

# **Mahindra & Mahindra Financial Services Limited**

**Result Update  
December – 2010**

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# Company overview

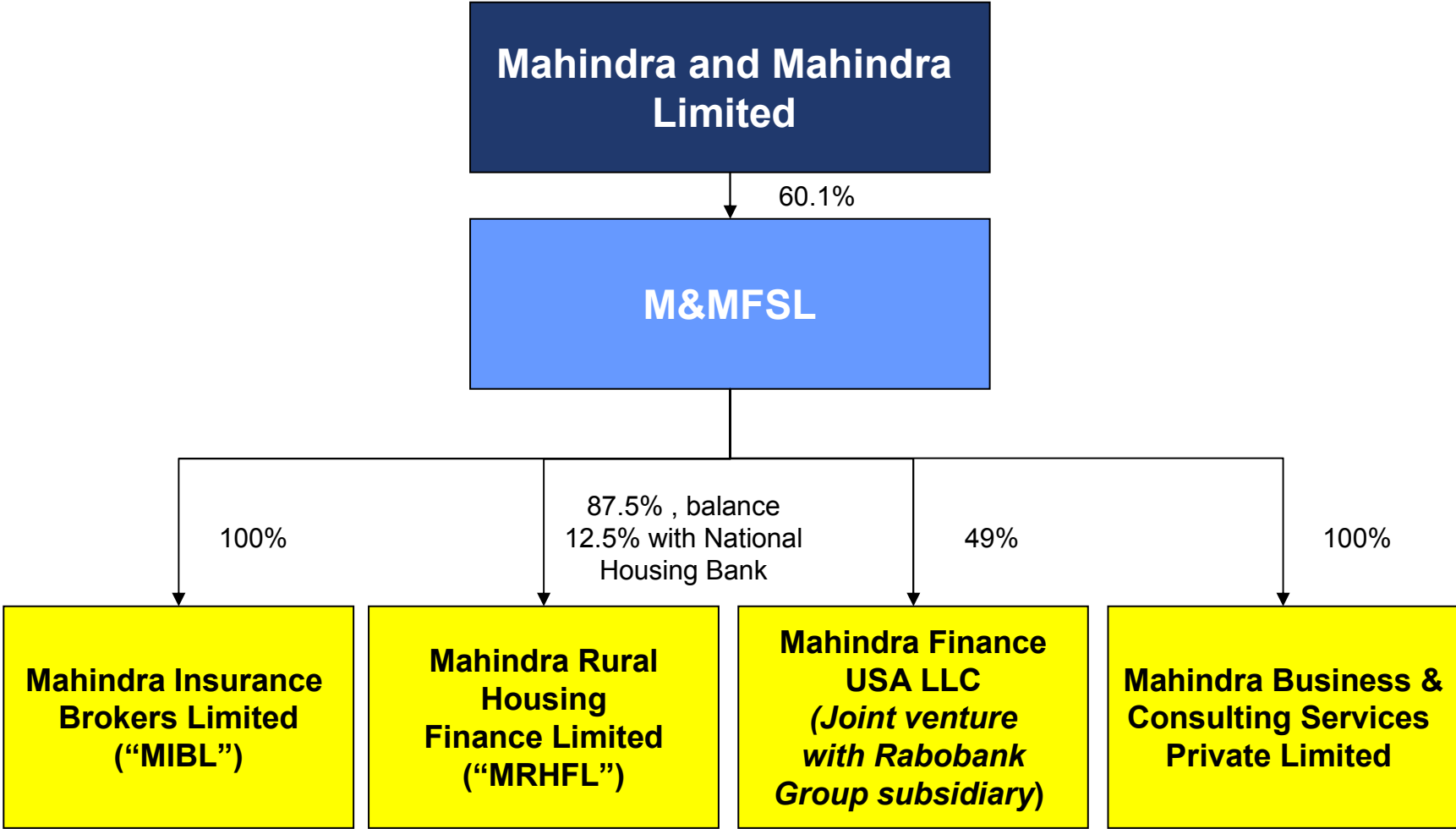
# Background

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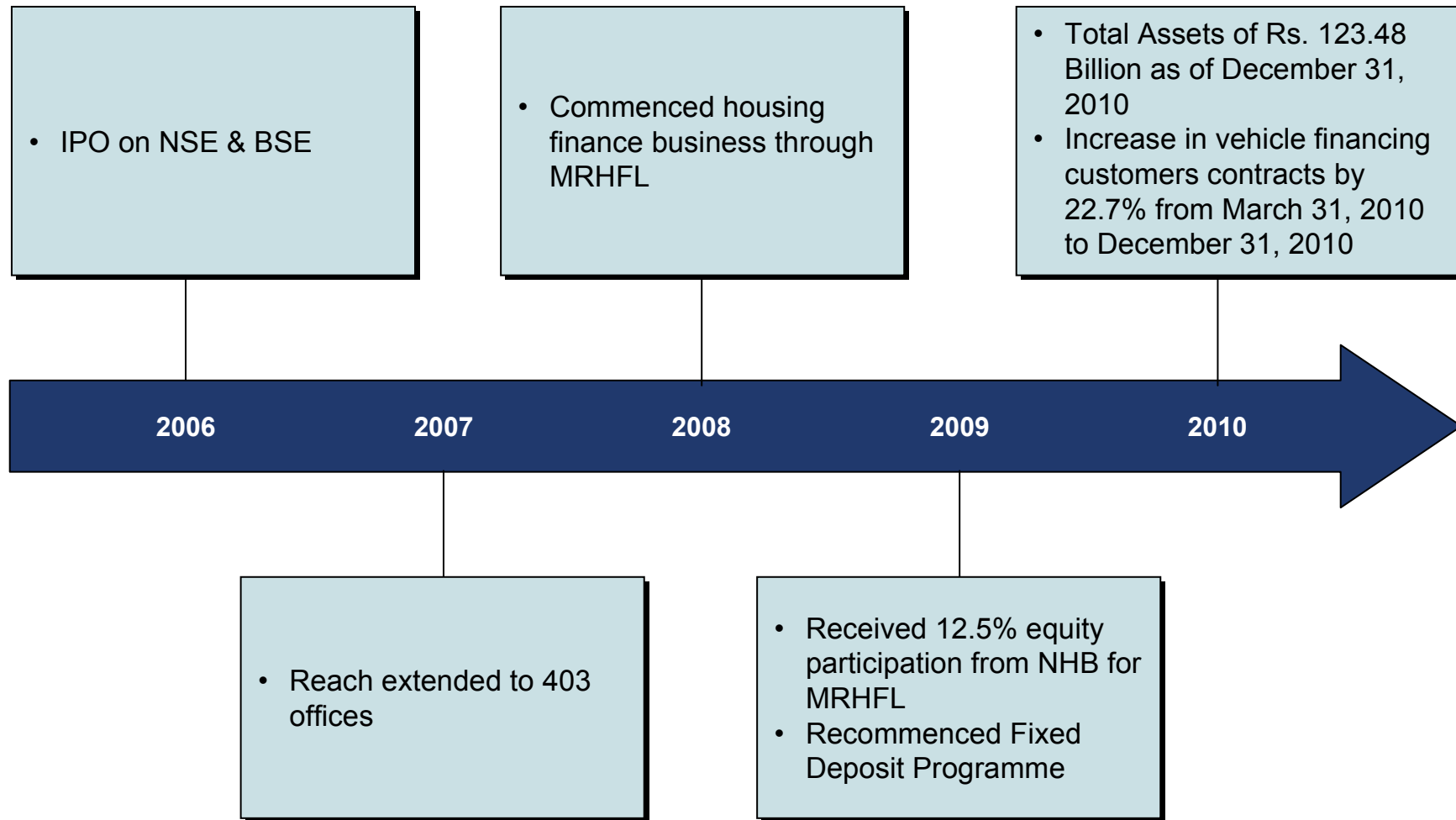
- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 453 billion)\*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 69 billion)\* is one of India's leading non-banking finance companies focused in the rural and semi-urban sector
- Primarily in the business of financing purchase of new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles
- M&MFSL's goal is to be the preferred provider of financing services in the rural and semi-urban areas of India
- Has 537 offices covering 24 states and 4 union territories in India, with over 1.4 million vehicle finance customer contracts since inception, as of December 31, 2010
- CRISIL has assigned AA+/Stable, FITCH has assigned AA(ind)/ Positive and Brickwork has assigned AA+/ Positive rating to the Company's long term and subordinated debt

*\*Source: Market capitalisation as of January 20, 2011 from BSE website*

# M&MFSL Group structure



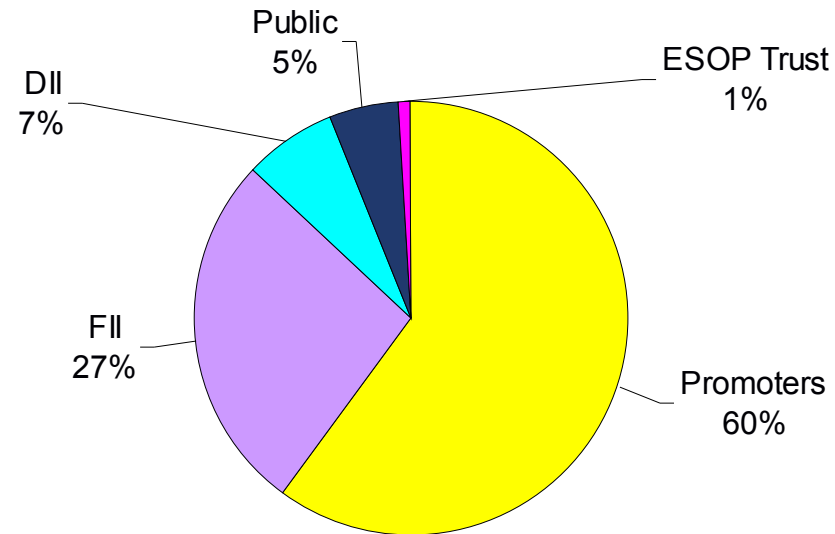
# Roadmap till date



# Shareholding pattern

(as on December 31, 2010)

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- Incorporated in 1991 and initially provided financing to dealers of Mahindra & Mahindra Limited
- The Company also issued shares to the ESOS trust in December 2005
- The Company came out with its IPO in February 2006
- Shareholders include Cophall Mauritius Investment Limited, PCA India Equity Open Limited and Citigroup Global Markets Mauritius

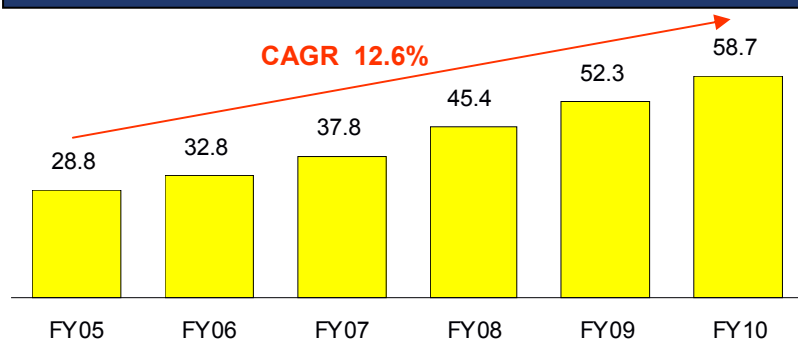


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# Industry overview

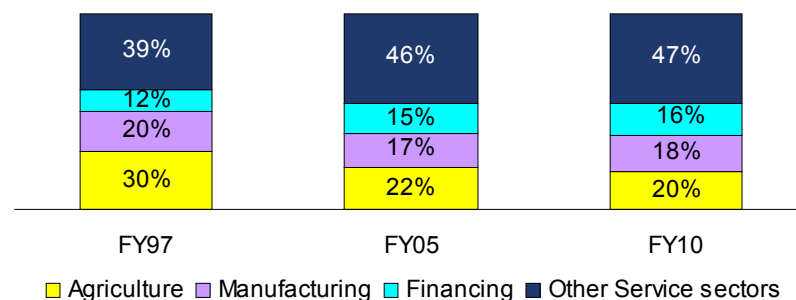
# Strong macro growth momentum

## Nominal GDP Movement (Rs. trillion)



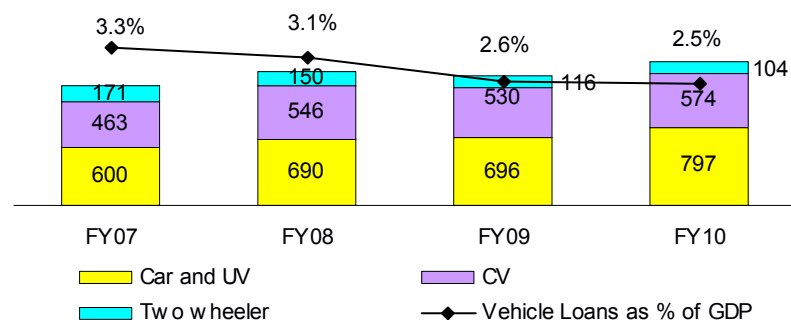
Source: Central Statistical Organisation (CSO)

## Share of Financing is increasing in GDP (Financing as % of GDP)



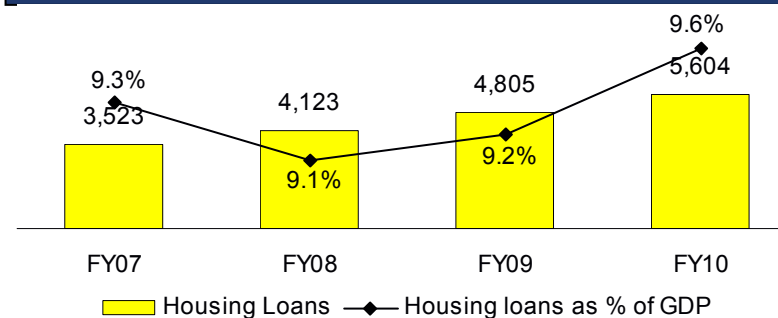
Source: CSO

## Vehicle loans and penetration (Rs. billion, %)



Source: CRISIL Research (Update Retail Finance Auto, November 2010) and CSO

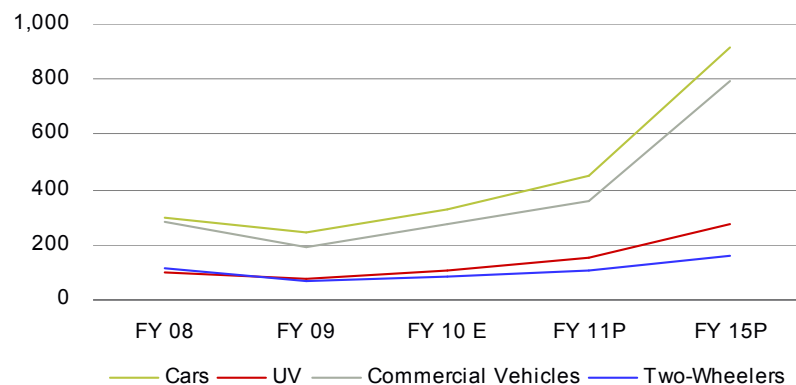
## Housing loans and penetration (Rs. billion, %)



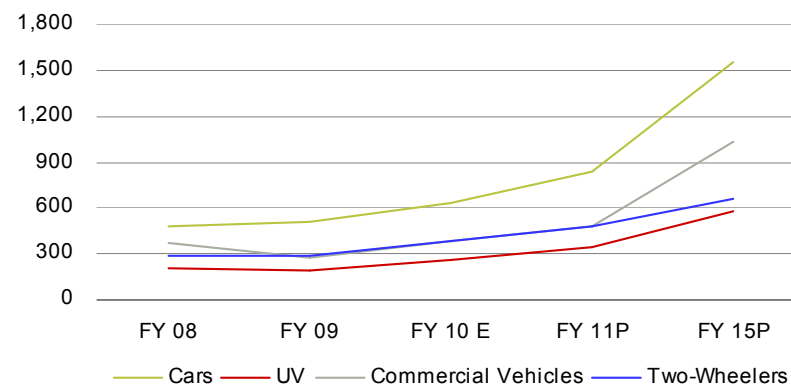
Source: CRISIL Research (Update Retail Finance Housing, September 2010) and CSO

# Vehicle finance industry has re-entered a growth phase

**New Vehicle Finance Disbursements  
(Rs. billion)**



**New Vehicle Underlying Market  
(Rs. billion)**



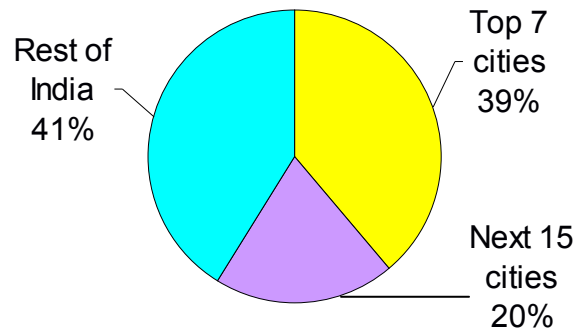
## Growth in New Vehicle Finance Disbursements

(Rs. billion)	FY08	FY09	FY10E	FY11P	FY15P	CAGR FY10-FY15P
Cars	294	246	331	454	916	22%
Utility Vehicles	102	78	109	154	275	20%
Commercial Vehicles	286	194	272	360	791	24%
Two-Wheelers	112	72	84	105	157	13%
<b>Total</b>	<b>794</b>	<b>590</b>	<b>796</b>	<b>1,073</b>	<b>2,139</b>	<b>22%</b>

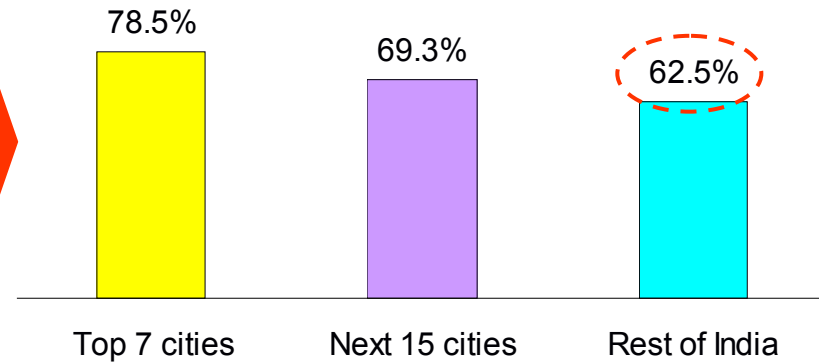
Source: CRISIL Research, Update Retail Finance - Auto, November 2010

Despite containing 41% of the car and UV market, rural India only accounts for 25% of the segment's financial disbursements

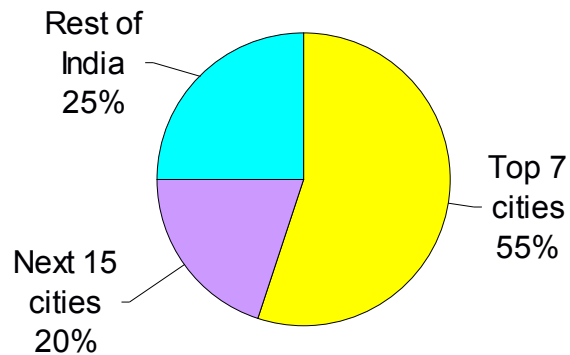
**Car & UV Market Sales Regional Breakup (in no.)**



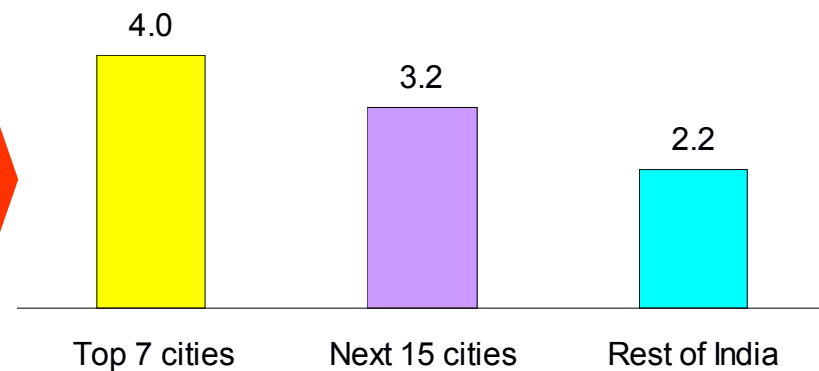
**Cars and UVs Financial Penetration (%)**



**Car & UV Disbursements by Region**



**Cars and UVs Ticket size (Rs. Lakhs)**



Source: CRISIL Research, Annual Review Retail Finance - Auto, January 2010

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## Competitive strengths

# Competitive strengths

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**#1**

**Product portfolio and knowledge catering to rural and semi-urban markets**

**#2**

**Extensive network of branches**

**#3**

**Established track record**

**#4**

**Synergies with Mahindra Group and brand recall**

**#5**

**Experienced management team and board**

**#6**

**History of strong customer and dealer relationships**

**#7**

**Access to cost effective funding**

# Product portfolio and knowledge catering to rural and semi-urban markets

<b>Vehicle Financing</b>	<ul style="list-style-type: none"><li>Loans for auto and utility vehicles, tractors, cars , commercial vehicles and construction equipments</li></ul>
<b>Pre-Owned Vehicles</b>	<ul style="list-style-type: none"><li>Loans for pre-owned cars, two wheelers and multi-utility vehicles</li></ul>
<b>Insurance Broking</b>	<ul style="list-style-type: none"><li>Insurance solutions to retail customers as well as corporations through our subsidiary MIBL</li></ul>
<b>Housing Finance</b>	<ul style="list-style-type: none"><li>Loans for buying, renovating, extending and improving homes in rural and semi-urban India through our subsidiary MRHFL</li></ul>
<b>Mutual Fund Distribution</b>	<ul style="list-style-type: none"><li>Advises clients about investing money through AMFI certified professionals under the brand “MAHINDRA FINANCE FINSMART”</li></ul>
<b>Fixed Deposits</b>	<ul style="list-style-type: none"><li>Offers fixed deposit schemes to clients</li></ul>
<b>Personal Loans</b>	<ul style="list-style-type: none"><li>Offers personal loans typically for wedding, children’s education, medical treatment and working capital</li></ul>

# Break down of estimated value of Assets Financed

Segments	Nine Months ended December-10	Nine Months ended December-09	Full year ended March-10	Full year ended March-09
Auto/ Utility vehicles (M&M)	30%	36%	35%	40%
Tractors (M&M)	22%	20%	21%	22%
Cars and other (including non M&M vehicles)	33%	29%	29%	25%
Commercial vehicles and Construction equipments	6%	8%	7%	6%
Pre-owned vehicles and others	9%	7%	8%	7%



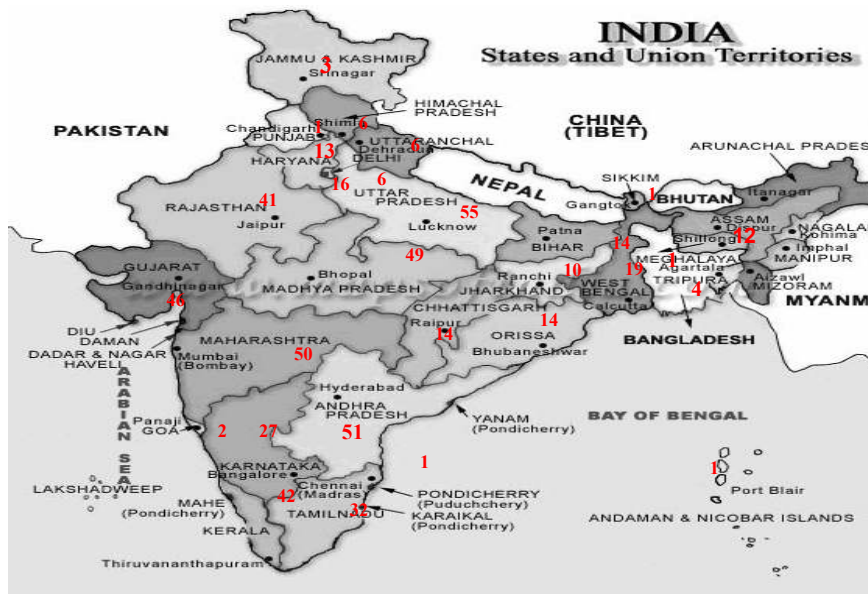
# Break down of AUM

Segments	Nine Months ended December-10	Nine Months ended December-09	Full year ended March-10	Full year ended March-09
Auto/ Utility vehicles (M&M)	30%	35%	33%	38%
Tractors (M&M)	23%	23%	23%	25%
Cars and other (including non M&M vehicles)	33%	28%	30%	24%
Commercial vehicles and Construction equipments	8%	9%	8%	7%
Pre-owned vehicles and others	6%	5%	6%	6%

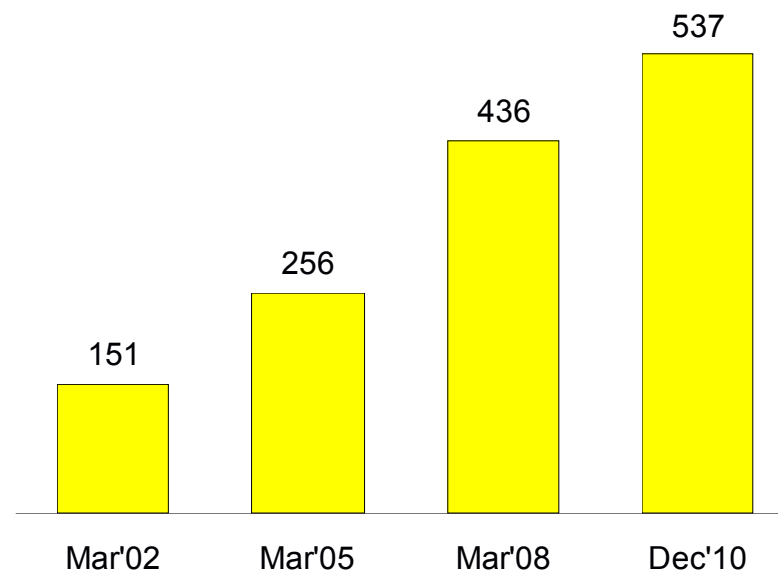
# Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 537 offices as of December 31, 2010
  - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of

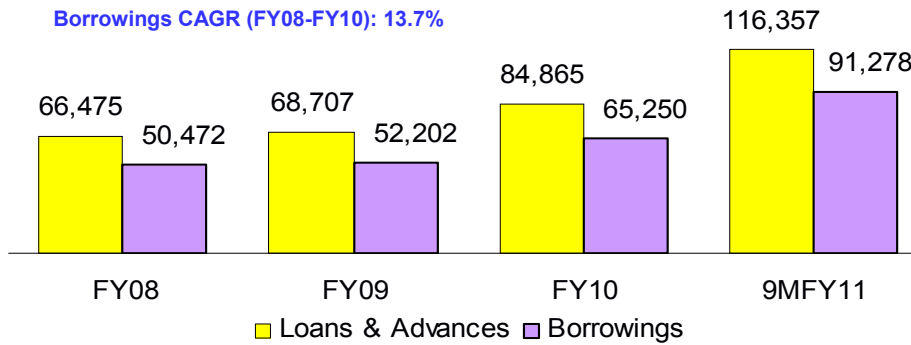


# Established track record

Figures on consolidated basis

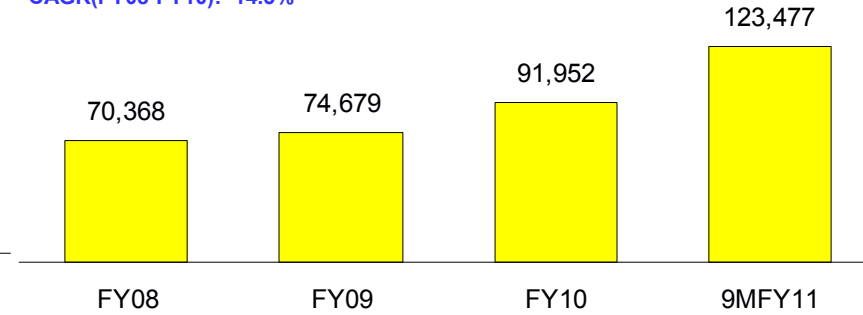
## Loans & Advances and Borrowings (Rs. million)

Loans & Advances CAGR (FY08-FY10): 13.0%  
Borrowings CAGR (FY08-FY10): 13.7%



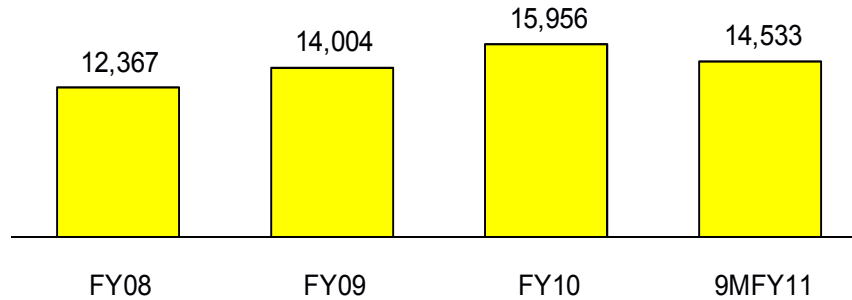
## Total Assets (Rs. million)

CAGR(FY08-FY10): 14.3%



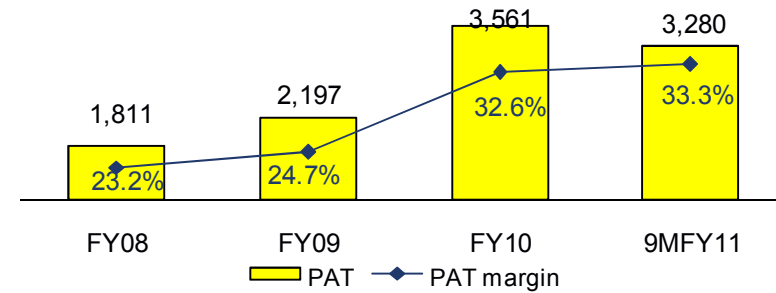
## Total Income (Rs. million)

CAGR(FY08-FY10): 13.6%



## PAT and PAT margin (Rs. million , %)

CAGR(FY08-FY10): 40.2%

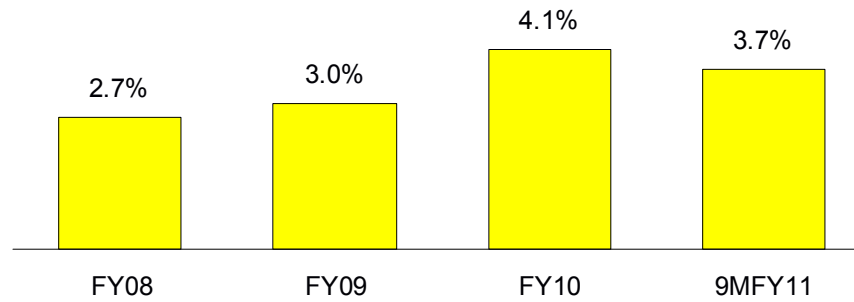


Source: Company Reports

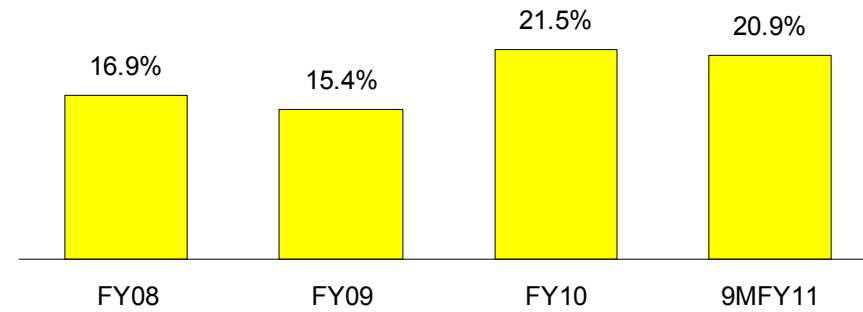
# Established track record

Figures on standalone basis

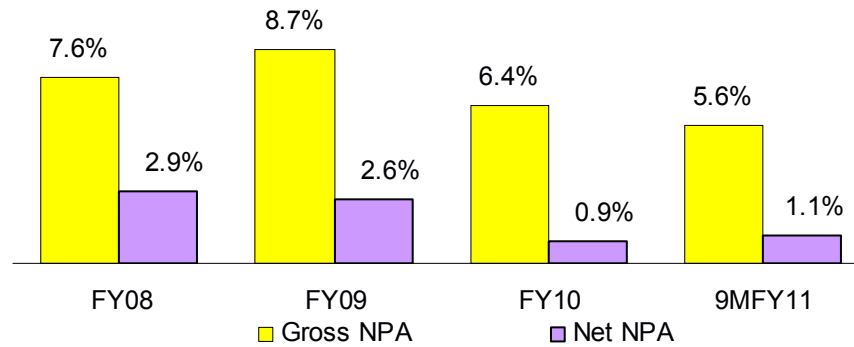
**ROA (Avg. Assets) (%)**



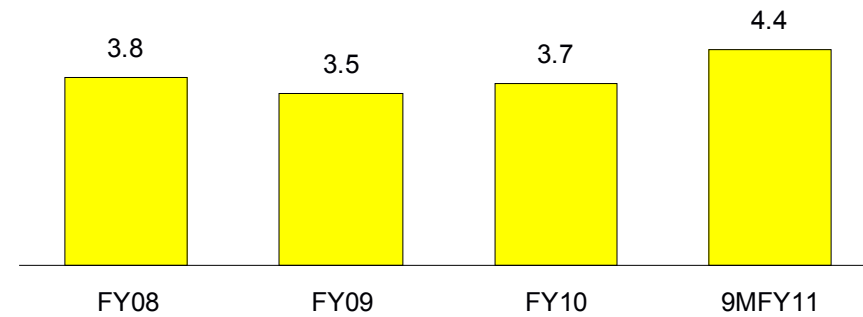
**RONW (Avg. Net Worth) (%)**



**Gross NPA and Net NPA to Total Assets (%)**



**Leverage ratio**



Source: Company Reports

Note: ROA and RONW numbers for 9MFY11 are on annualized basis

# Key Risks & Management Strategies

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- |                                      |   |
|--------------------------------------|---|
| ■ Volatility in interest rates       | Matching of asset and liabilities                           |
| ■ Rising competition                 | Increasing branch network                                   |
| ■ Raising funds at competitive rates | Maintaining credit rating & improving asset quality         |
| ■ Dependence on M&M                  | Increasing non-M&M Portfolio                                |
| ■ Occurrence of natural disasters    | Increasing geographical spread                              |
| ■ Adhering to write-off standards    | Diversify the product portfolio                             |
| ■ Employee retention                 | Job rotation / ESOP/ Recovery based performance initiatives |
| ■ Physical cash management           | Insurance & effective internal control                      |

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# Financial Information

# Standalone Profit & Loss Statement

Particulars (Rs. million)	Nine Months ended Dec – 10	Nine Months ended Dec – 09	Year ended March – 10
Income from operations	13,823	10,671	15,308
Other income	280	267	380
Total income	14,103	10,938	15,688
Interest cost	4,646	3,777	5,017
Administrative cost	4,485	4,052	5,366
Exceptional Item*	285	--	--
Depreciation	102	71	99
Total expenditure	9,518	7,900	10,482
PBT	4,585	3,038	5,206
PAT	3,066	2,025	3,427

\*The Reserve Bank of India (RBI) vide its Notification No. DNBS.222/ CGM (US)-2011 dated 17.01.2011 has issued directions to all NBFC's to make a provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made a first time provision during the quarter of Rs.285 Mn (net of tax Rs.190 Mn) on the standard assets outstanding as on 31st December 2010 as an exceptional item. The above includes provision for the quarter of Rs.29 Mn (net of tax Rs.19 Mn).

# Standalone Balance Sheet

<b>LIABILITIES (Rs. million)</b>	<b>Nine Months ended Dec – 10</b>	<b>Nine Months ended Dec – 09</b>	<b>Year ended March - 10</b>
Shareholder's funds	<b>20,365</b>	16,722	17,286
Secured loans	<b>63,170</b>	47,406	53,259
Unsecured loans	<b>27,349</b>	13,886	11,318
Current liabilities & provisions	<b>11,225</b>	7,614	9,087
<b>TOTAL</b>	<b>122,109</b>	85,628	90,950

<b>ASSETS (Rs. million)</b>	<b>Nine Months ended Dec – 10</b>	<b>Nine Months ended Dec – 09</b>	<b>Year ended March- 10</b>
Fixed Assets	<b>733</b>	418	476
Investments	<b>1201</b>	1,809	2,159
Cash & Bank balance	<b>2,909</b>	2,317	2,420
Other Current assets	<b>120</b>	108	38
Loans & Advances	<b>114,817</b>	78,855	83,788
Deferred tax asset	<b>2,329</b>	2,121	2,069
<b>TOTAL</b>	<b>122,109</b>	85,628	90,950



# Consolidated Profit & Loss Statement

Particulars (Rs. million)	Nine Months ended Dec – 10	Nine Months ended Dec – 09	Year ended March – 10
Income from operations	<b>14,301</b>	10,886	15,612
Other income	<b>232</b>	241	344
Total income	<b>14,533</b>	11,127	15,956
Interest cost	<b>4,689</b>	3,781	5,028
Administrative cost	<b>4,549</b>	4,094	5,426
Exceptional Item*	<b>285</b>	--	--
Depreciation	<b>104</b>	72	101
Total expenditure	<b>9,627</b>	7,947	10,555
PBT	<b>4,906</b>	3,180	5,401
PAT	<b>3,280</b>	2,121	3,561

\*The Reserve Bank of India (RBI) vide its Notification No. DNBS.222/ CGM (US)-2011 dated 17.01.2011 has issued directions to all NBFC's to make a provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made a first time provision during the quarter of Rs.285 Mn (net of tax Rs.190 Mn) on the standard assets outstanding as on 31st December 2010 as an exceptional item. The above includes provision for the quarter of Rs.29 Mn (net of tax Rs.19 Mn).

# Consolidated Balance Sheet

<b>LIABILITIES (Rs. million)</b>	<b>Nine Months ended Dec – 10</b>	<b>Nine Months ended Dec – 09</b>	<b>Year ended March - 10</b>
Shareholder's funds	<b>20,833</b>	16,949	17,548
Minority Interest	<b>46</b>	16	18
Secured loans	<b>64,175</b>	47,527	54,097
Unsecured loans	<b>27,103</b>	13,754	11,153
Current liabilities & provisions	<b>11,320</b>	7,650	9,136
<b>TOTAL</b>	<b>123,477</b>	85,896	91,952
<b>ASSETS (Rs. million)</b>	<b>Nine Months ended Dec – 10</b>	<b>Nine Months ended Dec – 09</b>	<b>Year ended March- 10</b>
Fixed Assets	<b>754</b>	428	486
Investments	<b>936</b>	1,684	2,034
Cash & Bank balance	<b>2,967</b>	2,336	2,443
Other Current assets	<b>128</b>	110	52
Loans & Advances	<b>116,357</b>	79,216	84,865
Deferred tax asset	<b>2,335</b>	2,122	2,072
<b>TOTAL</b>	<b>123,477</b>	85,896	91,952

# Funding

- M&MFSL believes that its credit rating and strong brand equity enable it to borrow funds at competitive rates
- Total consortium size of Rs. 10 billion comprising several banks

	CRISIL Rating	Outlook
Fixed Deposit programme	FAAA	Stable
Short term debt	P1+	Stable
Long term and Subordinated debt	AA+	Stable

	FITCH Rating	Outlook
Long term and Subordinated debt	AA(ind)	Positive

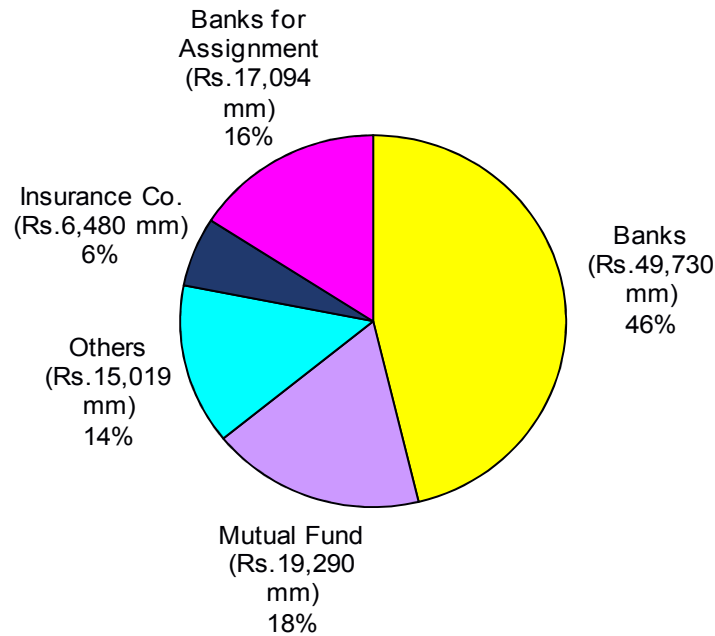
	Brickwork Rating	Outlook
Long term and Subordinated debt	AA+	Positive

# Source of Borrowing

(as on December 31, 2010)

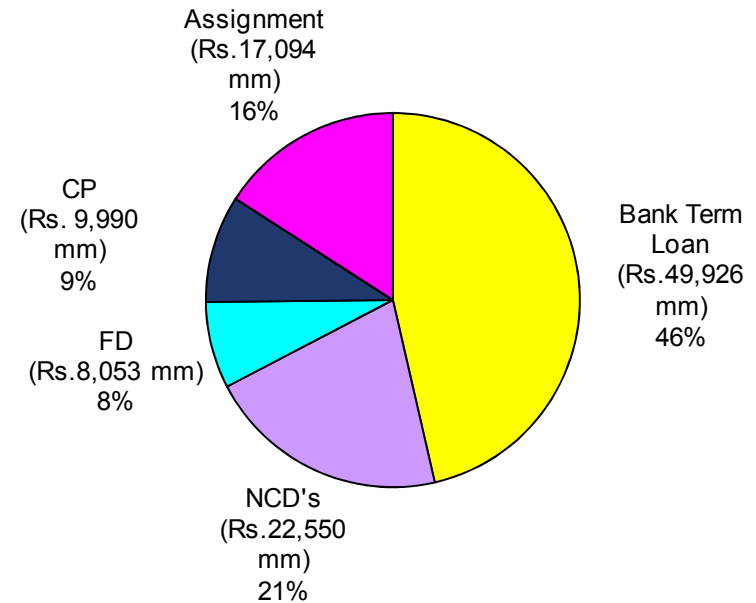
Figures on standalone basis

Fund Mix on the basis of Investor profile



Total : Rs.107,613 million

Fund Mix on the basis of Instrument



Total : Rs.107,613 million

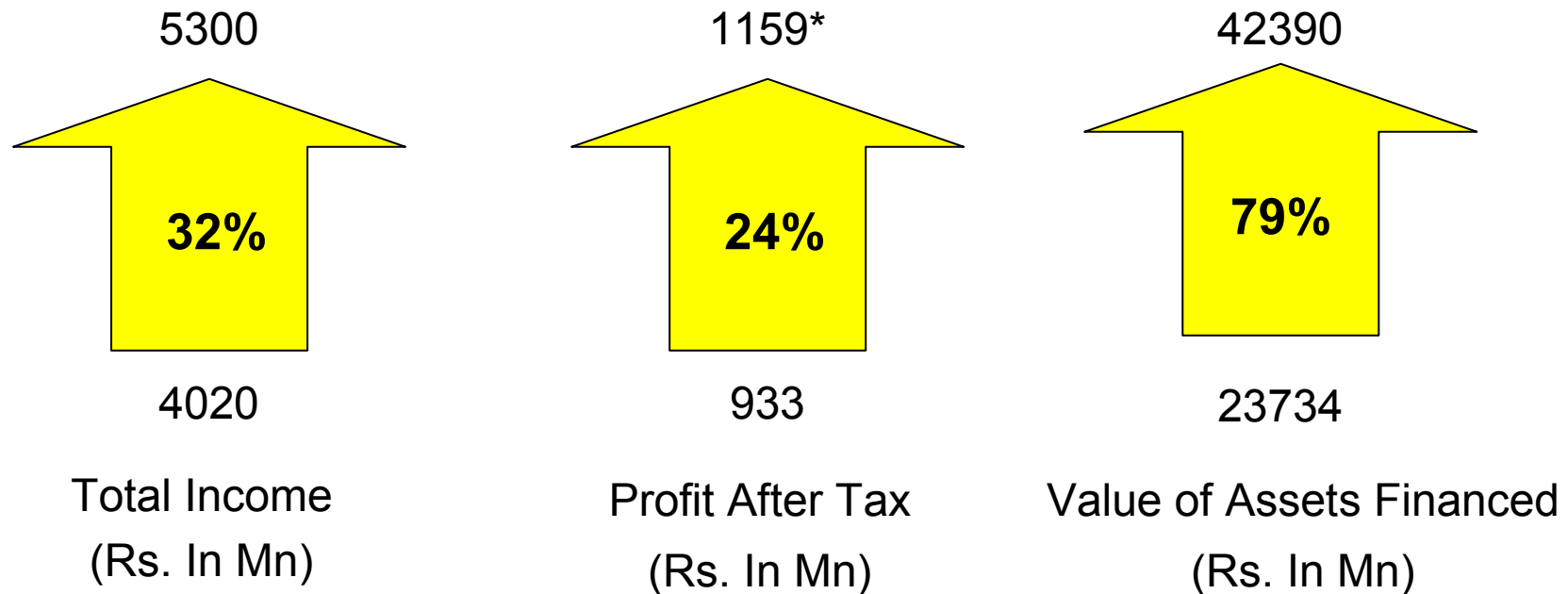
# Loan Receivables Assignment

- M&MFSL assigns parts of its loan receivables to third parties to improve its capital adequacy ratio and to increase the efficiency of its loan portfolio.
- M&MFSL has completed 45 securitisation / Assignment transactions as of December 31, 2010.

Particulars (Rs. million)	FY08	FY09	FY10
Receivables Securitised / Assigned	8,099	10,362	10,446
Consideration Received	7,303	9,151	9,713
Net Income from Securitisation/ Assignment	1,074	1,043	1,254

## Highlights for Q3- FY11 Vs Q3- FY10

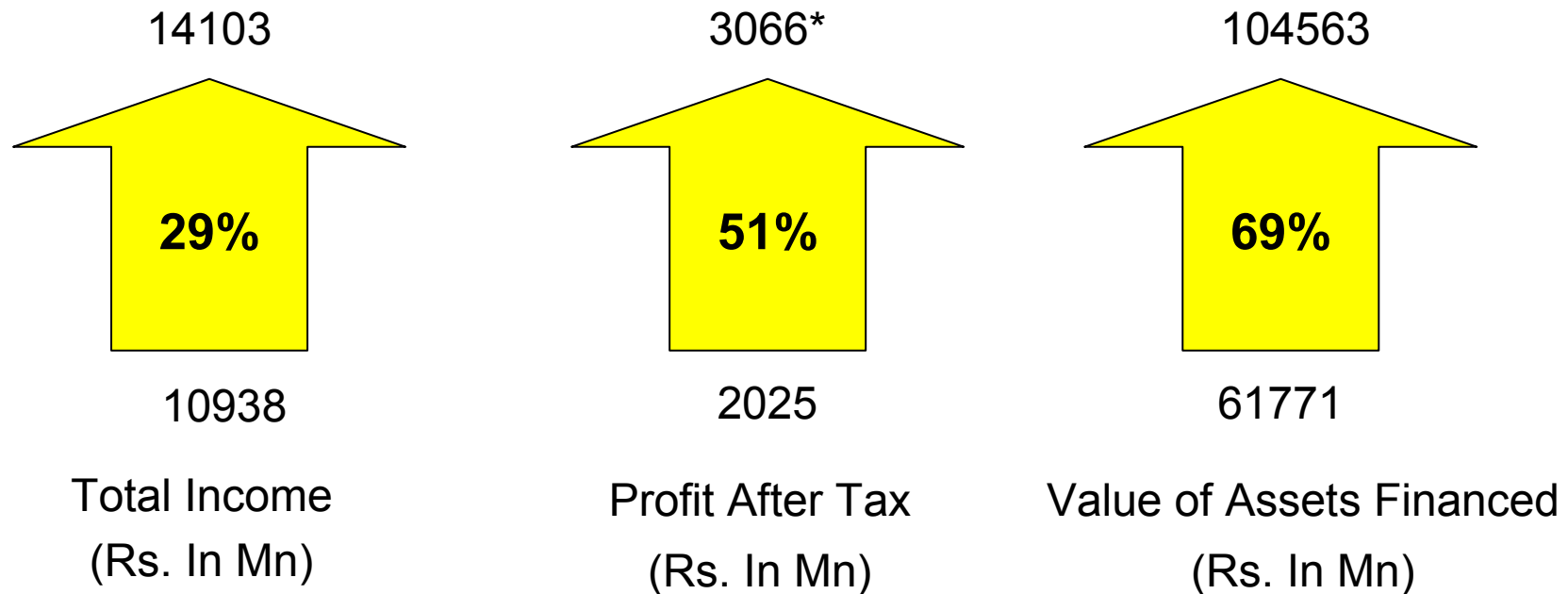
Figures on standalone basis



\* After considering additional provision of 0.25% on standard assets amounting to Rs. 285 Mn (net of tax Rs.190 Mn) as required by the Reserve Bank of India (RBI) vide its Notification dated 17.01.2011

## Highlights for 9M- FY11 Vs 9M- FY10

Figures on standalone basis



➤ Assets under Management have increased from Rs.96498 Mn to Rs.134374 Mn year-on-year basis.

\* After considering additional provision of 0.25% on standard assets amounting to Rs. 285 Mn (net of tax Rs.190 Mn) as required by the Reserve Bank of India (RBI) vide its Notification dated 17.01.2011

# Summary of Results

Figures on standalone basis

Particulars (Rs. million)	Nine Months ended Dec – 10	Nine Months ended Dec – 09	Year ended March – 10
Total Income	<b>14,103</b>	10,938	15,688
Profit before tax	<b>4,585</b>	3,038	5,206
Profit after tax	<b>3,066</b>	2,025	3,427
Dividend (%)	--	--	75
Net Worth	<b>20,356</b>	16,707	17,274
EPS (Basic)	<b>31.91</b>	21.15	35.78
Market Capitalisation	<b>71,740</b>	33,198	36,125
No. of Branches	<b>537</b>	442	459
New Contracts During the period (Net) (Nos)	<b>270,509</b>	150,737	216,355
No. of employees	<b>4,367</b>	4,500	4,399



# Ratio Analysis

Figures on standalone basis

	Nine Months ended Dec – 10	Nine Months ended Dec – 09	Year ended March – 10
PBT/Total Income	<b>32.5%</b>	27.8%	33.2%
PBT/Total Assets	<b>4.8%</b>	4.4%	5.7%
RONW (Avg. Net Worth)	<b>20.9%</b>	16.2%	21.5%
Overheads/Total Assets	<b>3.7%</b>	3.5%	3.6%
Debt / Equity	<b>4.44:1</b>	3.66:1	3.73:1
Book value multiple	<b>3.5</b>	2.0	2.1
Capital Adequacy	<b>17.4%</b>	19.4%	18.5%
Tier I	<b>13.9%</b>	16.8%	16.1%
Tier II	<b>3.5%</b>	2.6%	2.4%
Book Value (Rs.)	<b>211.5</b>	174.5	180

# Spread Analysis

Figures on standalone basis

	Nine Months ended Dec – 10	Nine Months ended Dec – 09	Year ended March – 10
Total Income / Average Assets	17.4%	17.9%	19.0%
Interest / Average Assets	5.7%	6.2%	6.0%
Gross Spread	11.7%	11.7%	13.0%
Overheads / Average Assets	4.3%	3.8%	3.9%
Write offs & NPA provisions / Average Assets	1.8%*	3.1%	2.7%
Net Spread	5.6%	4.8%	6.4%

\* After considering additional provision of 0.25% on standard assets amounting to Rs. 285 Mn (net of tax Rs.190 Mn) as required by the Reserve Bank of India (RBI) vide its Notification dated 17.01.2011

# NPA

Figures on standalone basis

Particulars (Rs. million)	Dec – 10	Dec – 09	March – 10
Gross Non - Performing Assets	<b>7,104</b>	7,987	6,112
Less: NPA Provisions	<b>5,798</b>	5,987	5,283
Net Non – Performing Assets	<b>1,306</b>	2,000	829
Total Assets (Incl. NPA Provision)	<b>127,907</b>	91,615	96,233
Gross NPA to Total Assets(%)	<b>5.6%</b>	8.7%	6.4%
Net NPA to Total Assets(%)	<b>1.1%</b>	2.3%	0.9%
Coverage Ratio(%)	<b>81.6%</b>	75%	86.4%

*Note: Above workings are excluding securitised portfolio*

# Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	M&MFSL
> 5 and <= 18	10%	> 5 and <= 11	10%
> 18 and <= 30	20%	> 11 and <= 24	50%
> 30 and <= 54	30%	> 24 months	100%
> 54 months	50%		

**At M&MFSL NPA provisioning norms are more stringent than RBI norms**

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## Technology initiatives and Employee management

# Technology initiatives

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- Approximately 92% of our 537 offices are connected to the centralised data centre in Mumbai
- Through hand held devices connected by GPRS to the central server, we transfer data which provides
  - Prompt intimation by SMS to customers
  - Complete information to handle customer queries with transaction security
  - On-line collection of MIS on management's dashboard
  - Recording customer commitments
  - Enables better internal checks & controls



# Employee engagement & training

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- Training programs for employees on continuous basis.
- 5 days induction program on product knowledge, business processes and aptitude training.
- Launch of Mahindra Finance Academy for training prospective and present employees.
- Assessment & Development Centre for critical employees.
- Employee recognition programs such as – Dhruv Tara, Annual Convention Award and Achievement Box.
- Participation in Mahindra Group's Talent Management and Retention program.

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## Information about key subsidiaries



# Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Nine Months ended Dec – 10	Year ended March – 10	Year ended March – 09	Year ended March – 08
Total income	375	314	231	180
Net premium	2,037	1,863	1,598	1,398
PBT	238	168	101	77
PAT	155	111	65	50
No. of Policies for the Period (nos.)	349,790	316,892	288,453	234,868
No. of employees (nos.)	389	386	329	400

# Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Nine Months ended Dec – 10	Year ended March – 10	Year ended March – 09	Year ended March – 08
Loans disbursed	1,362	906	434	30
Outstanding loan book	2,577	1,298	453	30
Total income	332	163	48	3
PBT	83	25	(7)	(6)
PAT	61	22	(8)	(6)

- Shareholding pattern: M&MFSL- 87.5%, NHB- 12.5%
- Sanction from NHB for refinancing Rs. 750 million up to 15 years
- Currently operating in 8 States

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# Business Strategies

# Business Strategies

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**Grow market share in rural and semi urban & vehicle and automobile financing market**

**Expand nationwide network of branches**

**Diversify product portfolio**

**Continue to attract and retain talented employees**

**Effective use of technology to improve productivity**

Thank you