

Press Release

Financial Results – FY 2021-22 Quarter 1, Standalone & Consolidated Results

Standalone:

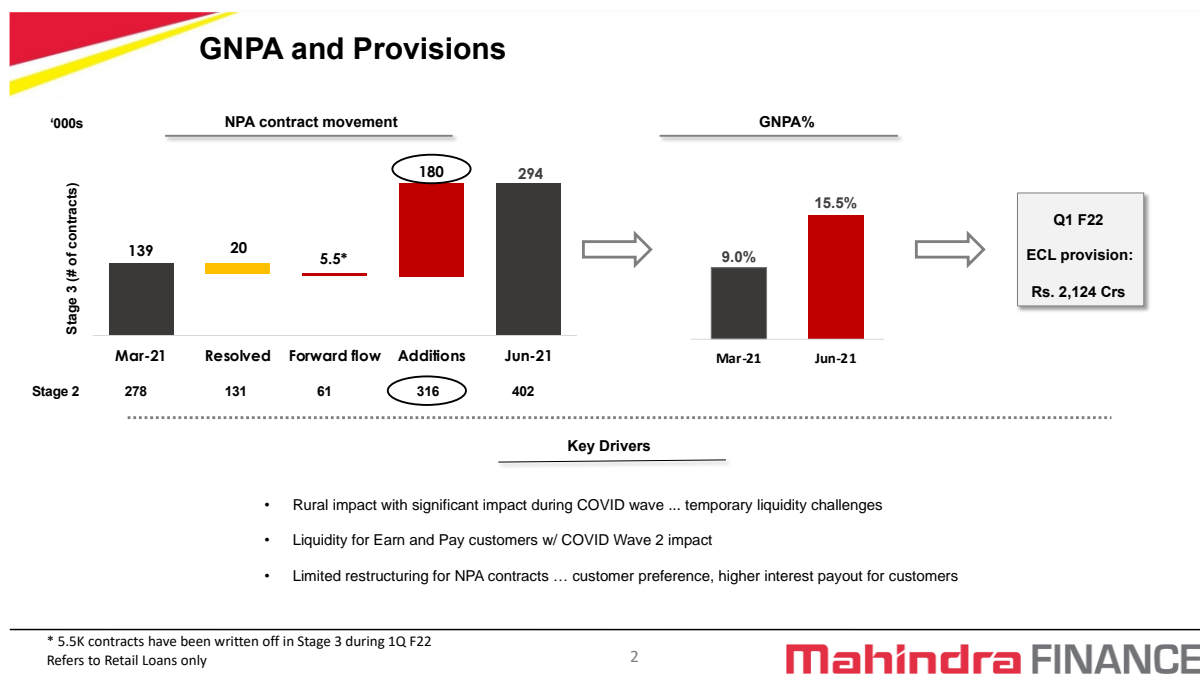
Mumbai, July 26, 2021: The Board of Directors of Mahindra & Mahindra Financial Services Limited (Mahindra Finance), a leading provider of financial services in the rural and semi-urban markets, at its meeting held today, announced the unaudited financial results for the quarter ended June 30, 2021.

FY 2022 Q1 Standalone Results

The Total Income declined by 18% at Rs. 2,187 Crores during the quarter ended June 30, 2021, as against Rs. 2,655 Crores during the corresponding quarter last year. The Loss (after tax) stood at Rs. 1,529 Crores during the quarter ended June 30, 2021, as against Profit After Tax of Rs.156 Crores during the corresponding quarter last year.

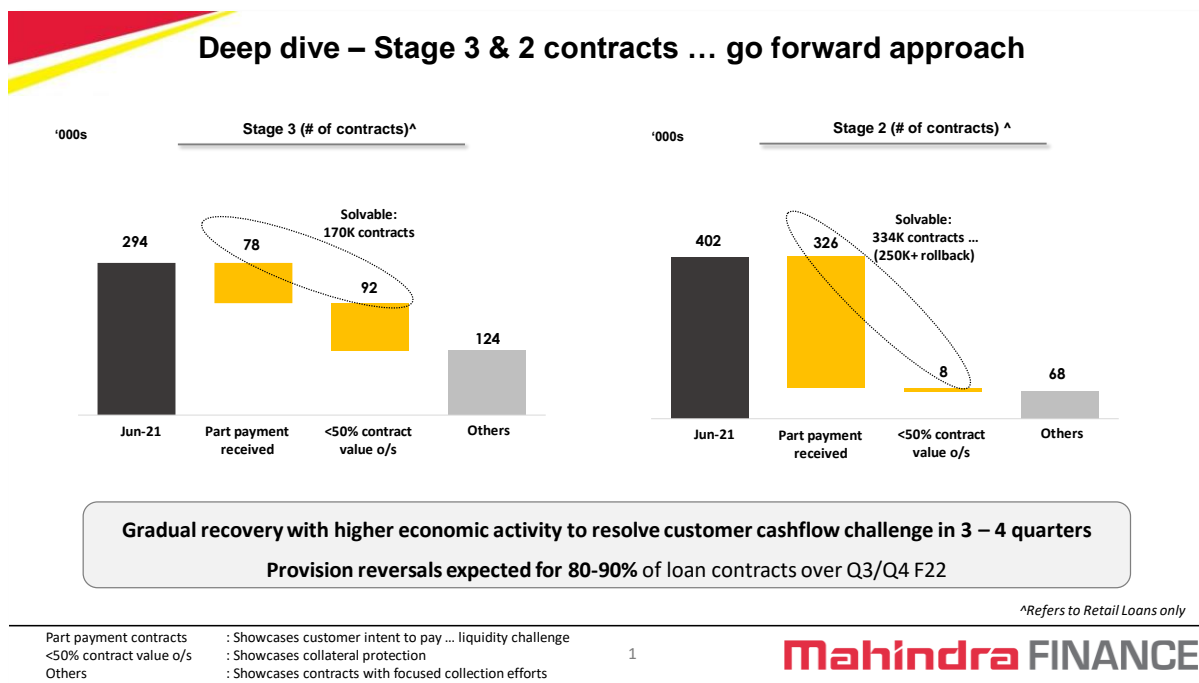
The primary reasons for the losses were on account of:

- ECL provision of Rs. 2,124 Crores in Q1 F22. The total number of contracts in Stage 2 and Stage 3 increased on account of Covid-related liquidity issues for consumers (refer chart below) and limited restructuring
- Made additional overlay provision of Rs. 393 Crores taking the total overlay to Rs. 2,709 Crores (up from Rs. 2,316 Crores in Mar'21)



We have experienced similar trends in prior periods of economic stress. For example, during demonetization, GNPA peaked at 14.5%. However, after 3 quarters the GNPA dropped to 9%. And post recovery, by FY19, the GNPA's had stabilised at 6%, thereby validating our belief that once the customer cashflow improves, the recovery is swift.

Based on our analysis of the Stage 2 and Stage 3 contracts as of June 30, 2021, it is evident that in many cases (refer chart below), either the customers have made a part-payment or have so far repaid > 50% of the original loan. We, therefore, expect a similar improvement over the next few quarters, resulting in provision reversals for 80-90% of loan contracts over Q3/Q4 F22.



The Company continues to be well-capitalised with a capital adequacy ratio of 23.8%. It has sufficient provision coverage on Stage 3 loans at 53.7% and continues to hold sufficient liquidity chest.

FY 2022 Q1 Consolidated Results

The Total Income declined by 16% to Rs. 2567 Crores during the quarter ended June 30, 2021, as against Rs. 3069 Crores during the corresponding quarter last year. The Loss (after tax) stood at Rs. 1573 Crores during the quarter ended June 30, 2021, as against Profit After Tax (PAT) of Rs.432 Crores during the corresponding quarter last year.

PBT for the quarter ended 30 June 2020 included an exceptional item in the nature of capital gain of Rs. 229 Crores recognized in the statement of profit and loss on the basis of fair valuation of retained interest of 51% post stake dilution

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of 49% in its subsidiaries, Mahindra Asset Management Company Private Limited (MAMCPL) and Mahindra Trustee Company Private Limited (MTCPL), vide Joint Venture agreement with Manulife Asset Management (Singapore) Pte. Ltd. (Manulife).

The Company, in order to cover the contingencies that may arise due to the Covid 19 pandemic, had incorporated the management overlays to reflect deterioration in the macro-economic outlook in the impairment loss allowance and accordingly carried an additional overlay of Rs. 2709 Crores (pre-tax) in the standalone financial statements and Rs. 2808 Crores (pre-tax) in the consolidated financial statements as at 30 June 2021.

Operations

The second wave of Covid has had a severe impact on the Semi Urban & Rural Market where your company has its major operations. The Company works largely with the earn and pay segment. With substantially lower people movement and impact on economic activity, the customers' ability to use their assets and earn from them was severely impacted. This resulted in lower cash flows at their end. The impacted segments largely were Tourism, Taxi operations, School bus operations, Contracting segment and Heavy goods movement. Further, because of restricted movement due to lock downs, neither our executives could travel for collections nor could the customers reach our branches to pay us. Operations gradually resumed from mid-May 2021 and as of date, the company has resumed operations in most offices PAN India.

Resultantly, for the first quarter of FY22:

- the disbursements were at Rs. 3872 Crore, a Y-o-Y growth of 42% but a sequential drop of 35% - the Company has maintained market share in its lead products,
- the revenues of the Company on a standalone and consolidated basis were at Rs. 2187 crores and Rs. 2567 crores, a de-growth of 18% and 16% respectively
- the Gross NPA were higher at 15.5% compared to 9% as at March end and
- the Company reported a Loss after tax of Rs. 1529 crores and Rs. 1573 crores at stand-alone and consolidated level respectively.

The Company believes that the elevated NPA's are not a reflection of any credit risk increase but are purely delays caused by liquidity situation. Our experience in the past has always shown return to normalcy by these segments of customers once their earnings stabilize. The Company, recognizing the market conditions and being conscious of the likely third wave of covid has continued prudently with higher overlay provisions. Our understanding is that, as the market conditions normalize over the next few quarters, your company should benefit both on the Business and NPA reversal fronts.

Restructuring

During the quarter ended 30 June 2021, the Company has implemented resolution plans to relieve COVID19 Pandemic related stress of eligible borrowers in 59,455 loan accounts with a total outstanding of Rs 2,172.00 crores as on 30 June 2021. Of these, total loan accounts which were restructured during the quarter, for 56,090 cases, having an outstanding

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amount of Rs. 2,069.00 crores, basis their credit assessment and the terms of restructuring, the Company has classified such loan accounts as non-impaired (Stage 2 under Ind AS 109, Financial Instruments). The Company has evaluated the same basis life time repayment history of the borrowers and other qualitative factors, which have been approved by the Audit Committee of the Company in line with RBI circular no.RBI/2019-20/170DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13 March 2020. An incremental provision of Rs. 157 Crore has been made during the quarter ended 30 June, 2021 towards these restructured loan contracts.

Assets and provisioning

Impairment provisioning is done as per Expected Credit Loss (ECL) method in Ind-AS, which requires provisioning in three stages. The Gross Stage 3 levels stood at 15.5% as on June 30, 2021, against 9.2% as on corresponding reporting date last year. The Net Stage 3 levels stood at 7.8% as on June 30, 2021, against 5.7% as on the corresponding reporting date last year. The Stage 3 provisioning coverage ratio stood at 53.7% as on June 30, 2021, against 40.1% as on the corresponding reporting date last year.

The standalone Assets Under Management (AUM) stood at Rs. 78955 Crores as on June 30, 2021, as against Rs. 81436 Crores as on corresponding reporting date last year, registering a marginal decline of 3% approx. The Company maintains a very healthy capital adequacy and has adequate Capital and Financial Resources to run its business.

The Company's capital and debt position is strong and the ALM position is well balanced.

Subsidiaries

Mahindra Insurance Brokers Limited (MIBL)

During the quarter ended June 30, 2021, MIBL registered income at Rs. 60.1 Crores as against Rs. 41.2 Crores during the corresponding quarter last year, a growth of 46% over the same period previous year. The Profit After Tax (PAT) registered was Rs. 3.5 Crores during the quarter ended June 30, 2021, as against Rs. 2.0 Crores during the corresponding quarter last year, a growth of 75% over the same period previous year.

Mahindra Rural Housing Finance Limited (MRHFL)

During the quarter ended June 30, 2021, MRHFL registered income at Rs. 334.1 Crores as against Rs. 385.2 Crores during the corresponding quarter last year, a decline of 13% over the same period previous year. The Net Loss is Rs. 65.4 Crores during the quarter ended June 30, 2021, as against Profit After Tax (PAT) of Rs. 47.7 Crores during the corresponding quarter last year.

During the quarter ended June 30, 2021, MRHFL has implemented resolution plans to relieve COVID19 pandemic related stress of eligible borrowers in 1,92,961 loan accounts with a total outstanding of Rs 1,976.4 Crores as on June 30, 2021. Of these, total loan accounts which were restructured during the quarter, for 1,66,181 cases, having an outstanding amount of Rs. 1,756.9 Crores, basis their credit assessment and the terms of restructuring, the Company has classified such loan accounts as non-impaired (Stage 2 under Ind AS 109, Financial Instruments). MRHFL has evaluated the same basis life time repayment history of the borrowers and other qualitative factors, which have been approved by the Audit Committee of the Company in line with RBI circular no.RBI/2019-20/170DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13 March 2020. An incremental provision of Rs. 74.9 Crores has been made during the quarter ended June 30, 2021 towards these restructured loan contracts.

The Company has cumulative management overlay of Rs. 99.4 Crores as at 30 June 2021 for covering the contingencies that may arise due to COVID19 pandemic.

Mahindra Manulife Investment Management Private Limited (MMIMPL)

During the quarter ended June 30, 2021, MMIMPL earned total income of Rs.8.7 Crores as compared to Rs.6.4 Crores in the same period previous year. The company incurred a loss of Rs 5.1 Crores compared to a loss of Rs.5.4 Crores during the same period of the previous year.

Mahindra Manulife Trustee Private Limited (MMTPL)

During the quarter ended June 30, 2021, MMTPL earned total income of Rs 0.2 Crores compared to Rs 0.1 Crores during the same period previous year. The company reached a break even with no profit or loss compared to a loss of Rs.0.1 Crores during the same period of the previous year.

Mahindra Finance USA (MFUSA)

During the quarter ended June 30, 2021, MFUSA registered income at USD 14.7 Million as against USD 16.4 Million during the corresponding quarter last year, registering a decline of 10% over the same period previous year. The Profit After Tax (PAT) during the quarter ended June 30, 2021, was USD 5.2 Million as against USD 4.0 Million during the corresponding quarter last year, a growth of 30% over the same period previous year.

Ideal Finance Ltd (IFL)

During the quarter ended June 30, 2021, IFL registered income at LKR 265.3 Million as against LKR 216.0 Million during the corresponding quarter last year, registering a growth of 23% over the same period previous year. The Profit After Tax (PAT) during the quarter ended June 30, 2021, was LKR 58.9 Million as against LKR 25.2 Million during the corresponding quarter last year, a growth of 134% over the same period previous year.

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The Company has completed acquisition of addition 20% equity share capital of IFL on 8 July 2021, resulting in an increase in the Company's equity stake in IFL from 38.2% to 58.2%. Consequent to this investment, IFL has become a subsidiary of the Company.

About Mahindra & Mahindra Financial Services Limited

Mahindra & Mahindra Financial Services Limited (Mahindra Finance), part of the Mahindra Group, is one of India's leading non-banking finance companies. Focused on the rural and semi-urban sector, the Company has over 7.3 Million customers and has an AUM of over USD 11 Billion. The Company is a leading vehicle and tractor financier, provides loans to SMEs and also offers fixed deposits. The Company has 1388 offices and reaches out to customers spread over 3,80,000 villages and 7000 towns across the country.

Mahindra Finance has been ranked 25th among India's Best Companies to Work 2020 and Ranked 54th on the list of Best Large Workplaces in Asia 2020 by Great Place to Work® Institute.

Mahindra Insurance Brokers Limited (MIBL), the Company's Insurance Broking subsidiary is a licensed Composite Broker providing Direct and Reinsurance broking services.

Mahindra Rural Housing Finance Limited (MRHFL) a subsidiary of Mahindra Finance provides loans for purchase, renovation, construction of houses to individuals in the rural and semi-urban areas of the country.

Mahindra Finance CSR Foundation is a wholly-owned subsidiary company, under the provisions of section 8 of the Companies Act, 2013 for undertaking the CSR activities of the Company and its subsidiaries.

Mahindra Manulife Investment Management Private Limited (formerly known as Mahindra Asset Management Company Private Limited) acts as the Investment Manager of Mahindra Manulife Mutual Fund (formerly known as Mahindra Mutual Fund). On 29th April 2020 Mahindra Finance divested 49% stake in its wholly-owned subsidiary, Mahindra Manulife Investment Management Private Limited to Manulife Investment Management (Singapore) Pte. Ltd. to form a 51:49 joint venture.

Mahindra Manulife Trustee Private Limited (MMTPL), (formerly known as Mahindra Trustee Company Private Limited) acts as a Trustee to Mahindra Manulife Mutual Fund (formerly known as Mahindra Mutual Fund). On 29th April 2020 Mahindra Finance divested 49% stake in its wholly-owned subsidiary, Mahindra Manulife Trustee Private Limited to Manulife Investment Management (Singapore) Pte. Ltd. to form a 51:49 joint venture.

The Company has a Joint Venture in the US, Mahindra Finance USA LLC, in partnership with De Lage Landen, a subsidiary of Rabo Bank, for financing Mahindra vehicles in the US.

The Company has recently formed a Joint Venture in Sri Lanka, by acquiring a 58.2% stake in Ideal Finance Ltd. This JV will focus on providing a diversified suite of financial services to the Sri Lankan market.

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Learn more about Mahindra Finance on www.mahindrafinance.com / Twitter and Facebook: @MahindraFin

About Mahindra

Founded in 1945, the Mahindra Group is one of the largest and most admired multinational federation of companies with 260,000 employees in over 100 countries. It enjoys a leadership position in farm equipment, utility vehicles, information technology and financial services in India and is the world's largest tractor company by volume. It has a strong presence in renewable energy, agriculture, logistics, hospitality and real estate.

The Mahindra Group has a clear focus on leading ESG globally, enabling rural prosperity and enhancing urban living, with a goal to drive positive change in the lives of communities and stakeholders to enable them to Rise.

Learn more about Mahindra on www.mahindra.com / Twitter and Facebook: @MahindraRise/ For updates subscribe to <https://www.mahindra.com/news-room>

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