

PRESS RELEASE

Financial Results – FY 2021-22 Quarter 2, Standalone & Consolidated Results

Mumbai, October 28, 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 September 30, 2021.

Standalone:

Disbursement growth of 67% Q-o-Q led to sequential AUM growth.

Improved collection led to reduction in GNPA by 2.8%; September end GNPA at 12.7%

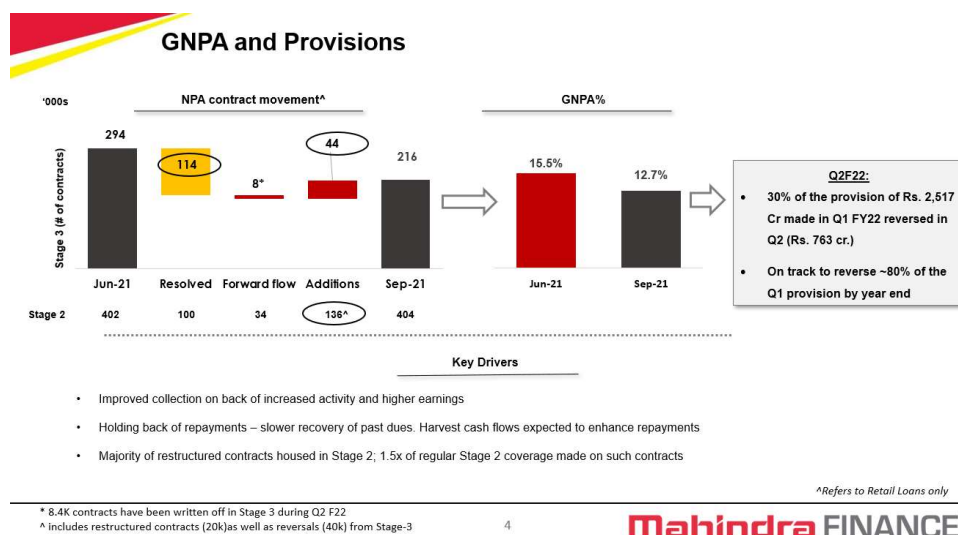
PAT at Rs. 1,023 crores, a growth of 237% on a Y-o-Y basis

FY 2022 Q2 Standalone Results

The key highlights of the Q2 Financial Performance are as under

- Healthy operating performance together with reversal of impairment cost led to a significant sequential recovery in profits after tax which stood at Rs. 1,023 Crores during the quarter as against Profit After Tax of Rs. 304 Crores during the corresponding quarter last year.
- The Total Income declined by 5% at Rs. 2,522 Crores during the quarter ended September 30, 2021, as against Rs. 2,650 Crores during the corresponding quarter last year.
- The Gross NPA showed smart recovery from 15.5% in June to 12.7% in September, thereby releasing Rs. 1,002 Crores from the impairment cost provisions.
- The Overheads to Average Assets were higher at 2.7% as the economic activity and collection efforts intensified in Q2.

The chart below shows movement in Stage 3 & Stage 2 contracts during Q2.



- The Company continues to be well-capitalised with a capital adequacy ratio of 26.1%. It has sufficient provision coverage on Stage 3 loans at 53.0% and continues to hold sufficient liquidity chest.

FY 2022 H1 Standalone Results

The Total Income declined by 11% at Rs. 4,709 Crores during the half year ended September 30, 2021, as against Rs. 5,304 Crores during the corresponding half year last year. The Loss (after tax) stood at Rs. 506 Crores during the half year ended September 30, 2021, as against Profit After Tax of Rs. 459 Crores during the corresponding half year last year.

Consolidated:

FY 2022 Q2 Consolidated Results

The Total Income declined by 4% to Rs. 2,951 Crores during the quarter ended September 30, 2021, as against Rs. 3,071 Crores during the corresponding quarter last year. The Profit After Tax (PAT) stood at Rs. 1,103 Crores during the quarter ended September 30, 2021, as against PAT of Rs. 353 Crores during the corresponding quarter last year.

During the quarter, the Company increased its shareholding in Ideal Finance Limited (IFL), Sri Lanka from 38.2% to 58.2%. IFL is now a subsidiary of the Company. This stake increase has resulted in revaluation of existing equity stake in IFL, which led to a one-time revaluation gain of Rs. 21 Crore, which is shown as Exceptional Item in the Q2 FY22 consolidated financials.

FY 2022 H1 Consolidated Results

The Total Income declined by 10% at Rs. 5,517 Crores during the half year ended September 30, 2021, as against Rs. 6,139 Crores during the corresponding half year last year. The Loss (after tax) stood at Rs. 470 Crores during the half year ended September 30, 2021, as against Profit After Tax of Rs. 785 Crores during the corresponding half year last year.

During the half year ended September 30, 2021, the Company increased its shareholding in Ideal Finance Limited (IFL), Sri Lanka from 38.2% to 58.2%. IFL is now a subsidiary of the Company. This stake increase has resulted in revaluation of existing equity stake in IFL, which led to a one time revaluation gain of Rs. 21 Crore, which is shown as Exceptional Item in the H1 FY22 consolidated financials.

PBT for the half year ended 30 September 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 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).

Operations

The impact of second wave of Covid in the Semi Urban & Rural Market was felt severely during the first quarter of the current financial year. Since then, the active cases of Covid-19 have sharply declined. Further increased vaccination drives have resulted in a sizable population being vaccinated with at least one-dose. Opening up of travel industry also augurs well for our earn-and-pay customers. We have seen a rebound in economic activities with most high frequency indicators inching towards pre-pandemic levels. We have seen normal working throughout the quarter and with 95% of our employees vaccinated, our executives are able to reach out to our customers.

Key operational highlights for the second quarter of FY22 are:

- The disbursements were at Rs. 6,475 Crore, a growth of 61% Y-o-Y and 67% on a sequential basis. But for the supply side issues, the disbursements would have grown further.
- The Company improved market share in its lead products.
- During the quarter, the collection efficiency kept on improving month on month – 95% in July, 97% in August and peaking at 100% in September.
- The repossessions also accelerated with the Company repossessing 15,861 vehicles during Q2, up from 6,574 in Q1.

Restructuring

- The Company has a restructured book of 104,130 contracts as on 30th September 2021 (underlying AUM: Rs. 4,390 Crores). Out of these, 96,391 contracts are classified in Stage 2 as the Company believes that the stress in these contracts is temporary, caused by second wave of Covid-19. Over and above the model provision applicable on Stage -2 assets on these restructured loan contracts, an additional provision of Rs.153 crores is made during the quarter and Rs. 310 Crore is made during the half-year ended September 30, 2021. As these contracts start repaying the restructured instalments, the Company will review the additional provision and staging of these contracts.

Assets and provisioning

- The gross business assets at Rs. 63,618 Crore declined as against Rs. 67,773 Crore as on September 30, 2020. Sequentially, however, the decline has been arrested and going forward the company expects a sequential improvement in business assets.
- As collection efforts intensified, the Gross NPA improved sequentially from 15.5% to 12.7% as at September end. The Company expects further improvements in quarters to come.
- The NPAs are adequately provided for. As on 30 September 2021, the total provision coverage for Stage 3 assets was healthy at 53%, well ahead of the model provisions. Consequently, the net NPA was at 6.4% as on 30 September 2021. By year end, the Company aims to maintain the net NPA below 4%.
- The cumulative management overlay as on 30 September 2021 stood at Rs. 2,112 Crore.
- As on 30 September 2021, the Company carried a total liquidity buffer of over Rs. 9,600 Crores. With adequate macro liquidity and uptick in economic activity, the Company plans to progressively reduce the chest in coming quarters.

New Vectors of Growth

The Company has identified the following three initiatives to propel growth and further diversify the balance sheet:

- Digital finance – focusing on personal loans and consumer durable loans
- Leasing and
- Lending to SME segment

In the Digital Finance Business, the Company has initiated cross-selling to existing customers. In Leasing, the immediate focus will be on corporate segment with initiatives being taken to penetrate in retail segment. In SME, the focus is on deepening presence in the larger Mahindra Eco-system with a mix of short term cash flow backed lending and term lending.

The teams are in place and the Company sees early traction in each of these segments. During the quarter, under the Leasing vertical, the Company launched a new retail brand “Quiklyz”. The objective is to build a critical mass of retail leasing portfolio over a period of time.

Subsidiaries

Mahindra Rural Housing Finance Limited (MRHFL)

During the quarter ended September 30, 2021, MRHFL registered income at Rs. 361 Crores as against Rs. 377 Crores during the corresponding quarter last year, a decline of 4% over the same period previous year. The Profit After Tax (PAT) at Rs. 46.7 Crores during the quarter ended September 30, 2021, was marginal lower compared to Rs. 57.4 Crores during the corresponding quarter last year.

During the half year ended September 30, 2021, MRHFL has implemented resolution plans to relieve COVID19 pandemic related stress of eligible borrowers in 2,64,234 loan accounts with a total outstanding of Rs 2,634.5 Crores as on September 30, 2021. Of these, total loan accounts which were restructured during the half year, for 2,33,016 cases, having an outstanding amount of Rs. 2,395.7 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). Over and above the model provision applicable on Stage -2 assets on these restructured loan contracts, an additional provision of Rs.97.9 crores is made during the half-year ended September 30, 2021.

The Company has cumulative management overlay of Rs. 121.1 Crores as at 30 September 2021 for covering the contingencies that may arise due to COVID19 pandemic.

Mahindra Insurance Brokers Limited (MIBL)

During the quarter ended September 30, 2021, MIBL registered income at Rs. 77 Crores as against Rs. 60 Crores during the corresponding quarter last year, a growth of 28% over the same period previous year. The Profit After Tax (PAT) registered was Rs. 10 Crores during the quarter ended June 30, 2021, as against Rs. 4 Crores during the corresponding quarter last year.

Mahindra Manulife Investment Management Private Limited (MMIMPL)

During the quarter ended September 30, 2021, MMIMPL earned total income of Rs.8.6 Crore as compared to Rs. 7.4 Crore in the same period previous year. The company incurred a loss of Rs. 10.8 Crore compared to a loss of Rs.4.3 Crore during the same period of the previous year.

The Average Assets under Management (AUM) of MMIMPL for September-21 quarter were Rs. 6,687 Crore, up from Rs. 5,664 Crore for June 2021. About 60% of the closing AUM comprises Equity Mutual Fund AUM.

Mahindra Manulife Trustee Private Limited (MMTPL)

During the quarter ended September 30, 2021, MMTPL earned total income of Rs 0.2 Crore compared to Rs. 0.1 Crore during the same period previous year. The company made a profit of Rs. 0.1 Crore compared to a breakeven (no profit / no loss) position during the same period of the previous year.

Ideal Finance Ltd (IFL)

During the quarter ended September 30, 2021, IFL registered income at LKR 284.6 Million as against LKR 265.3 Million during the corresponding quarter last year, registering a growth of 7% over the same period previous year. The Profit After Tax (PAT) during the quarter ended September 30, 2021, was LKR 59.3 Million as against LKR 49.9 Million during the corresponding quarter last year, a growth of 19% over the same period previous year.

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.

Mahindra Finance USA (MFUSA)

During the quarter ended September 30, 2021, MFUSA registered income at USD 14.5 Million as against USD 15.9 Million during the corresponding quarter last year, registering a decline of 9% over the same period previous year. The Profit Before Tax (PBT) during the quarter ended September 30, 2021, registered was USD 6.3 Million as against USD 0.9 Million during the corresponding quarter last year, registering a growth of 600% over the same period previous year. The Profit After Tax (PAT) during the quarter ended September 30, 2021, registered was USD 4.7 Million as against USD 0.7 Million during the corresponding quarter last year, registering a growth of 571% over the same period previous year.

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.

Ideal Finance Limited (IFL) is a subsidiary of the Company in Sri Lanka. The Company holds 58.2% equity stake in IFL. IFL focuses on providing a diversified suite of financial services to the Sri Lankan market.

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>

Media Contact:

Mohan Nair
Head – Communications,
Mahindra & Mahindra Financial Services Limited
E-mail: nair.mohan@mahindra.com