Brickwork Ratings India Private Limited has, during the year, maintained the rating of Long-term Subordinated Debt Issue at 'BWR AAA / Stable' ● The 'AAA' ratings denote the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risks ● CARE Ratings assigned 'CARE AAA' rating to Long-term debt instrument and Lower Tier II Subordinated Debt programme
Regulators	Governance and Transparency	Company performance is being regularly provided to RBI and SEBI	<ul style="list-style-type: none"> ● We are adhering to good corporate governance practices and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes
Community	Community Development	<p>CSR Policy, formulated in 2013, includes a structure of implementation and monitoring our CSR activities. These activities are based on three main pillars i.e. Health, Environment and Education. We conducted the following CSR Activities:</p> <ul style="list-style-type: none"> ● Lifeline Express (7,421 beneficiaries) ● Health Camps (4,048 beneficiaries) ● Visit to Municipal schools / Orphanages / Old aged homes (6,913 beneficiaries) ● Tree Plantation (more than 93,570 saplings) 	<ul style="list-style-type: none"> ● CSR programmes have been recognized externally through awards ● The CSR policy has given structure to all our CSR initiatives from project planning to reporting phase ● Total volunteer number touched 7,121 which accounts for 44.60% employees across India for MMFSL



Kunj Bihari, Rajasthan, Home Loan Customer

Living in a rented accommodation was a huge financial burden for our family. To make matters worse, we were often harassed by the landlord. Somehow I managed to save enough money to buy a piece of land in our village, but was left with no money to build a home.

My application for a home loan was rejected by several organizations, and my frustration grew. When the Mahindra Home Finance team came to our area for a camp, I contacted their Customer Manager. They examined my intentions while judging my capacity to repay the loan. Within just five days of submitting all the required documents, my loan was successfully processed. I received my cheque, and we were able to build our dream house.

I can never forget the joy we felt when we shifted into our own house, leaving behind all the harassment and insecurities we had lived with for so many years. Today, we are no longer at the mercy of a landlord, and live in our own home. A long cherished dream has been fulfilled at last!



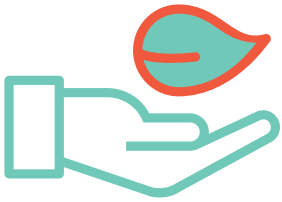
Raju Nayak, Chhattisgarh, Car Loan Customer

I used to be a hawker selling flowers and snacks. You can imagine the kind of money I was making then. There was a lot of effort and very little money. Since I had no vehicle, most of my time was eaten up in stocking up, leaving very little time to actually sell. So I thought of buying a vehicle to shorten the process of stocking up, make the travel easier and save time. But every company I went to for a loan, rejected my application because of my income level and insufficient documents.

Meanwhile, I also approached Mahindra Finance, as was suggested by a friend. They processed my application and sanctioned the loan immediately. The process was simple and their team was friendly and helpful. I purchased a Tata Nano with the money I received. It was a happy day for me. I used this vehicle to sell my products in many markets and my business started giving me greater returns.

My lifestyle and social status improved steadily. With the money I made, I even started a catering business. It was a dramatic change from my earlier condition. Today, my life is at an all-time high! In retrospect I realize that this was possible because of the timely help Mahindra Finance gave me. I consider them to be a company for needy people.

SUSTAINABILITY AND US



We, at Mahindra & Mahindra Financial Services Sector, are playing the role of a catalyst in the fast economic growth of Rural India. Our model of doing business is socially inclusive to help empower India at the grassroots. We have created financial solutions that empower and enable our customers to give shape to their dreams and help them Rise.

For decades Mahindra & Mahindra Financial Services Sector has supported large number of first-time borrowers with little or no credit history, but a passion to realize their dreams. We have partnered their ambitions passionately and diligently. Today, they are confident participants in India's inclusive growth story.

Apart from business operations, 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.

Going forward, we aim to further improve the diversity of our product portfolio to cater to various financial requirements of our customers. At Mahindra & Mahindra Financial Services Sector, we have built flexibility in our business model, so we can evolve it in line with the needs of a transforming rural economy.

Sustainability Context



Climate change, human rights and scarcity of resources are affecting businesses today. Growing emphasis and increased public awareness on climate change and sustainable development is leading businesses to pursue a more responsible way of doing business.

As a business organization, we are cognizant of these issues and address them through strategic integration of sustainability in our business operations and decision-making processes. Almost all our workforce is sensitised and aligned to this cause. Today, we view sustainability as an opportunity to create long-term shared value for all our stakeholders across economic, environment and social bottom-lines.

Like any business, ours is not devoid of risks and challenges. Two years of insufficient monsoons and a gradually recovering economy means that sentiments will take time to improve. It also means that credit off take will be muted and the recovery will be gradual. For a company like Mahindra & Mahindra Financial Services Sector, this is the time to remain committed to our business model by setting requisite set of plans and actions. Assessing the seasonal changes and weather forecasts induced by changing climatic condition is imperative for us. We have mechanism of monsoon report to assess and evaluate such risks and proactively take steps and measures to minimize the impact.

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

Mahindra & Mahindra Financial Services Ltd. is listed on Dow Jones Sustainability Emerging Markets Index (DJSI) for three years consecutively. Dow Jones Sustainability Emerging Markets Index tracks the performance of the top 10% of the more than 800 largest emerging markets companies in the S&P Global Broad Market Index that lead the field in terms of sustainability. About 800 companies from 23 countries were invited for disclosures from Emerging Markets. 9 were from India who made it to the list.

Rural Financing

At Mahindra & Mahindra Financial Services Sector, our overarching objective has always been to help transform semi-urban and rural India by making finance available to those in need. We began our journey with a strong set of values, a distinguished lineage and a group of dynamic and highly motivated individuals. We have partnered many aspirations in the remote corners of India and empowered people from grassroots. Our socially inclusive business model facilitates loans to customers not on the basis of their current financial status, but their future earning capacity.

Long before the word 'business model' came to be commonplace, Mahindra & Mahindra Financial Services Sector embarked on a journey to empower rural lives through making affordable credit available. The distance covered in these years is significant. Today, as one of India's leading non-banking finance companies, we are present in over 2.8 lakhs villages across the length and breadth of India. We are proud to have touched over four million lives whom we have helped with financial freedom and credit to pursue their dreams.

For a company like Mahindra Finance, doing business in challenging scenarios is not easy and this is the time to reinforce our faith and confidence in the opportunities that rural India offers, as it is to remain committed to our business model. It is also time to ensure that customers and their interests remain at the heart of what we do. 2015-16 was a year that tested our business.

However, we continued growing and resourcing our business. We nurtured relationships with stakeholders across the board. We continued to enrich our offerings to ensure that we are aligned to the specific needs of our customers, and have their interest in mind. We continued to invest in talent and growing our presence. And reaching farther and deeper into rural India, where we believe the largest opportunity lies. We continue to build on our successful four-tier sustainability structure, which lends a top-down approach to enable a strategic context towards sustainability. Additionally, a bottom-up approach enables strategic action through data monitoring and analysis.

Sustainability Structure

1 The **Top Tier** comprises the 'Corporate Sustainability Council', a cross-sector committee of senior executives chaired by a member of the Group Executive Board. Mr. Ramesh Iyer, Vice Chairman & Managing Director - Financial Services Sector, is a member of the Sustainability Council.

2 The **Second Tier** contains the 'Corporate Sustainability Cell', which is the backbone of the Group sustainability initiatives. The responsibilities of the Cell are:

- To ensure approved strategies are in action
- To propose strategies, action plans, scoping of the report, among others, to the Sustainability Council
- To develop and disseminate action plans to all the sectors of the Group
- To share knowledge and capacity building of teams within each sector to ensure synergies in data collection and monitoring

3 The **Third Tier** consists of 'Sustainability Champions' from all three companies of the FSS. It is responsible for:

- Disseminating information from data collected to the core team within the sector
- Creating a single-point of contact between the sector and the sustainability cell
- Ensuring reporting under the GRI framework
- Implementing initiatives and awareness programmes

4 The **Fourth Tier** comprises 'Location-wise Sustainability Champions' looking after various initiatives at each regional office. They are responsible for data collection and are aided by a team of sustainability enthusiasts to execute various activities.




The Corporate Sustainability Council meets quarterly and reviews progress on sustainability objectives. Various operational measures related to climate change and sustainability are reported back to the senior management, who then assess mitigation measures on risks/opportunities. The implementation of sustainable measures is ultimately reviewed by the Managing Director.

Our Sustainability Roadmap

We have come a long way since our sustainability journey started in 2008-09. By formulation of a structured roadmap, we have undertaken strategic initiatives at the business and location level to achieve the long-term goals that we have set for ourselves.

The primary elements of our Sustainability Roadmap are:

- Developing offerings responsibly to cater to the needs of rural and semi-urban people for livelihood, housing and healthcare
- Ensuring transparency and accountability, while engaging with our business partners
- Providing a conducive environment, which promotes professional and personal growth of every employee
- Empowering communities with financial literacy
- Generating employment through deep penetration of our branch network
- Catalyzing community upliftment through need-based community interventions and employee volunteering

TARGET 2016-17	ACTUAL 2015-16	BASELINE 2012-13		
5%	42%	9.976	Reduce specific electricity consumption by % Y-o-Y (in GJ)	ECO EFFICIENCY 
5%	49%	2.135	Reduce specific GHG emissions by % Y-o-Y (in tCO ₂)	
4	3.88	1.2	Providing happy homes (Home Finance) to rural families (in lakhs)	PRODUCT RESPONSIBILITY 
1.5	1.49	0.051	Providing health insurance products to rural customers (in lakhs)	
425	433	264	Empowering communities by focusing on financial literacy and increasing the reach by 10% Y-o-Y (in thousands)	EMPLOYEE CARE AND DEVELOPMENT 
5.3%	4.90%	3.3	Unleashing the passion of our people through capacity building by increasing training mandays by 5% Y-o-Y (in days per person per year for managers and above)	
133	160	NIL	Enabling continued focus on employees wellness by increasing awareness sessions on Health and Safety by 10% Y-o-Y (number of workshops conducted)	
5,334	8,447	3,312	Uplift communities through need-based interventions and employee volunteering by 10% Y-o-Y (number of employees)	



FSS
Mission: To transform rural lives and drive positive change in the communities.



Business Responsibility Report

As the concept of business sustainability is increasingly taking the centre stage in organizations around the world, the regulatory framework in India is emphasizing on accounting, management and communication of Business Responsibility Performance to all stakeholders. SEBI is enforcing India's esteemed organizations to release their Business Responsibility Report included as a part of their Annual Financial Reports. Mahindra & Mahindra Financial Services Sector released its 1st Business Responsibility Report for 2015-16. It is based on key principles of sustainability and covered information and updates in areas such as environment, social, governance, stakeholder's relationships, work environment and responsible products/services, among others.

Business Performance Parameter – CSR and Sustainability

The Company has sustainability and CSR related goals and targets in the Business

Performance which cascades as Key Result Area (KRA) for all employees' at managerial level and above. We have variable compensation distribution in terms of company performance (Business Goals) and individual performance (Individual Key Result Area's) and all employees above this managerial grade are covered under this process. This is a part of our continuous efforts towards internalizing sustainability and CSR as an organization agenda with collaborative efforts.

FSS Sustainability Council

In the reporting year we have constituted Sustainability Council for Financial Services Sector (FSS) comprising of eight senior members from various functions in organization and Chief People Office is chairman of this committee.

Sustainability at FSS is an integral part of the corporate culture and behavior in business.

To ensure a close link to the operational part of the business and commitment from management, this Council reflects a cross functional team approach using an integrated network within the organization to make use of all relevant resources, experience and knowledge from all levels to guide sustainability initiatives.

The objective of the FSS Sustainability Council is to:

- Effectively integrate sustainability into business strategy and practices
- Ensure all relevant sustainability policies and goals are well informed, aligned and efficiently executed
- Ensure high levels of organizational understanding, alignment and engagement of the sustainability vision throughout the company.

Council will help the organization achieve a balanced approach in our People, Profit and Plan.

SUPPLY CHAIN EFFICIENCY



As a financial services company, we have classified our value/supply chain based on the impact of our business in the following manner:



Customers

We have adopted a comprehensive approach towards propagating sustainability throughout our value chain. Our long-term success is directly linked to sustained progress and well-being of customers across semi-urban and rural India. The growth of our business remains sustainable only when our customers grow and achieve success over the years. Our approach towards sustainability not only facilitates our customers in realizing their aspirations, but also influences them in making the right choices and decisions that will yield greater benefits both for them, and for the local community as a whole.

When we extend a loan for a new vehicle, we are providing access for people to travel safely and faster in a vehicle, which is less polluting than their old vehicles.

We are also providing loans for more energy-efficient products and machineries, better fuel efficiency vehicles and vehicles based on cleaner fuels.

Employees

We are engaging with our teams and highlighting various aspects of sustainability through a Sustainability Calendar. We conduct regular sustainability awareness sessions for our employees, on topics, such as waste management, water conservation and energy conservation.

Also energy efficiency and reduction in GHG emissions is a part of the Company's Sustainability Roadmap targets. These targets are monitored and reviewed each year.

Community

Mahindra Group is enabling communities to 'RISE' above their limiting circumstances by innovatively supporting them through programmes in the domains of education, health and environment. As a part of our Group's commitment to Corporate Social Responsibility, we have implemented projects engaging community members and Non-governmental Organizations (NGOs) for scholarships to undergraduate and graduate students, vocational training and financial literacy, supported technology incubators, ambulance and medical care equipment donation and sanitation. The Company's Employee Social Options Programme (ESOPs) supports employees in creating volunteering projects, based on the needs of underprivileged communities in and around their places of work.

Suppliers

As our suppliers are local small-scale vendors and service providers, we encourage them to follow sustainable practices. We engage with them to trigger, learn and initiate projects and other initiatives that contribute in the reduction of GHG emissions as a part of our supply chain network.

Local Vendors

We believe that we are only as good as our suppliers. We ensure fostering strong partnerships with all our local suppliers. We have a pan-India network and operate across locations in rural India. Along with proximity, other significant vendor selection factors include quality, delivery reputation and past performance, place of procurement, logistic advantages, reports, history and past relationship.

Our major suppliers are small scale vendors and service providers. The nature of our business doesn't present opportunities for sustainable sourcing aspect in a holistic way. However, we focus on engaging with local suppliers and giving them a preference. Such a strategy helps them in generating more value and sustaining their business. It also helps them to improve their service levels for future prospects. Besides, the Company encourages its suppliers and vendors to adopt sustainable practices.

Dealers

We have a Dealers Council for engagement with our Dealers and based on the feedback received during the interactions and as an outcome



Value of Suppliers Values (in Rs. Million)

	Monetary Value of significant (Top 10) suppliers	Of the top 10, monetary value of local suppliers
MIBL	106.3	106.3
MRHFL	96.8	96.8
MMFSL	1794.9	1794.9

of CaPS survey; action points are developed to tackle the issues. The implementation of these actions has resulted in a decrease in dissatisfaction with interest rates, improving manpower availability at dealerships; and making the documentation process simpler. Our engagement with our OEM Dealers is on ongoing basis throughout the year.

Our engagement with each of our stakeholders described in the supply chain is explained in the Materiality & Stakeholder Engagement Section of this Report.



WE ENSURE FOSTERING STRONG PARTNERSHIPS WITH ALL OUR LOCAL SUPPLIERS. WE HAVE A PAN-INDIA NETWORK AND OPERATE ACROSS LOCATIONS IN RURAL INDIA.

ECONOMIC PERFORMANCE



Empowering rural India is at the core of our objective. We believe such an objective drives India's growth engines and enables people to achieve their economic aspirations. While our goal is clear, so are the means. The business is driven by ethics and powered by our values.

Management Approach

At Mahindra & Mahindra Financial Services Sector, we believe that viability is a prerequisite for sustainability. 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 to achieve their aspirations. We have enabled them become confident participants in the transformation of rural India.

Our unparalleled reach takes us to locations hardly known or celebrated by the outside world. However, they are never out of the ambit of our financing.

During the year under review, our total income of MMFSL grew by 6% to Rs. 5,905.1 Crores for the year ended 31st March, 2016, compared to Rs. 5,584.7 Crores for the previous year. Profit After Tax (PAT) declined by 19% to Rs. 672.6 Crores, as compared to Rs. 831.8 Crores in the previous year.

Business Highlights

- Increased number of offices to 1,167 as on 31st March, 2016, up by 5.32% from 1,108 offices as on 31st March, 2015
- Employee engaged increased to 15,821 as on 31st March, 2016 as against 14,197 as on 31st March, 2015
- Assets Under Management (AUM) raised to Rs. 40,933 Crores from Rs. 36,878 Crores in 2014-15, an increase of 11%
- The customer base reached 4.1 million people, from 3.63 million in 2014-15, an increase of 12.95%

Read our Annual Report 2015-16 at: <http://www.mahindrafinance.com/annual-reports.aspx>

During the year under review, Mahindra Insurance Brokers Limited (MIBL)

serviced 1.3 million insurance cases, with a total of 1,330,929 cases for both life and non-life retail business. MIBL's total income increased by 18% from Rs. 126.2 Crores in 2014-15 to Rs. 149.2 Crores in 2015-16. The Profit Before Tax (PBT) increased by 15% from Rs. 65.3 Crores to Rs. 75.2 Crores, and the Profit after Tax increased by 13% from Rs. 42.9 Crores to Rs. 48.5 Crores during the same period.

Mahindra Rural Housing Finance Limited (MRHFL) during the year ended 31st March, 2016, disbursed loans aggregating Rs. 1,552.5 Crores (previous year Rs. 989.6 Crores) achieving a growth of 57% over the previous year. Profit after tax was 42% higher at Rs. 62.7 Crores, compared to Rs. 44.2 Crores for the previous year.

ECONOMIC VALUE

(Rs. in Million)

	Economic Value Generated	Economic Value Distributed	Economic Value Retained
2015-16	59,051.00	56,737.88	2,313.12
2014-15	55,847.06	51,227.58	4,619.48
2013-14	49,530.05	43,942.14	5,587.90
2012-13	39,589.61	33,521.40	6,068.21



Climate Change Risk Management

Large parts of the world are threatened by the perils of climate change, impacting lives, livelihoods and businesses.

Human-induced climate change has also become an important factor for the financial sector. The multitude of impacts from climate change include scarcity of natural resources, their escalating prices, enhanced transportation costs, additional insurance covers and expenditure on risk mitigation.

We are addressing the impact of climate change in our business in two ways. Firstly, we are undertaking initiatives to reduce our energy consumption and GHG emissions as a part of our sustainability roadmap. Secondly, we are strengthening our risk assessment method to include analysis of climate change risks.

The deep and pervasive impact of climate change across geographies is closely monitored by our pan-India leadership team; and is jointly discussed with Board members during comprehensive risk analysis. Risks and opportunities are identified vis-à-vis predefined objectives of our business. These are then quantified in monetary terms.

The fundamental aspects of climate change like availability of water, GHG emissions/ carbon footprint and temperature rise have linkage to our

strategy. It is our constant endeavour to integrate environmental constructs into management decision-making. Our customers are primarily farmers, traders, local transport operators, small business owners and daily earners, among others. Thus the loan schemes are structured around the crop pattern, for instance, monthly, quarterly, half yearly installments.

Good monsoon is a precursor to farm income and rural well-being. It has direct relationship to our business and recovery pattern. Our in-field executives enter the data, based on the self-assessment and daily updates of monsoon.

Interestingly, consumers today are more sensitive to their consumption patterns and ecological footprint. There is a shift towards electric and hybrid vehicles from the conventional ones. People also wish to invest in vehicles, buildings and infrastructures that are more efficient, compared to conventional ones and reduce their operational cost and access healthier living. This gives us an opportunity to provide financial products and services to support the changing consumer behaviour in urban areas.

On-ground initiatives undertaken by us to mitigate the impacts of climate-change are reported, along with their results in the environment performance section.

Monsoon Reports

Also, we leverage Monsoon Report, its digital software especially made for our tractor portfolio customers. Our Customers are mainly Farmers, Traders, Local Transport operators, Small Business Owners and Daily Earners etc. Thus the loan schemes are structured around the crop pattern e.g./- monthly, quarterly, half yearly installments. Hence, good monsoon is important to our customer profile. Monsoon is a precursor to a good economic growth in Rural India and has direct relationship to our Business and Recovery pattern. Our executives in field enter the data based on self-assessment and daily updates of monsoon. The same is tracked Pan-India and reports are generated for our managers to plan and take business decisions at village, district and state level.

SERVICE PERFORMANCE



DELIVERING SERVICES, EMPOWERING LIVES

Management Approach

At Mahindra & Mahindra Financial Services Sector, we focus on elevating people's aspirations to the threshold of achievements; and empowering them to live a life of self-reliance and dignity.

Over the years, we have been a part of everyday lives of people in remotest places and unique cultures of India across 2.8 lakhs villages.

Consistent economic growth has given rural India the capability and the confidence to surge ahead. At Mahindra & Mahindra Financial Services Sector, we are co-creating new opportunities through our products and services, while sharing a special relationship with our over four million customers.

Our Mission is to transform rural lives and drive positive change in the communities. In addition to this, we would like to contribute towards well-being of people and the planet. Our vision and initiatives enable us to touch the lives of people and we cherish the trust of all our stakeholders. Through our business, we directly contribute towards one of the mission of India's first National Action Plan on Climate

Change (NAPCC), i.e. National Mission on Sustainable Agriculture.

Of the four strategies to achieve this, we directly help our customers in two of them, i.e. providing agro-climatic information sharing and dissemination through our website and financial support. Our objective is to enable farmers to invest in and adopt relevant technologies to overcome climate-related stresses through responsible lending.

We develop solutions that support the transformation to a fair and inclusive economy, thus truly driving positive change. We hold high level of priority regarding confidentiality of the company, employee and customer information as these are critical for the organization. We provide accurate and appropriate information through strict compliance with required disclosures; and have not received any complaints related to customer privacy in the reporting year.

Empowering Dreams and Enabling Progress

Mahindra & Mahindra Financial Services Limited is one of India's leading Non-Banking Financial Companies (NBFCs).



OUR MISSION IS TO TRANSFORM RURAL LIVES AND DRIVE POSITIVE CHANGE IN THE COMMUNITIES. IN ADDITION TO THIS, WE WOULD LIKE TO CONTRIBUTE TOWARDS WELL-BEING OF PEOPLE AND THE PLANET.

Since inception, we are acting as a positive change agent by catering to the financial requirements of millions of people across semi-urban and rural India. We are proud to serve the last-mile communities of rural India.

With a vision of creating a self-reliant India, we have empowered millions of ambitious individuals by providing flexible financing opportunities to transform their dreams and help them to rise. Our rich industry experience and expertise have endowed us with the ability to acquire deep insight into the evolving requirements of customers. We empower those who reside at the lower end of the social pyramid. We undertake periodic surveys to understand our customers better.

We primarily cater to customers who are largely ignored by the conventional banking system or they are located in under-banked locations. Our customers come from various walks of life, such as small traders, neo-entrepreneurs, unemployed youth, teachers, drivers and farmers. Majority of our customers belong to low income category; and are at the bottom of the income and social pyramids.




As they do not possess collaterals or past credit records and documents, they find it difficult to get loans from banks. Hence, moneylenders are the only alternative available. First time buyers of vehicles/assets – these assets are not for personal use, but are their source of livelihoods. They are not sub-prime

customers, but their credit worthiness is not easily visible or measurable.

We address the credit requirements of our customers through our unique 'Earn & Pay' business model, whereby loans are provided for income generation based on the pattern of consumption.

We provide a range of financial products and services to our customers through our nationwide distribution network. 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 and securing people's lives and investments.

Our major product categories comprise:

MMFSL	MIBL (Subsidiary)	MRHFL (Subsidiary)
		
Loans	Fixed Deposit and Mutual Fund Distribution	Insurance Broking
<ul style="list-style-type: none"> ● Vehicle loans: Utility vehicles, tractors, cars, two-wheelers, three-wheelers, commercial vehicles and construction equipment and refinance for used cars ● SME loans: Equipment financing, project financing and working capital finance ● Personal loans 	<ul style="list-style-type: none"> ● Investment Advisory Services under brand 'Finsmart' ● In fixed deposit schemes, we have leveraged the trust of our customers and collected deposits of more than Rs. 47,843 million. CRISIL Limited [CRISIL], has reaffirmed the rating of the Company's Fixed Deposit Programme as FAAA/ Stable 	<ul style="list-style-type: none"> ● Insurance solutions to retail and corporate customers
		Housing Finance
		<ul style="list-style-type: none"> ● Loans for buying, renovating, extending and improving homes in rural India

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 customized solutions (like Mahindra Loan Suraksha, Mahindra Arogya Suraksha and Sampurna Suraksha) are well integrated and equipped to meet our customer's 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.

Credit Rating

The Company follows very high standards of corporate governance and enjoys excellent support from the investor community. CRISIL has reaffirmed our ratings on long-term debt instruments and bank facilities as '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+', which is the highest level of rating.

Financial Literacy

India's linguistic diversity is a challenge for many industry players. We overcame this barrier by creating multilingual teams, comprising locals. Our employees educate our customers about the loan products they avail and thus, build deeper partnerships with them. In 2015-16, we have spread Financial Literacy to 5,000 community members.

Reaching to the masses

through technology

The marketing team has launched a new television commercial campaign, which features true stories of customers. The communication was in 10 different regional languages, along with Hindi and English.

The tagline aptly reads 'Bharat ko pehchante hai hum', showcasing the team's in-depth knowledge, which supports customers and help them turn dreams into reality.

Also, we have our company's website that is bilingual (English and Hindi version) and easy to navigate with lot of information pertaining to our business and services which are readily available for interested customers.

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

Customer Satisfaction

We believe that effective communication is vital to avoid misrepresentation, incorrect statements or misleading impressions. We have fully-integrated systems in place and conform to all laws and standards related to marketing communication, advertising, promotion and sponsorship. Our website contains all relevant information, and along with that, our communication approach has transformed with time. Customer feedback and satisfaction with our services are taken in the form of CaPs score and this feedback is utilized to create action plans for the improvement of products/services. Embracing social media marketing is one such change to not just promote our services, but also receive customer feedback on the same.

Compliance

During the current year, no incidences were reported related to service non-compliance related to regulations and voluntary codes concerning product and service information and labeling, by type of outcomes as applicable.

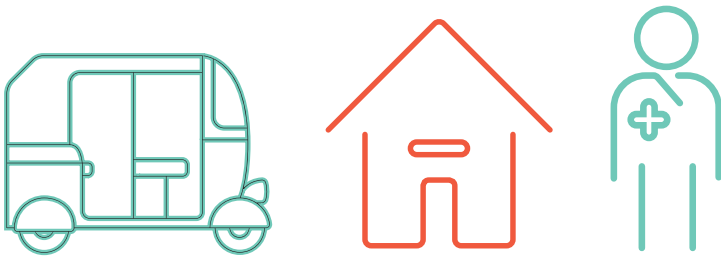
Socially Inclusive Products



Our journey started in the nineties primarily as a financier of Mahindra vehicles. Over the years, we have extended our reach to a large portfolio of financial services that help our customers fulfil their diverse needs. Our multiple businesses are a logical extension of being a facilitator of rural transformation in more ways than one.



WE ARE HAPPY
WHEN WE
CAN BE WITH
CUSTOMERS,
JUST WHEN IT
MATTERS MOST.



We are creating livelihoods, providing shelter, securing people's lives and investments.

Through a vast network of branches, we provide personalised finance for utility vehicles, tractors, cars and housing, focusing in the rural and semi-urban sector to earn their livelihood and improve their quality of life. We have designed and implemented tailor-made products based on requirements of customers in rural and semi-urban segments.

Our unique insurance products, designed by MIBL, are socially inclusive as it helps our customers in protecting their assets, health, life and financial liabilities. These products comprise Mahindra Loan Suraksha (MLS), Mahindra Sampoorna Suraksha (MSS) and Mahindra Arogya Suraksha (MAS) for loan customers of Mahindra & Mahindra Financial Services Ltd. (MMFSL).

Mahindra Loan Suraksha (MLS) is a Credit Term Group cover for auto loan customers. It protects the customer's family and assets in case of the death of the customer by covering the outstanding finance amount, hence, not putting the burden of repayment on the customer's family. The vehicle, which is the livelihood for customer's family is not taken back and helps family to sustain themselves. Mahindra Loan Suraksha (MLS) increased from 459,781 lives covered in the Financial Year 2014-15 to 513,093 lives covered in the Financial Year 2015-16.

Mahindra Sampoorna Suraksha

(MSS) is a unique combination of Group Credit Term cover and fire insurance cover for housing loan customers. This cover protects the customer's family and assets in case of unfortunate death of the customer, not putting the burden of repayment of the loan on the family. It also relieves the customer from financial liability, arising due to damages or loss of property from fire or any other natural calamity.

Mahindra Arogya Suraksha

(MAS) is a Group Health insurance cover, specially designed to cover our customers. Due to low awareness about Health Insurance in semi-urban and rural India, people are spending out-of-pocket on health related expenses. With this product, we are able to reach out to and educate rural masses on the importance of health insurance and provide them medical care facility in comparatively lower cost. This product ensures that during hospitalization due to sudden illness, accidents and surgeries, customers can afford suitable medical care without falling back on hard-earned savings.

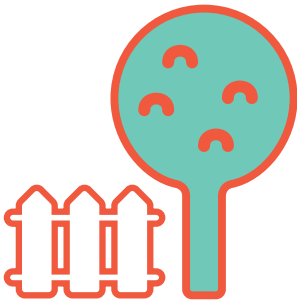
In addition to these products, we've designed and implemented simplified and easy MLS and MSS claim settlement processes and documentation requirements, based on the market conditions in rural and semi-urban segments. Under this initiative, we have got waiver from insurance companies for documents make it more simpler and

easy for customer in rural India to fulfill and as per applicable under guideline of governing bodies like IRDA.

As a part of our Financial Services business, in our constant endeavour to offer better products and services, we are increasing focus on financing of vehicles running on cleaner fuels like CNG in markets where CNG gas stations are easily available. Also, we have differential rate of interest for financing of e-vehicles in country which is lower than the normal rates.

In our Rural Housing Finance Business, we do encourage our customer and borrowers to use better quality and environment friendly materials for construction and renovation of houses for which they avail the loans.

ENVIRONMENTAL PERFORMANCE



Management Approach

At Mahindra & Mahindra Financial Services Sector, it has been our constant endeavour to integrate environmental constructs into management decision-making. Improving eco-efficiency of our operations has been a part of our sustainability roadmap. Digitization of our operating procedures, products and processes has been one of our key initiatives. It not only helps lower carbon emissions as we commute less, but also reduces paper consumption. Efforts towards continual improvement and resource optimization in process and operation have supported our endeavours towards better environmental performance.

Compliance with laws and regulations relating to the environment has always been ensured in letter and spirit. We have been reporting environmental performance in terms of absolute and specific consumption. The specific consumption is calculated by dividing the absolute consumption by number of employees.



On behalf of 822 investors with US\$95 trillion in assets, Carbon Disclosure Project (CDP) seeks information on carbon emissions disclosures from the world’s largest companies. Mahindra Finance, its endeavour to transparent environmental disclosure, has been reporting its environmental disclosures and performance through the Carbon Disclosure Project (CDP) India 200 since 2011-12. In 2015-16, Mahindra Finance made to the Carbon Disclosure Leadership Index (CDLI) 2015 for the 2nd year in a row. We are the only NBFC in India to be featured on CDLI.



IMPROVING ECO-EFFICIENCY OF OUR OPERATIONS HAS BEEN A PART OF OUR SUSTAINABILITY ROADMAP. DIGITIZATION OF OUR OPERATING PROCEDURES, PRODUCTS AND PROCESSES HAS BEEN ONE OF OUR KEY INITIATIVES.

GHG Emissions Sector-wise Composition (in tCO₂)

	2012-13		2013-14		2014-15		2015-16	
	Absolute	Specific	Absolute	Specific	Absolute	Specific	Absolute	Specific
Scope 1	79	0.062	87	0.066	479	0.473	127	0.080
Scope 2	2,633	2.073	1,810	1.388	2,025	2.002	1,874	1.183
Scope 1+2	2,711	2.135	1,897	1.454	2,504	2.476	2,001	1.263
Scope 3	668	0.525	735	0.564	668	0.660	419	0.264

Note: Actions pertaining to reduction in GHG emissions are shared in below sections

Material Aspects covered in this section: • Paper and Waste IT Product Management • Environmental Regulations • Emissions to Air-GHG • Effluent and Waste

Total Energy Consumption (GJ)

	2011-12	2012-13	2013-14	2014-15	2015-16
Absolute	9,557	12,669	9,090	15,357	9,947
Specific	9.243	9.976	6.970	15.190	6.285

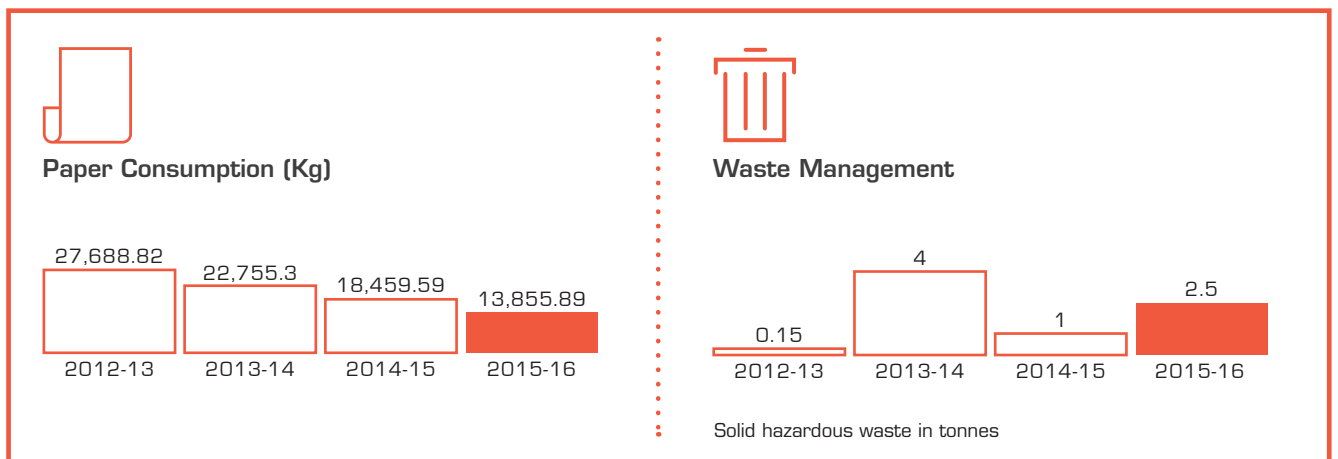
Note: Actions pertaining to reduction in Energy consumption are shared in below sections

Water Consumption (m³)

	2011-12	2012-13	2013-14	2014-15	2015-16
Absolute	4,162	11,299	13,990	13,648	19,673
Specific	4.030	8.897	10.728	13.49	12.42

Note: All the offices of FSS, including the head office and regional offices are in rented premises where the lump sum amount inclusive of the water bill is paid to the owner. From 2012-13, we changed the methodology of calculating water consumption on the basis of a thumb rule, i.e., 45 litres/day/person from all the ROs instead of a few locations. There is an increase in specific water consumption due to reporting of better quality of data.

Material Consumption



Cartridges and Toner Consumption

(No.) – As majority of printers we use for our operational purpose are on rent and are entirely managed by third party vendors and we are paying to our vendors only for the cost of service we use which is on no. of prints taken. The ownership and accountability of no. of cartridges and toners being used is with our external vendors and beyond the scope of our control and report boundary. We do encourage our vendor to adopt sustainable business practices.

E-Waste Management – The hazardous waste applicable for our business operations is the total e-waste that is produced. We manage our E-waste through authorized agencies as per the applicable laws pertaining to E-Waste handling and disposal. 100% of hazardous waste from all major locations for the previous reporting year is disposed of responsibly.

Interventions towards Environmental Sustainability

Technology to reduce business travel

We have enhanced our efforts to use video conference and tele-conference facilities. It has reduced our need for business travel and has resulted in decreased

scope 3 emissions. We have installed video conference facility at 30 of our major locations of operation. This has reduced travels of employees and have contributed in reduction in travel cost and saving of time as well.

Paper Reduction – We have increased our efforts in employee awareness initiatives on reducing paper wastage as well as automating processes and going paperless. This has resulted in lower scope 3 emissions. Duplex Printing enabled as a default feature on printers to save paper wastages. People are also trained to print in front-back modes at our locations of operations. We have also initiated digital storing of important business documents into Document Management Solution for future references and various approvals.

In an effort to reduce paper consumption, we have undertaken other initiatives to eliminate paper usage. Some of these initiatives include:

- The Personal Loan Application Processing (PLAP) facilitates the capture of personal loan enquiries at source and at every stage till

approval/rejection of the application; thereby completely bypassing the use of paper-based stationery.

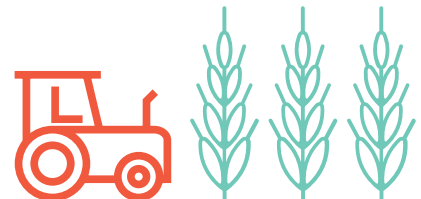
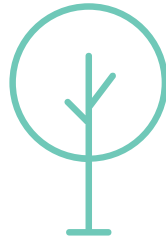
- Conveyance Claim Module is an integrated module to process conveyance reimbursement payments to the field force. It maintains an MIS on productivity, efficiency and performance comparison across period for approving authority. It is a completely paperless process that even frees the field force from the need to maintain manual records of local travels.

Solar Based UPS System – Low carbon energy installation

Solar power UPS system was installed at various remote branches, which experienced acute power cut problem (power was available for 2-3 working hours) to overcome load capacity. Total installed capacity as on 31st March, 2016 was 175 KVA.

IT Process emissions reductions

– Consolidation of all physical servers into virtualized environment on blades. Precision air-conditioning equipment were also installed, along with cold air containment for optimal utilization.



Green Building Premises

One of our offices is in green building premises. As all of our locations are on rented places, so the scope and level of control to make changes and modification in infrastructure is limited. We do foresee the opportunity to focus on energy-efficient system and fixtures in offices from where we operate.

Project Hariyali

The Indian subcontinent has been extensively explored in terms of biodiversity over the years. Due to population explosion, climate change and poor environmental policies, several species are facing the threat of extinction. Not only does this affect the food chain, but also the livelihood and the culture of millions of Indians who depend on local biodiversity in rural India.

Project Hariyali has been our endeavour towards nurturing biodiversity. During the reporting period, the Company

planted 93,570 trees, against the target of 85,000, through the collective efforts of employees and community partners. Since 2007, we have planted over 430,000 saplings, significantly contributing to the reduction in CO₂ emissions. As per the information available on internet (<http://onetreepanted.org/blogs/news/14245701-how-planting-trees-can-help-reduce-your-carbon-footprint>), we estimate a total reduction of 900 tons of CO₂ during the year. We further plan to estimate the total CO₂ reduced through tree plantation done by our organization using advanced calculation methodology.

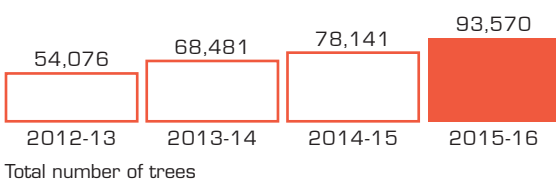
The number of trees planted turned out to be 10% above the targeted amount, which gave a sense of achievement to the volunteers. To maintain the sustainability of these saplings, we conducted tree plantation drives in colleges, schools and orphanage premises, where the community feels responsible and nurtures saplings.

Monsoon Report

The company has devised a tool called 'Monsoon (Annual Rainfall) Report' especially made for our tractor portfolio customers. Our Customers are mainly farmers, traders, local transport operators, small business owners and daily earners etc. Good monsoon is the major factor for our customer profile. Monsoon is a precursor to a good economic growth in rural India and has direct relationship to our Business Recovery pattern. Thus the loan schemes are structured around the crop pattern e.g. - monthly, quarterly, half yearly installments. Our executives in field enter the data based on self-assessment and daily updates of monsoon. The same is tracked pan India and reports are generated for our managers to plan take business decisions at village, district and state level.


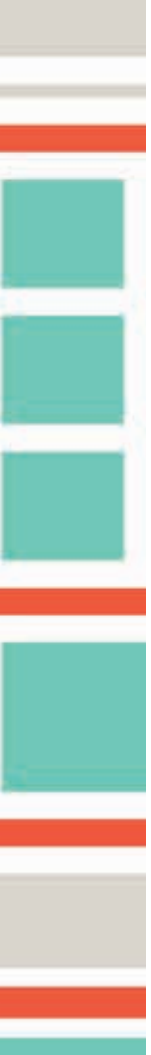


Project Haryali Statistics



Other Disclosures

- No land is identified as owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside the protected area
- No activity, product or service is identified, which had a significant impact on biodiversity in protected areas and areas of high biodiversity value outside the protected areas
- No monetary fines or non-monetary sanctions of non-compliance with the environmental laws and regulations were recorded in the year




Girish Patil, Karnataka, Tractor Loan Customer

Owning a tractor is perhaps the dream of all farmers! I too, wanted one to improve the agricultural output of my farm, and I thought of buying a tractor for this purpose.

As I had no savings to buy one immediately, I applied for a loan. But I was in for a rude shock when various banks rejected my application. I was extremely disappointed. However, things changed when I met a representative of Mahindra Finance and shared my dreams.

The team recognized my commitment to repay the loan, and it was speedily sanctioned. Their customer service was excellent, and the documentation process was extremely simple. Thanks to their support, today, I own a tractor and my income level has improved considerably. I have succeeded in converting my agricultural land into irrigated land.



Kajal Bera, West Bengal, Utility Vehicle Loan Customer

I used to run a spice workshop, a small business, for which I needed a utility vehicle. As I didn't have sufficient funds to buy one, I approached banks and financiers for a loan. To my dismay, my application was turned down everywhere. When the doors of all lending institutions seemed closed for me, Mahindra Finance came through like a beacon of hope.

I was extremely impressed by the way their team explained all aspects of the loan in great detail to me. Thanks to them, the process of acquiring my utility vehicle was smooth and stress-free. I saved a lot of time and money because of the vehicle, and soon my income began increasing. Within a short time I was able to kick start another business of selling packaged drinking water. Every month, their executive comes home to collect my loan repayment installment. The convenience is unbelievable, and it helps me save both time and money.

I feel Mahindra Finance did much more for me than just giving me a loan. They truly gave me the jump start that my life needed!

NURTURING TALENT



Our work culture is defined by performance, responsibility and opportunity. A empowerment driven approach provides our team members with unparalleled professional opportunities to make a strategic difference to customers.

Management Approach

As a part of the Mahindra Group, we are aligned to our group's aspiration of being among 50 most admired global brands by 2021. We connect with all our employees across designations and departments. Complementing our focus on employee engagement is our emphasis on empowering talent and recognizing, reinforcing and rewarding each employee's determined efforts. This results in engaged and motivated employees.

We put a strong emphasis on our Employment Value Proposition (EVP) that encompasses aspects which are core to us – growth is a way of life; employees are empowered; and people matter.

We empower our people to take business decisions, which further help encourage entrepreneurial talent among our teams. We build confidence, drive high performance and prepare leaders to take ingenious solutions in the face of uncertainties. Such a strategy drives organizational success.

Our unwavering focus has been on developing policies that help us achieve our long-term people development goals. We adhere by our three 'Rise' pillars - Accepting No Limits, Alternative Thinking and Driving Positive Change; and aspire to be one of best places to work for.

Against this background, we aim to develop an organization we can be proud of and a

culture that encourages employees to rise to challenges.

Our EVP - Employment Value Proposition

At the core of a successful employer brand is a clear employment value proposition (EVP).

The employment Value Proposition for Mahindra Finance is articulated as:



Growth is a way of life



Employees are empowered



People matter

We launched our EVP Book – 'Everlasting Impressions' which was a major highlight of the reporting year. It captures a series of interesting real-life experiences shared by the top management and our employees across India.



Human Rights and Labour Practices

At Mahindra & Mahindra Financial Services Sector (MMFSL), we believe human rights are indivisible and non-negotiable. 'Dignity of the Individual' is one of our five core values. Discrimination, forced and compulsory labour and child labour are strictly prohibited. We also denounce bribery or corruption in any form, and our processes ensure that such practices are strictly discouraged. At MMFSL, we are committed to operate in line with the principles of the UN Global Compact (UNGC) on labour standards:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

*Since Principle 7, 8 & 9 of UNGC are pertaining to Environmental Dimensions we are not including them in this section of report.

We practise and endorse equal employment opportunities; and do not discriminate on the basis of caste, religion, gender or disability. We are committed to provide a safe and healthy work environment and ensure adherence to all labour legislations.

To ensure that we are aligned to a common approach, which fosters a transparent, fair and growth-oriented work culture, our human resources department implements norms, policies and initiatives for all to imbibe.

Prevention of Sexual Harassment

MMFSL 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. The Company ensures that no employee is disadvantaged by way of gender discrimination. The Company had already implemented an appropriate policy for its employees for the Prevention of Sexual Harassment (POSH), which inter alia, sensitised all the employees of the redressal mechanism and the protection offered by the Company. The Policy is updated from time to time and covers all the employees working with us. An Internal Complaints Committee has been formed as per POSH Act. We have also constituted Zonal Committee for the enforcement of this policy with emphasis on non-disclosure and complete confidentiality of information.

Our POSH Policy covers not only female employees but male employees as well. In order to create organization wide awareness on this important subject and sensitize our employees, an audio-visual on POSH was prepared and shared with our employees to help them understand about POSH initiatives.

Diversity & Inclusion

Diversity & Inclusion at Mahindra Finance is very important and key to the business growth. With vast nature of business with 1,167 branches across the country, the employee base and customer base belong to diverse culture and perspectives. This has fostered Mahindra Finance to create an inclusive work environment and create conscious efforts and communication to spread the inclusive work culture. Currently the organization is working on diversity spectrums such as Gender, Generation, Differently Abled and Race/Religion, with a special focus on Gender, generational and Differently Abled.

The Diversity & Inclusion journey started by building awareness at the Senior Management level and sharing the employee composition at FSS under the diversity spectrum. After a thorough understanding of the current composition and deriving business case out of each, the council made conscious decisions to enhance/sustain the diversity equilibrium in our organization.

The Financial Services sector has appointed a 12 member Diversity & Inclusion Council. The council has a vision of "We shall value and celebrate the uniqueness of every individual by fostering an environment of inclusion and empowerment. This will enable us to meet the needs of our stakeholders through active participation of diverse talented individuals, committed to enable people and communities to Rise". The Council meets on quarterly basis to work on feasible initiatives to overcome the key challenges and review and track progress of the working initiatives. The Council membership comprises of diverse employees in terms of gender (Six males and Six females) and generation.

Although being intangible element, inclusion activities are constantly benchmarked across the group and the other industry organization.



Gender

Encourage women to come at work by implementing employee-friendly leave policy for maternity and paternity.



Generation

Foster an encouraging culture for the young organization through campus connect program and wide variety of development interventions for millennial.



Differently abled

Conscious efforts are being taken to recruit differently abled candidates and provide them a conducive environment.



Towards this purpose, many policies and practices have been initiated to not only foster a favourable and friendly work environment, but also enable and enhance employee's productivity.

Diversity and Inclusion Drive in Recruitment

In order to leverage the advantage of diversity and inclusion, the organization has decided to bring in three best practices in recruitment for hiring candidates. This will also enable us to continue building on the foundation of diversity and inclusion which we target to achieve.

- 1) Second Career for Women
- 2) Project Enable
- 3) Project Ex-Servicemen

Talent Acquisition

At MMFSL, we follow the principle of equal opportunity in our hiring process. We do not discriminate on grounds of age, gender, colour, race, ethnicity, language, caste, creed, economic or social status or disability. We value the diversity of markets in which we operate, and our hiring is based on a similar principle.

Recruitment and employee selection form a major part of an organization's overall resourcing strategies, which help

identify and secure people needed by the organization to survive and succeed in their career. Recruitment activities need to be responsive to the increasingly competitive market to secure suitably qualified and capable recruits at all levels; and, most importantly to recruit individuals with a real-world culture fitment within the Mahindra Group. At MMFSL, we recognize this need and have aligned our recruitment processes to the RISE Culture and its supplementary competencies, which include:

- Strategic Business Orientation
- Leadership through Sustainability
- Customer Focus
- Innovation-led Transformation
- Result Orientation with Execution Excellence
- Leveraging Human Capital
- Weaving Passion and Energy at Work

In alignment with the RISE competencies, we have created a competency-based interviewing toolkit, which allows for a structured and consistent approach to interviewing and an objective evaluation of the candidate.

During the entire process of recruitment, the candidates are assessed at different levels and aspects.

Skill and Knowledge: During the personal interview round, a candidate is assessed by a panel of interviewers, including the hiring manager and HR, on the knowledge gained through experience and qualifications. The same is further validated by the senior in a second round of discussion. All candidates are assessed on the RISE Competency Framework.

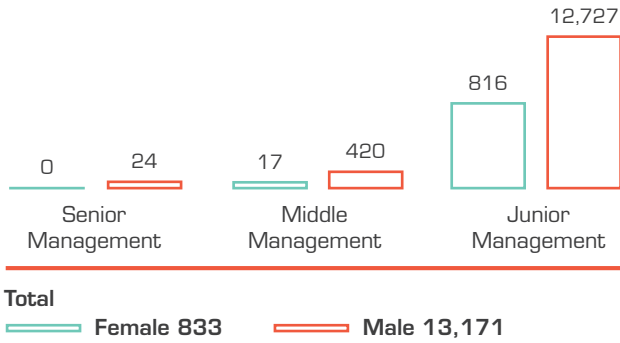
Behaviour Assessment: At MMFSL, we use behavioural assessment tools for all critical roles. These tools provide us evidence of human attributes measured and has been proven to be one of the best predictors of performance when used in the selection process.

The talent acquisition team had designed the functional competency assessment that defines the competencies which need to be assessed for each critical role for hiring. The Functional Competency Assessment should be used along with behavioural assessment for the defined roles.

Employee Grade and Distribution Type (No.)

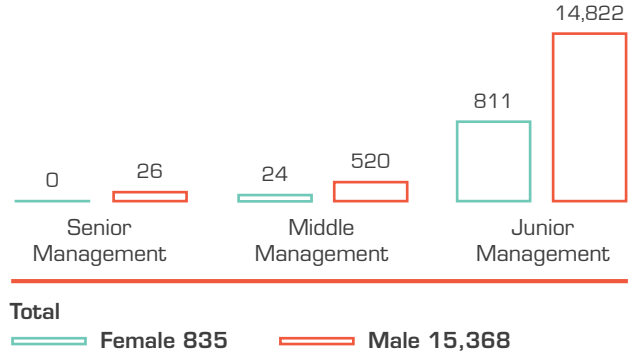
2012-13

Total employees 14,004



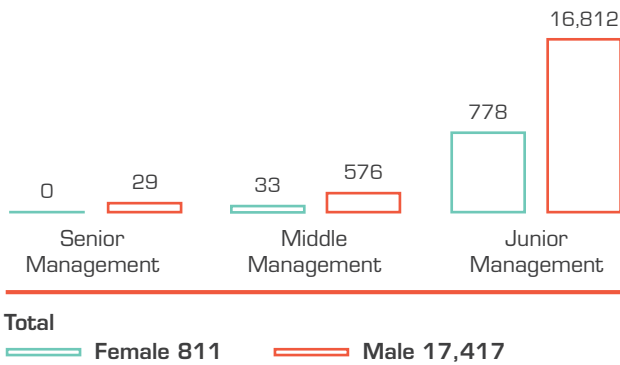
2013-14

Total employees 16,203



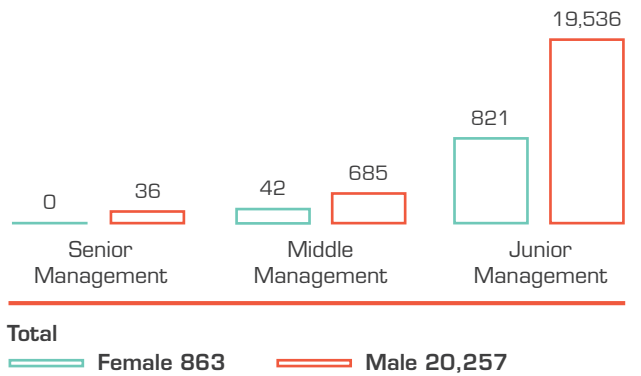
2014-15

Total employees 18,228



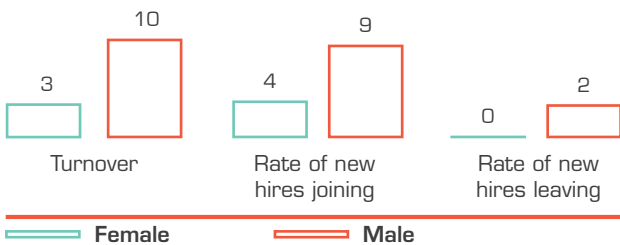
2015-16

Total employees 21,120

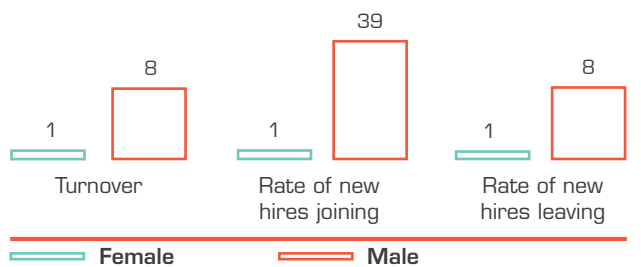


Employee Turnover (%)

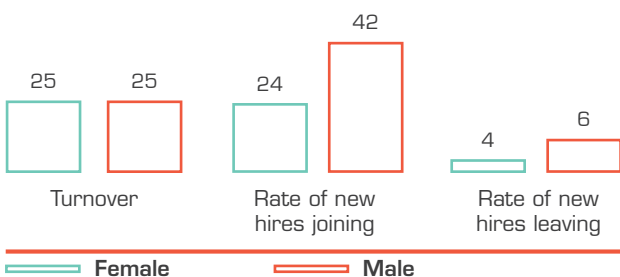
2012-13



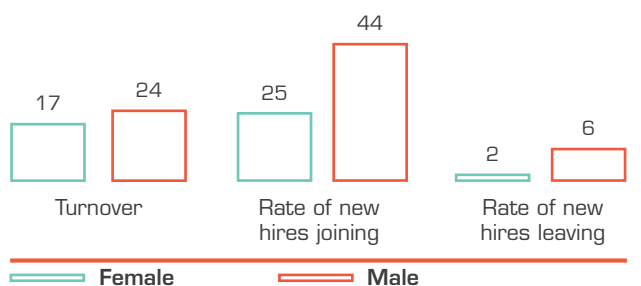
2013-14



2014-15

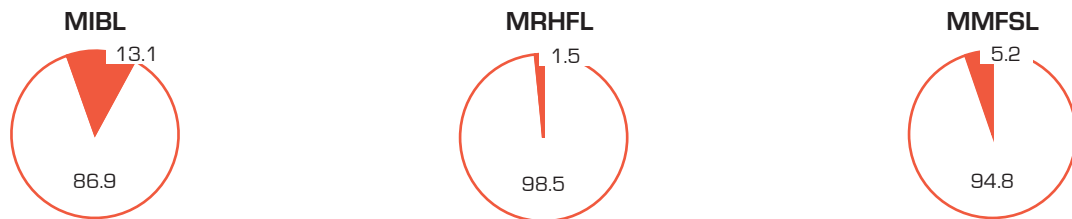


2015-16

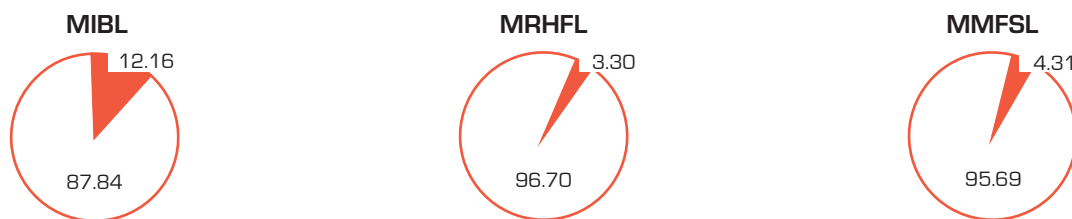


Employee Headcount (%)

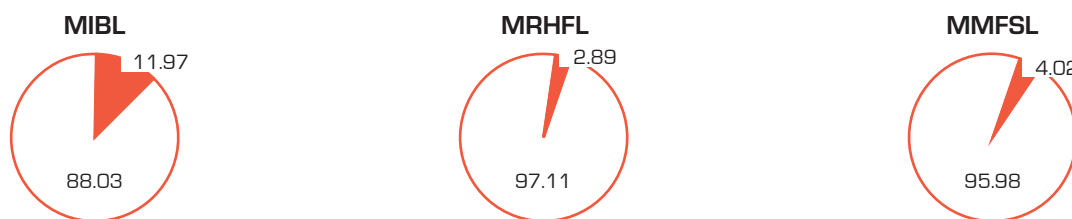
2013-14



2014-15



2015-16



Male Female

Parental Leaves

2015-16	Employees that availed parental leave in 2014-15	Employees who are employed 12 months after availing parental leave (considering 2014-15)	Employees who returned to work after availing parental leave (considering 2014-15)	Retention rate of employees who returned to work after leave ended
MMFSL	33	30	31	93%
MIBL	6	3	4	67%
MRHFL	5	4	4	80%
FSS	44	37	39	88%

Employee Engagement

Employee engagement helps forge the missing link between employee performance and business performance. At MMFSL, active platforms and forums are in place to engage with employees and involve them to build a cohesive work culture. The employee feedback are taken from time to time and are considered with importance in the Company's Policy making processes. Employee engagement activities cover aspects such as employee health, team work, fun at work, various women centric programmes and community development activities. These helps build camaraderie and ownership among the employees, as well as lead to better performance.

The following are few of the engagement initiatives that were done in last year 2015-16:

- **Vrindavan:** It is a daylong carnival organized to foster camaraderie among employees and their family members. There are various game stalls, food stalls, activities for kids and

cultural performances by employees and their family members.

- **Chunauti:** Chunauti is an annual cricket tournament conducted for employees across zones. In this initiative league cricket matches are played across the branches and territories.
- **Cheer Bell:** We, at MMFSL, believe in coming together as a team to celebrate both individual and organizational achievement. The Cheer Bell initiative allows all employees to ring the bell at offices, come together, announce and celebrate all achievements.
- **Rewards & Recognition:** We take pride in identifying potential performers and recognizing them for their extraordinary performances. There are four concepts – Dhruvatara, Territory Ki Pratistha, Region Ki Pratistha and Support Function Pratistha under our Rewards & Recognition scheme. We believe in 'Growth as a

Way of Life' and encourage personal growth of employees aligning to the organizational growth.

- **Funday:** Fun activities are organized every month with team games for rejuvenation and inter-departmental bonding.
- **IXchange:** We launched a new initiative in January, 2016 named 'IXchange', which stands for Information Exchange. IXchange is a fun based learning initiative that aims at creating awareness on the HR and L&D policies of MMFSL through caricatures.

Employee Engagement Activities in No.'s

Round the year there are several employee engagement activities organized pan India. Some are monthly, quarterly and few others as annual activities. Below are the stats of all engagement activities conducted in the year 2015-16.

Particular	No. of Vrindavan Conducted	No. of employees participation in Vrindavan	No. of Chunauti tournaments conducted	No. of Rajbhogs conducted
Grand Total	65	13,673	46	76



Snapshot of other employee engagement activities with results and employees covered

Other Engagement Activities	Particulars
Wedding MIS – bonus given	321 employees availed benefit
Wedding travel benefit	125 eligible employees availed the benefit
New born baby gifts	94 employees availed the benefit
Dhruv Tara awards given	1,080
Pratistha awards given	1,782
MCARES survey	88% participation, 4.21 score
GPTW	Score – 78
Ideamax	6 new policies launched
Stepathlon	720 employees registered
Birthday gifts sent	13,450 gifts sent to employees
Aarogya Activities	160 sessions were conducted across pan India
Fundays conducted pan India	3,324

Talent Management

At Mahindra Finance, Talent Management and career development is critical for the organization. In a financial services business like Mahindra Finance the real differentiator is not the products, however it is people creating and selling the products.

Therefore, Talent Management is not only a mere activity but a need for the business. Succession Planning and key learning and development activities are part of the Business Balanced Scorecard released every year. Here at Mahindra Finance ensure cent percent Succession Planning for all employees who are department Head and above level. 100% Succession Planning for Top Management (Executive Band and above level).

The team works rigorously to build a talent pipeline with alignment with business strategy. We have created development policy in place to offer career opportunity, growth and required workforce competencies for employee and to establish a robust succession planning for various roles.

Talent is central to all the activities driven by Mahindra Finance. We believe in developing in-house talent that will grow with organization contributing towards the organizational objective.

Key activities in Talent Management
Career Development for Managers and Senior Managers: Career Progression paths are defined for different ladders at MMFSL through. Evaluation of employees' capabilities in leadership and functional competencies. Competency Analysis is done every six months through Development Centres. Employees create and maintain their respective Individual Development Plans.

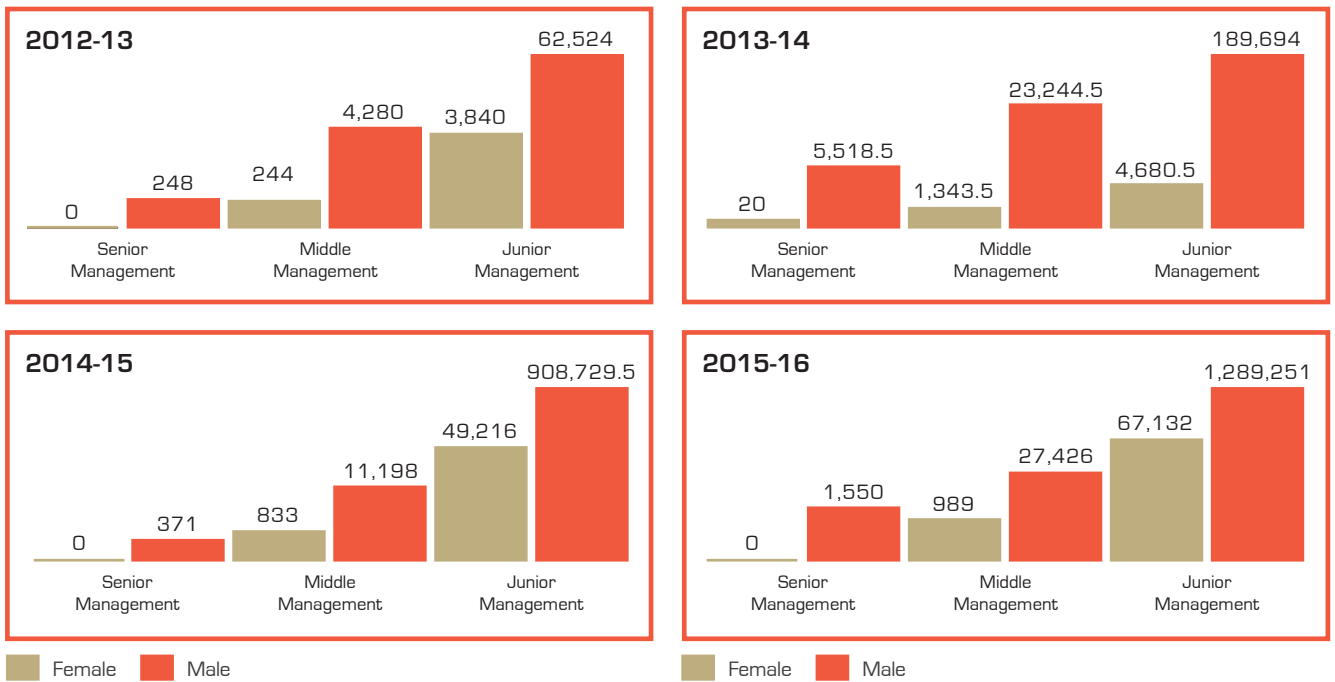
Competency Development for Managers and Senior Managers: Critical Competencies to be developed in the organization are identified based on the inputs received from business plan, workforce plan, succession plans, and appraisal ratings. Organization Competencies are then broken down into individual competencies. Leadership Competency Framework is used for

assessing employees and the same is reviewed once in two years.

SKIP (Structured Key Interactive Programs): SKIP is a program aimed at enabling Development Conversations between a Manager with his Indirect Subordinates i.e. Team members of his direct subordinates.

Campus Connect: Provides platform for the organization to meet the aspirant and pick up intelligent committed youth from campuses, who have the requisite enthusiasm to prove themselves. It focuses on grooming the management trainee as a talent source for Mahindra Finance leadership pipeline and focuses on succession planning. Through the Campus Connect program we share the spirit of our Employment Value Proposition by giving them insights of our organization culture.

Learning and Development (Training Man-hours)



Development Centres: Our Talent Management Team continues to fuel our goal of nurturing a proficient top management by enveloping all the leaders in the top three levels of management, across the Mahindra Group.

Think Tank: Think Tank aims to develop young talent through a structured intervention based on the principles of mentoring. It encourages alternative thinking and gives an opportunity to young talent in the organization to work on strategic projects sponsored by the Steering Committee. These projects are mentored by the senior leaders, who provide valuable feedback and exposure. It also helps the seniors hone their coaching skills, while grooming the young talent pool. The young professionals are trained on business writing, time management, effective communication and presentation skills. The winning team is then assisted with a customized Individual Development Plan to fast track its learning.

Certified Accountant Programme: This course is aimed at upgrading the competencies of Area Accountants to take up future roles as per the changing dynamics of the market and improve the productivity, adherence to compliances and review mechanism.

Drona: This programme aims to develop functional knowledge as per designations and business roles. It cultivates a culture of service and develops functional competencies to enhance performance. This is a four-day programme that focuses on functional and behavioural aspects of our business. A dedicated trainer group is assigned for this task.

Chanakya: The Chanakya programme helps develop high-performing and high-potential talent through a blend of various educational, vocational, general management and specialized programmes of national and international repute. Qualifying employees, after assessment are given 100% sponsorship to undergo a course of their choice.

Disciplined Customer Centricity: The programme's objective is to build skills within the top and senior management so that they can sustain in the growing competition and lead MMFSL to become customer centric.

E-Learning/Whatsapp Programmes: The programme's objective is to provide flexible learning options aimed to build leadership competencies that are easily accessible to employees who are field executives, since they do not have access to computers with internet connectivity.

Health and Safety

The focus on Health & Wellness initiatives in Mahindra can be clearly seen in its policies and programs.

Aarogya

It is the flagship initiative that has been launched to promote Health & Wellness among all Mahindra Finance employees.

The Aarogya program looks at

- 1) Building Awareness
- 2) Conducting Preventive Programs
- 3) Partnering with local Hospital/clinics
- 4) Conducting Camps for employees

We have a network of 1,167 offices which can make implementation of these programs challenging. However each Regional HR has to ensure that every quarter they conduct at least one program in their region, covering maximum number of employees.

Ensuring access to healthcare helps minimize absenteeism and enhances productivity. Our focus is on creating an environment that enables our employees to excel in their performance.

Stepathlon

Besides this for the last 2 years we have also partnered with Stepathlon. To motivate employees to participate in the program the company sponsors the participation fees. However to ensure that the employees actively participate in the program, there is a penalty clause also levied.

Last year 722 employees participated in the program which was 200% over the previous year's participation numbers.

Suraksha Abhiyaan

Our Infrastructure and Services Team (I&S Department) also conducted 'Suraksha Abhiyaan' Program. This Program that focuses on overall safety aspects related to our operation which covers Fire Safety, Infrastructure Safety and First Aid etc. Under this program we covered a no. of activities that imparted training on essential and basic elements covering these aspects.

Other best practices covering theme of health, hygiene, safety parameters, tips and alerts are shared with all our employees through our mailer series called 'InfraBytes'.

Road Safety

Besides, as a part of our Sustainability Council agenda and to encourage safer driving practices for two-wheeler drivers, we have launched a series of e-learning modules for our employees. The different e-learning modules cover basic and safety aspects one should be cautious of and practise while driving a two-wheeler. In 2015-16, the pilot phase of this e-learning module was initiated in selected regions; and we plan to launch the same for all the locations in the coming years.


We have also planned charting out our Two-Wheeler Road Safety Policy/ guidelines that would be incorporated in our overall safety framework. No serious injury was recorded in the scoped locations for 2015-16.

A total of 160 programmes were conducted across India under Aarogya, our health and wellness calendar. The programmes were based on various themes, such as diabetes, renal disease awareness, AIDS awareness, cancer awareness, healthy lifestyles and yoga. Total no. of employees who participated and were able to take benefits from these programs were 5,218 in the reporting year. Also, we had organized 44 Preventive Health Checks for employees.

Program	No. of mandays for initiatives/session conducted
Stress Management Techniques	51
Making Lifestyle changes to better quality of life	314
Music/ Art Initiatives	24
Yoga/ Meditation	18
Road Safety Pilot Project	30
"Suraksha Abhiyaan" Program	226
Ergonomics	24
Cancer Awareness	11



Communication regarding launch of our Road Safety Program



Sajjan Singh Rajpoot, Madhya Pradesh, Home Loan Customer

I am a farmer from Khaikheda. I was introduced to Mahindra Finance in 2009, when I was looking for a way to finance a new tractor. I enquired about their process and documents required to sanction the loan. However, I was not sure if I would be able to repay the installments. I had no assets to fall back on, and I was hesitant to take such a big and risky step. But the executives at Mahindra Finance encouraged me to go ahead.

I finally took the decision to get the tractor with a loan from them. After getting the tractor, I employed it in my farming and gave it on rent to others also. This helped me increase my income, and raise my standard of living. I managed to repay all the installments on time. I saved enough to purchase a 5 bigha plot of land. Later on, because of a marriage in family, I needed funds again. Like before, Mahindra Finance came to my rescue. They immediately arranged for a loan for me, with my tractor as guarantee. I soon repaid all the loan installments.

Over the years, my financial position has improved significantly and today my family is leading a life of happiness and prosperity. I would like to thank Mahindra Finance for enabling me time and again, to grow and prosper.

Sidhanath Apparao Handge, Maharashtra, Utility Vehicle Loan Customer

I was a coolie working in Shetkari Sahakari Sangh and earned around Rs.10,000 every month. For a long time, I had dreamt of owning a vehicle. When I approached banks for a loan, none of them gave me one. Some of them even mocked me and my dream. I failed to understand why a coolie can't own a vehicle?

Everyone has a right to dream and thankfully a finance company also thought like me. Mahindra Finance respected my profession and my dream. When I went to their office, they explained the loan application process clearly to me. Satisfied and sure about this information, I applied for a utility vehicle loan. After verifying my financial details, they approved my loan immediately. I made paying EMIs my priority to uphold their trust. Even when some people cheated me and took away my vehicle, Mahindra Finance stepped in and helped me in every possible way to get my vehicle back.

Today, my family lives comfortably due to my salary and the money I make with the vehicle. Mahindra Finance came to my rescue during challenging times. Thanks to the wonderful experience I have had with them, I recommend them to everyone I know of.

SOCIAL PERFORMANCE



Management Approach

Transforming lives of the rural population has been the primary focus of all community development initiatives undertaken by Mahindra Finance. Our endeavour is to empower the rural communities and help them unleash their potential. Mahindra Finance has presence in over 280,000 villages across India and therefore, we understand the landscape, the needs and the challenges faced by rural communities.

We have identified Healthcare, Education & Livelihood, Environment, and Innovation as our key CSR thrust areas for the welfare of one of our major stakeholder groups - rural communities in India.

CSR Policy

The policy's objective is to continuously and consistently:

Impact Area



Healthcare

- Provide access to healthcare services in rural India
- Strengthen medical infrastructure
- Reducing mortality rates



Education & Livelihood

- Make education affordable for underprivileged children by granting scholarships
- Provide skill development training to youth for livelihood creation



Innovation

- Empower food and agri businesses
- Promote development of innovative solutions to increase crop yield
- Provide marketing linkages to farmers



Employee volunteering

- Sensitize Mahindra employees about social issues and encourage active and sustained participation



Environment

- Promote afforestation in rural and semi-urban areas
- Increase the green cover across India

1. Generate goodwill in communities where MMFSL operates or are likely to operate;
2. Initiate projects that benefit communities;
3. Encourage an increased commitment from employees towards CSR activities and volunteering.

Through our CSR and community development initiatives, we primarily focus on the betterment of health, education and the environment.

Scope and Applicability

This policy shall be applicable to all CSR initiatives undertaken by all employees of MMFSL for the benefit of different segments of society.

Mission

Driving positive impact in communities.



Resources Structure

CSR Committee (Board level)

FSS CSR Council

HO CSR Secretariat (HO CFT)

Zonal CSR Secretariat (Zonal CFT)

Regional CSR Secretariat (Regional CFT)

The Corporate Social Responsibility Committee ('CSR Committee' Board level)

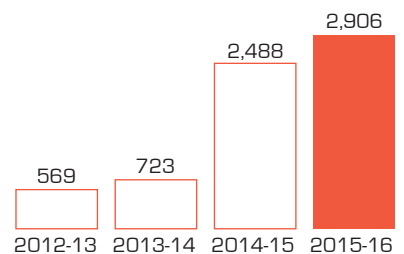
is responsible to formulate the CSR Policy and recommend it to the Board, indicating the activities falling within the purview of Schedule VII to the Companies Act, 2013 to be undertaken by the Company. Also, the Committee recommends the amount to be spent on CSR initiatives presented by the Financial Services Sector CSR Council ('FSS CSR Council') and to monitor the CSR Policy periodically. The FSS CSR Council supported by the CSR Secretariat at the head office made up of cross-functional team (CFT), Zonal CSR Secretariat at the zones and the Regional CSR Secretariat at regions, for the implementation of the approved projects.

The Company has identified CSR thrust areas for undertaking CSR projects/programmes/activities in India. The actual distribution of the expenditure among these thrust areas will depend upon the local needs as may be determined by the need identification studies or discussions with local government/gram panchayat/NGOs. The Company give preference to the local area and areas around which the Company operates for CSR spending.

The Company's revised CSR Policy in 2015-16 including the CSR thrust areas, funding and allocation, criteria for selecting projects & implementing agencies and monitoring mechanism is available on our website <http://www.mahindrafinance.com/csr.aspx>



CSR Expenditure (In Rs. lakhs)



The CSR Committee of the Board of Directors comprises:

Mr. Piyush Mankad (Independent Director)
 Mr. Ramesh Iyer (Member - Vice Chairman & Managing Director, President – Financial Services Sector)
 Mr. V. Ravi (Member – Whole time Director)
 Dr. Anish Shah (Member – Non-Executive Non Independent Director)

The 2015-16 FSS CSR Council, Head Office CSR Secretariat, Zonal CSR Secretariat and Regional CSR Secretariat members are:

FSS CSR Council
 Mr. Vinay Deshpande
 Dr. Jaideep Devare
 Mr. Anuj Mehra

Head Office-CSR Secretariat

Mr. Imtiaz Isani
 Mr. Nikhil Save
 Mr. Vinod Nair
 Ms. Shaily Singh
 Mr. Vishal Bhanushali
 Additional Member (including subsidiaries)

Zonal CSR Secretariat

Zonal Manager
 Zonal HR (Coordinator)
 Zonal Accountant
 Additional Member (including subsidiaries)

Regional CSR Secretariat

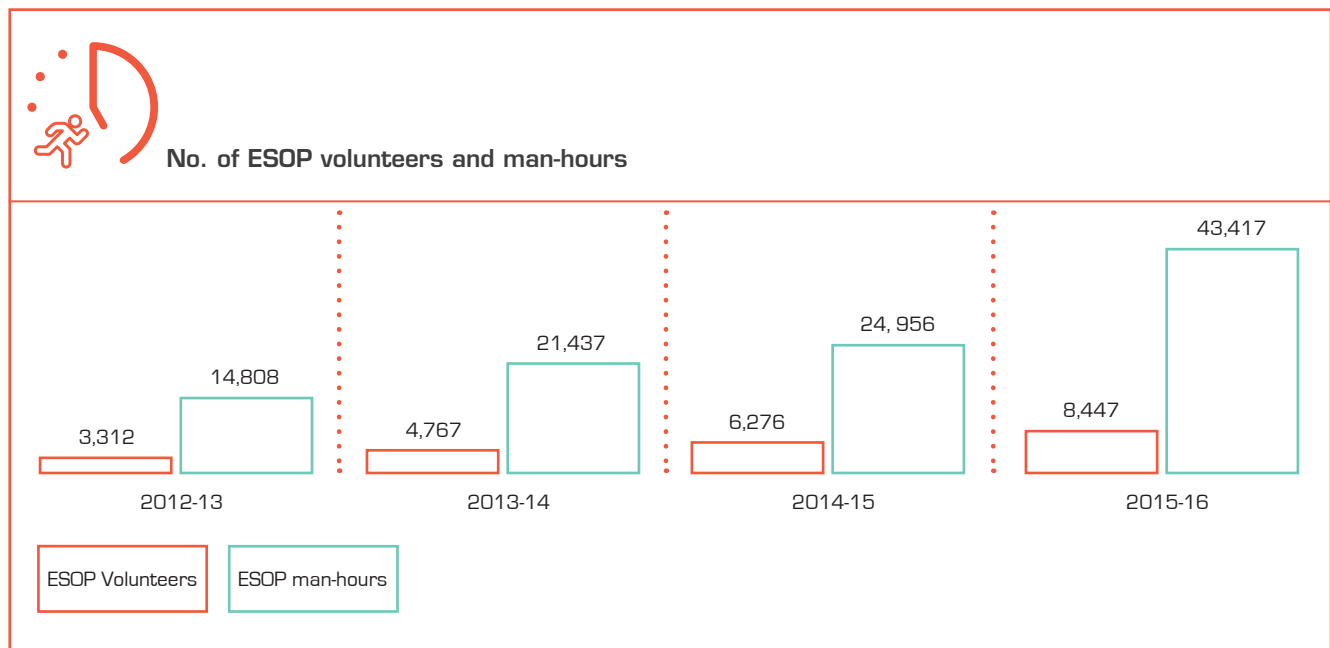
Regional Manager
 Regional HR (Coordinator)
 Regional Accountant
 Additional Member (including subsidiaries)

Employee Social Options Programme (ESOP)

The Company encourages and recognizes its employees for volunteering with the spirit of serving and sharing with the community.

We believe in the importance of spending our own time and effort in CSR initiatives. Our Employee Social Options Programme (ESOPS) is an employee volunteering programme, which focuses on coordinating the activities of employees across three primary areas. Based on the needs of the communities, they ideate projects, construct annual activity plans, implement initiatives and monitor results.

In 2015-16, a total **8,447** employees volunteered in various CSR initiatives from FSS, contributing **43,417** man-hours. Employee volunteer participation in CSR activities was **39.80%** across India.



The CSR impact is mentioned below:

CSR Activity	No. of Programmes (No. of beneficiaries)
Life Line Express	1 (7,421 patients)
Ambulance Donation	12 NGOs/hospitals
Health Check-up Camp	16 (4,048 patients)
Old Age Home Visits/ Orphanage Visits/ Municipal School Visits	35 (6,913 beneficiaries)
Blood Donation	3,644 units of blood donated
Nanhi Kali	7,403 girls
Scholarship	2,700 beneficiaries
Vocational Training	1,023 youth
Drivers Training	70 women
Mahindra Pride School	2,010 youth
Financial Literacy	5,000 students
Tree Plantation	93,500 trees

CSR Calendar

We have a CSR Calendar, which offers a range of CSR activities to be conducted every year by various states, across India. Zonal and regional CSR secretariats send a schedule and their choice of activity for the year after conducting need assessments. The efficiency of CSR Calendar was maintained at 100% throughout the year.



At Financial Services Sector, we work towards the following thrust areas as part of our CSR interventions.

Education

Education is the key to transforming lives. When we address the problems that plague education, we resolve multiple issues and enable us to realize aspirations. For us, education is an important thrust area of our CSR programme.

Health

We aim to create transformation in rural India, which is self-sustaining and encourages growth-oriented communities. Such transformation requires empowerment of communities in all aspects of life, including health. With basic requirements such as food, water and shelter being hard to acquire in rural India, access to medical support seems like a distant dream for the underprivileged. Our efforts are dedicated towards bringing basic healthcare to the poor and secluded areas of our country.

Environment

Due to population explosion, climate change and poor environmental policies, several species are facing the threat of extinction. Not only does this affect the food chain, but also the livelihood of millions who depend on monsoon for their agriculture output in rural India.



Overview of Projects Undertaken in 2015-16

Sehat: Lifeline Express

As a part of our CSR initiative, MMFSL inaugurated Life Line Express on 27th February, 2016, at Bhadohi, Uttar Pradesh. The train is a hospital on wheels comprising five railway coaches, equipped with the latest medical and surgical facilities. The hospital on wheels offers healthcare services for eyes (cataract), ears, cleft lip, teeth and epilepsy. This year there were 7,421 total beneficiaries, among whom 882 were operated. During lifeline total 82, ESOP volunteers contributed 3,083 man-hours.

Sehat: Medical Care Equipment Donation

The project aims at increasing access to healthcare by offering quality services through a well-equipped facility and identifying diseases in collaboration with NGOs. This project was implemented at Haryana, Uttar Pradesh, Jharkhand, West Bengal, Odisha, Karnataka, Rajasthan and Maharashtra in collaboration with NGOs.

Sehat: Ambulance Donation

MMFSL donated ambulances to 12 NGOs/hospitals across India to provide medical facilities at the doorstep for those in need. The facilities were provided across Himachal Pradesh, Uttar Pradesh, Bihar, Madhya Pradesh, Gujarat, Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu, Kerala and West Bengal.



- 1 CSR Calendar
- 2 Ambulance Donation
- 3 Vocational Training Program
- 4 Lifeline Express
- 5 Lifeline Express

Shiksha: Nanhi Kali

Nanhi Kali was initiated in 1996 out of the conviction that empowering girls through education would have a significant positive impact on the nation in the long run. It allows individuals and corporates to participate and support the education of underprivileged girls in India. This project is implemented across nine states in India. The Company supported 7,403 Nanhi Kalis in 2015-16.

Gyandeeep: Supporting Mumbai Public Schools

MMFSL, in partnership with the Naandi Foundation, is supporting 28 Mumbai Municipal Schools to provide quality education in English.

Shiksha: Scholarships

MMFSL, in collaboration with K.C. Mahindra Education Trust, supported 2,500 graduate and 200 post-graduate meritorious students from economically-marginalised sections. This project was implemented at pan-India level.



1



2



3

Huunar: Vocational Training

MMFSL, through Hire-Train-Deploy (HTD) model, has trained 1,023 unemployed educated youth to make them employable. A total of 223 trained youth was employed in various organizations. The two-week training programme focuses on financial, communication, sales and interpersonal skills to make unemployed youth employable.

Huunar: Drivers Training Programme

MMFSL, in association with Azad Foundation, Delhi and ANEW Chennai, is providing training to 70 women from underprivileged communities to become professional drivers, enabling them to gain 'livelihoods with dignity'.

Hunnar: Mahindra Pride Schools

Since 2007, Mahindra Pride Schools help transform the lives of youth from socially and economically disadvantaged communities by providing livelihood training. The school is meant exclusively for youth (18-25 years) and offers equal opportunity for men and women, with a focus on rural youth. In 2015-16, the Company supported three schools in Pune, Chennai and Patna, which trained 2,010 youth.

Financial Literacy

MMFSL distributed 5,000 financial literacy education kits to school students in five states to inculcate habit of saving from childhood. The kits were in Hindi/English and also contained a piggy bank, a daily expenses diary and a game aimed at financial literacy, among other school items.

Hariyali: Tree Plantation

We acknowledge that environmental sustainability forms an integral part to run our business smoothly. Thus, through our various sustainability-related initiatives, we try to reduce the emission of Green House Gases (GHG). The Mahindra Group has taken on a mission of planting 1 million trees

across the country every year. In 2015-16, MMFSL contributed to Project Hariyali with 93,570 saplings across India. This will not only enhance the green cover for the community, but also help reduce GHG emissions in the atmosphere.

Technology Incubators

MMFSL is supporting two incubation centres – Kinetic Machine and Flybird Innovation through the Department of Science & Technology, Government of India certified incubator partners. Both the projects focus on improving lives in rural India. Kinetic Machine is providing equipment for plantation of crops and controlled pesticide sprayer. Sickle Innovation aims at making available smart irrigation controller for small and marginal farmers.

1. **Flybird Innovations** - Smart irrigation controller enables small and marginal farmers to implement sophisticated water and fertilizer management practices.
2. **Kinetic Machines** - The project covers the following features/functionality:
 - A. Trenching machine - Primary land preparation equipment for plantation crops, suitable for making continuous trenches and pits.
 - B. Controlled pesticide sprayer - This machine is mounted on a ladder; it automatically detects areca nut bunch and launches specified amount of pesticide cloud. The social impact of both these incubators is going to measure in the coming year.

Medical Equipment Donation Project

MMFSL donated medical equipment to Family Planning Association of India (FPAI), Liver Foundation and Think Foundation in the

2015-16. The objective of the program is to improve the Medical infrastructure in most hospitals, which cater to marginal population in the country. MMFSL donated health equipment with the objective of increasing access to quality services by offering a well-equipped facility.

Livelihood Training for Women

Most of the Women's employment programs are associated with activities that women are traditionally supposed to perform eg. cooking, sewing, etc. MMFSL decided to undertake a project, which aimed to teach women non-traditional means of earning livelihood, increasing the scope of opportunities available to them and making them employable. This project was implemented through two NGOs, Association for Non- Traditional Employment for Women (ANEW) and Azad Foundation.




4



5

- 1 Scholarship Distribution
- 2 Financial Literacy
- 3 Project Hariyali - Tree Plantation
- 4 Medical Equipment Donation
- 5 Drivers Training for Women



Lakhan Sahu, Uttar Pradesh, Construction Equipment Loan Customer

I used to run a gym in a small town called Nandanpura. It was my passion but it wasn't paying me well. I couldn't continue living on this meagre income and it was getting more difficult by the day. So I decided to start another business to supplement my income. While I had an idea of owning a machine and starting a construction business, I didn't know how to begin.

When I told my friend about this problem, he advised me to go to Mahindra Finance. I visited their office and shared my business idea with them. After verifying my documents and the detailed project report, they sanctioned my construction equipment loan in a short period. This help at the starting stage of my business was all I needed. With their help I started growing and success came knocking at my door.

Today my business is doing very well. I love what I do. I will always thank them for helping me in my first step towards a better life.

Reena Jose, Kerala, Light Commercial Vehicle Loan and Personal Loan Customer

I am a homemaker from Kerala. My husband brought home a meagre income as a driver. In order to support my family and to do something meaningful with my life, I wanted to start a business, for which I needed a vehicle. The fact that I was a homemaker was enough to make sure I never got a loan. No bank was willing to give me a loan because I didn't have the desired profile.

When I was dejected because of this, my neighbour told me about Mahindra Finance. I got in touch with them, and they helped me understand the loan process in simple terms. They trusted my determination and gave me a loan. Their fast process and flexible payment model was icing on the cake.

The vehicle kick-started my business, raised my status and gave me self-confidence. More importantly, it has made me independent. After a year, I again went to them for a personal loan for my daughter's education. Seeing my track record, they approved it instantly. Not only did they help me get a foothold in life, but they continue providing support even today. I have been referring Mahindra Finance to all my friends and relatives.

GRI G4 CONTENT INDEX



Dec 2016
Service

General Standard Disclosures

STRATEGY AND ANALYSIS	Page Number
G4-1	Pg. 4-5, Mahindra Finance Annual Report Pg. 76-85
G4-2	Pg. 18-22, 24-27
ORGANIZATIONAL PROFILE	
G4-3	Pg. 6
G4-4	Pg. 10, 33
G4-5	Pg. 7
G4-6	Pg. 6-7, 13
G4-7	Pg. 8-11, 14
G4-8	Pg. 8-10, 24-25
G4-9	Pg. 6-11, 30, For further details pl. refer our annual report - www.mahindrafinance.com/annualreports.aspx
G4-10	Pg. 40-48
G4-11	Not applicable: As there are no unions, no collective bargaining agreements exist.
G4-12	Pg. 28-29
G4-13	Pg. 6-7
G4-14	Pg. 4-5, 32-35
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G4-17	Pg. 6-7, 10-11
G4-18	Pg. 20
G4-19	Pg. 18-19
G4-20	Pg. 19-20
G4-21	Pg. 19-20
G4-22	No restatements in the report.
G4-23	Pg. 6-7, 18-22
STAKEHOLDER ENGAGEMENT	
G4-24	Pg. 18-22
G4-25	Pg. 18-22
G4-26	Pg. 18-22
G4-27	Pg. 18-22
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G4-29	February 2016
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G4-32	Pg. 6, Back Cover, Pg. 56-59, 62-63
G4-33	Pg. 62-63
GOVERNANCE	
G4-34	Pg. 16-17, 24-27
ETHICS AND INTEGRITY	
G4-56	Pg. 8-9, 11, 16-17

SPECIFIC STANDARD DISCLOSURES				
DMA and Indicators	“Page Number (or Link)”	“Identified Omission(s)”	“Reason(s) for Omission(s)”	“Explanation for Omission(s)”
	Information related to Standard Disclosures required by the ‘in accordance’ options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.”	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.”	In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.”	In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.”
CATEGORY: ECONOMIC				
MATERIAL ASPECT: ECONOMIC PERFORMANCE				
G4-DMA	Pg. 30-31			
G4-EC1	Pg. 30			
G4-EC2	Pg. 31			
G4-EC4	No financial assistance received from the Government and the Government has no presence in the shareholding structure.			
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS				
G4-DMA	Pg. 24-25, 32-33, 50-51			
G4-EC8	Pg. 33-35			
CATEGORY: ENVIRONMENTAL				
MATERIAL ASPECT: MATERIALS				
G4-DMA	Pg. 36			
G4-EN1	Pg. 37-38			
MATERIAL ASPECT: ENERGY				
G4-DMA	Pg. 36			
G4-EN3	Pg. 37			
G4-EN4	Not Applicable	Energy consumption outside of the organization	The Standard Disclosure or part of the Standard Disclosure is not applicable	The organization is a service based industry with no energy consumption in downstream operations.
G4-EN6	Pg. 37-38			
MATERIAL ASPECT: EMISSIONS				
G4-DMA	Pg. 36			
G4-EN15	Pg. 36			
G4-EN16	Pg. 36			
G4-EN17	Pg. 36			
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	Pg. 17			
G4-EN29	Pg. 17			

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	"Page Number (or Link)	"Identified Omission(s)	"Reason(s) for Omission(s)	"Explanation for Omission(s)
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
MATERIAL ASPECT: EMPLOYMENT				
G4-DMA	Pg. 40-41			
G4-LA1	Pg. 43-44			
G4-LA2	Mahindra & Mahindra Financial Services Limited Annual Report 2015-16: Pg. 123, 188			
G4-LA3	Pg. 44			
MATERIAL ASPECT: TRAINING AND EDUCATION				
G4-DMA	Pg. 40-41, 46-47			
G4-LA9	Pg. 47	Average Training Hours per Employee	Total training manhours has been accounted and reported.	
G4-LA10	Pg. 42, 46-47			
G4-LA11	All employees (100%) are part of the formal Performance Management System.			
SUB-CATEGORY: HUMAN RIGHTS				
MATERIAL ASPECT: INVESTMENT				
G4-DMA	Pg. 17, 40-41			
G4-HR1	We do have a Policy on Human Rights in Economic Decision Making, however we do not carry out screening for the human rights.	Total number & percentage of significant agreement and contracts have gone human rights screening.	The information is currently unavailable	
G4-HR2	Pg. 40-41	Total hours of employee training on human rights policies & procedures	The information is currently unavailable	
MATERIAL ASPECT: NON-DISCRIMINATION				
G4-DMA	Pg. 40-42			
G4-HR3	No incidents occurred during the reporting period.			
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-DMA	Pg. 40-41			
G4-HR4	Not Applicable		The Standard Disclosure or part of the Standard Disclosure is not applicable	As there are workmen or unions, no collective bargaining agreements exist.
MATERIAL ASPECT: CHILD LABOR				
G4-DMA	Pg. 40-41			
G4-HR5	Pg. 40-41			
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR				
G4-DMA	Pg. 40-41			
G4-HR6	Pg. 40-41			
MATERIAL ASPECT: SECURITY PRACTICES				
G4-DMA	Pg. 40-41			
G4-HR7	Data not available	Percentage of security personnel trained in organizations human rights policies.	The information is currently unavailable	
MATERIAL ASPECT: INDIGENOUS RIGHTS				
G4-DMA	Pg. 40-41			
G4-HR8	No incidents occurred during the reporting period.			

SPECIFIC STANDARD DISCLOSURES				
DMA and Indicators	"Page Number (or Link)	"Identified Omission(s)	"Reason(s) for Omission(s)	"Explanation for Omission(s)
MATERIAL ASPECT: ASSESSMENT				
G4-DMA	Pg. 40-41			
G4-HR9	Data not available		The information is currently unavailable	Currently, we do not carry out explicit human rights reviews.
SUB-CATEGORY: SOCIETY				
MATERIAL ASPECT: LOCAL COMMUNITIES				
G4-DMA	Pg. 50-52			
G4-SO1	Pg. 50-54			
G4-SO2	There are no operations with significant impact on local communities			
MATERIAL ASPECT: ANTI-CORRUPTION				
G4-DMA	Pg. 16-17			
G4-SO4	"Pg. 16-17 Anti-corruption training is provided to all employees during induction. Every year senior management and middle management are required sign their declaration to adherence to the Code of Conduct."	Training on anti-corruption policies and procedures	The information is currently unavailable	Currently, we do not track anti-corruption training specifically, data of overall training shared in report.
G4-SO5	There have been no reported incidents of corruption			
MATERIAL ASPECT: PUBLIC POLICY				
G4-DMA	Pg. 17			
G4-SO6	We did not give any financial and in-kind contributions to political parties, politicians and related institutions.			
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	Pg. 17			
G4-SO8	Pg. 17			
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING				
G4-DMA	Pg. 32-34			
G4-PR5	Pg. 21, 34			
MATERIAL ASPECT: MARKETING COMMUNICATIONS				
G4-DMA	Pg. 32-34			
G4-PR6	The organization is not engaged in sale of banned or disputed products.			
G4-PR7	Pg. 34			
MATERIAL ASPECT: CUSTOMER PRIVACY				
G4-DMA	Pg. 32-33			
G4-PR8	Pg. 32			
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	Pg. 32-33			
G4-PR9	We do not have any fines for non-compliance with laws & regulations concerning provision and use of products & services.			

National Voluntary Guidelines Mapping

Principle	Description	Page No.
Principle 1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	16-17
Principle 2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	28-35
Principle 3	Businesses should promote the wellbeing of all employees	40-48
Principle 4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	21-27 50-54
Principle 5	Businesses should respect and promote human rights	40-41
Principle 6	Business should respect, protect, and make efforts to restore the environment	36-38, 54
Principle 7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	17-18
Principle 8	Businesses should support inclusive growth and equitable development	32-35, 50-54
Principle 9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	24-27 32-35

GLOSSARY AND ABBREVIATIONS



ABCI	Association of Business Communicators of India
AIDS	Acquired Immunodeficiency Syndrome
BoP	Bottom of the Pyramid
CaPS	Customer as Promoter Score
CO ₂	Carbon Dioxide
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CGC	Corporate Governance Cell
CFO	Chief Financial Officer
CII	Confederation of Indian Industry
CIO	Chief Information Officer
CPCB	Central Pollution Control Board
CRISIL	Credit Rating & Information Services of India Limited
CSR	Corporate Social Responsibility
DJSI	Dow Jones Sustainability Index
DNA	Data Not Available
EMI	Equated Monthly Installment
ESOPs	Employee Social Option Scheme
FICCI	Federation of Indian Chamber of Commerce and Industry
FIDC	Finance Industry Development Council
FSS	Financial Services Sector
FTM	First Time Managers
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GJ	Giga Joules
GEB	Group Executive Board
GRI	Global Reporting Initiative
HHD	Hand Held Device
HO	Head Office

HR	Human Resources
HRD	Human Resource Development
ICT	Information, Communication, and Technology
INR	Indian Rupee
IT	Information Technology
KCMET	K. C. Mahindra Educational Trust
KCPL	Karvy Computershare Private Limited
LTV	Loan-To-Value
MAS	Mahindra Arogya Suraksha
MBCSPL	Mahindra Business & Consulting Services Private Limited
MD	Managing Director
MIBL	Mahindra Insurance Brokers Ltd.
MLS	Mahindra Sampoorna Suraksha
MMFSL	Mahindra & Mahindra Financial Services Limited
MRHFL	Mahindra Rural Housing Finance Ltd.
MSS	Mahindra Sampoorna Suraksha
NAPCC	National Action Plan on Climate Change
NBFC	Non-Banking Financial Companies
NGO	Non Governmental Organization
NIS	Not in Scope
PAT	Profit After Tax
RBI	Reserve Bank of India
RO	Regional Offices
ROI	Return On Investment
SEBI	Securities and Exchange Board of India
SIAM	Society of Indian Automobiles Manufacturers
SEBI	Securities and Exchange Board of India
TAT	Turnaround Time
UNDP	United Nations Development Program



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INDEPENDENT ASSURANCE STATEMENT to Mahindra & Mahindra Financial Services Limited on their Sustainability Report for Financial Year (FY) 2015-16

To the management of Mahindra & Mahindra Financial Services Limited, Mahindra Towers, Dr. G.M. Bhosale Marg, P.K.Kurane Chowk, Worli, Mumbai - 400018

Introduction

Mahindra & Mahindra Financial Services Limited ('the Company' or 'Mahindra Finance') has requested KPMG in India ('KPMG' or 'We') to provide independent assurance on its Sustainability Report FY 2015-16. The Report was prepared by Mahindra Finance as per the Global Reporting Initiative's (GRI) G4 Guidelines, 'In-accordance' - Core option.

The Company's management is responsible for the content of the report, identification of the key issues, engagement with stakeholders and its presentation. KPMG's responsibility is to provide limited assurance on the report content as described in the scope of assurance.

Assurance Standard

We conducted the assurance in accordance with limited Assurance requirements of International Federation of Accountants' (IFAC) International Standard on Assurance Engagements (ISAE) 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Under this standard, we have reviewed the information presented in the report against the principles of relevance, completeness, reliability, neutrality and understandability.

Scope of Assurance

The scope of assurance covers disclosures on select information and indicators as specified below for the period 01 April 2015 to 31 March 2016. The General and Specific Standard Disclosures subject to assurance were as follows:

General Standard Disclosure

- Strategy and Analysis (G4-1)
- Organizational Profile (G4-3 to G4-16)
- Identified Material Aspects and Boundaries (G4-17 to G4-23)
- Stakeholder Engagement (G4-24 to G4-26)
- Report Profile (G4-28 to G4-33)
- Governance (G4-34)
- Ethics and Integrity (G4-56)

Specific Standard Disclosure

- Economic
 - Economic Performance (G4-EC8)
- Environmental
 - Material (G4-EN1), Energy (G4-EN3), Emissions (G4-EN15 to G4-EN17), Compliance (G4 - EN29)
- Labor Practices and Decent Work
 - Employment (G4-LA1, G4-LA3), Training & Education (G4-LA9)
- Society
 - Local Communities (G4-S01, G4-S08, FS14)
- Product Responsibility
 - Product and Service Labeling (G4-PR5, FS16), Marketing Communications (G4-PR7)

Limitations in Conducting the Assurance

Our assurance process was subject to the following limitations:

- Verification of claims was limited to data and information presented in the Report for the period 01 April 2015 to 31 March 2016.
- Data and information in the Report outside this reporting period was not subject to verification.
- Any statement/ remarks/ comments indicating intention, opinion, belief and/ or aspiration by Mahindra Finance were excluded from the scope of assurance.
- Determine which, if any, recommendations should be implemented.
- The Assurance Statement does not include verification of financial performance indicators/information that was sourced from Mahindra Finance's Annual Report FY 2015-16.
- Assurance visits were limited to the corporate and regional offices which are mentioned in the assurance procedure.

Assurance Procedure

Our procedures include assessment of the risks of material misstatements of selected performance indicators and disclosures and underlying internal controls relevant to the information published in the Report. Our procedures were designed to gather sufficient and appropriate evidence to determine that the selected performance information is not materially misstated. Our assurance procedures also included:



- Evaluating the Report's content to ascertain the 'in-accordance' option as per Global Reporting Initiative's G4 guidelines
- Evaluating the appropriateness of the quantification methods and models used to arrive at the data presented in the Report.
- Verification of systems and procedures used for quantification, collation, and analysis of sustainability performance indicators included in the Report.
- Understanding the appropriateness of various assumptions, estimations and materiality thresholds used by Mahindra Finance for data analysis.
- Discussions with the personnel responsible for the evaluation of competence required to ensure reliability of data and information presented in the Report.
- Discussion with senior executives at Mahindra Finance premises and corporate office to understand the risk and opportunities from sustainability context and the strategy followed by Mahindra Finance.
- Testing on a sample basis, the evidence supporting the data and information.
- Assessment of stakeholder engagement and materiality assessment process for determining material aspects
- Assurance visits to the following offices:
 - Corporate Office, Mumbai
 - Regional Offices (Nashik)
 - Video Conference at Regional office in Ahmedabad
 - Video Conference at Regional office in Jaipur

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement. Appropriate documentary evidence was obtained to support our

conclusions on the information and data verified. Where such documentary evidence could not be collected on account of confidential information our team verified the same during assurance visits.

Conclusions

Based on the procedures performed, nothing has come to our notice that causes us not to believe that the Sustainability Report of Mahindra Finance for the Financial Year ended 31 March, 2016 is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative.

Independence

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 (Revised) standard. Our work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, in relation to the scope of this assurance engagement, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The firm applies ISQC 1 and the practitioner complies with the applicable independence and other ethical requirements of the IESBA code.

Responsibilities

Mahindra Finance is responsible for developing the Report contents. Mahindra Finance is also responsible for identification of material sustainability issues, establishing and maintaining appropriate performance management and internal control systems and derivation of performance data reported. This statement is made solely to the Management of Mahindra Finance in accordance with the terms of our engagement and as per scope of assurance.

Our work has been undertaken so that we might state to Mahindra Finance those matters for which we have been engaged to state in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mahindra Finance for our work, for this report, or for the conclusions expressed in this independent assurance statement. The assurance engagement is based on the assumption that the data and information provided to us is complete and true. We expressly disclaim any liability or co-responsibility for any decision a person or entity would make based on this assurance statement. By reading this assurance statement, stakeholders acknowledge and agree to the limitations and disclaimers mentioned above.

Prathmesh Raichura

Director
KPMG in India

08 December 2016

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This report has been printed on environment friendly paper

This report is prepared adhering to 'In Accordance - Core' option of latest GRI G4 guideline and has undergone Materiality Disclosure Service Check by GRI.

This report has also been externally assured by KPMG. All figures in this report are as on 31st March, 2016.