

# **Mahindra & Mahindra Financial Services Limited**

**Result Update  
DECEMBER - 2011**

**Mahindra Finance**

---

# Company overview

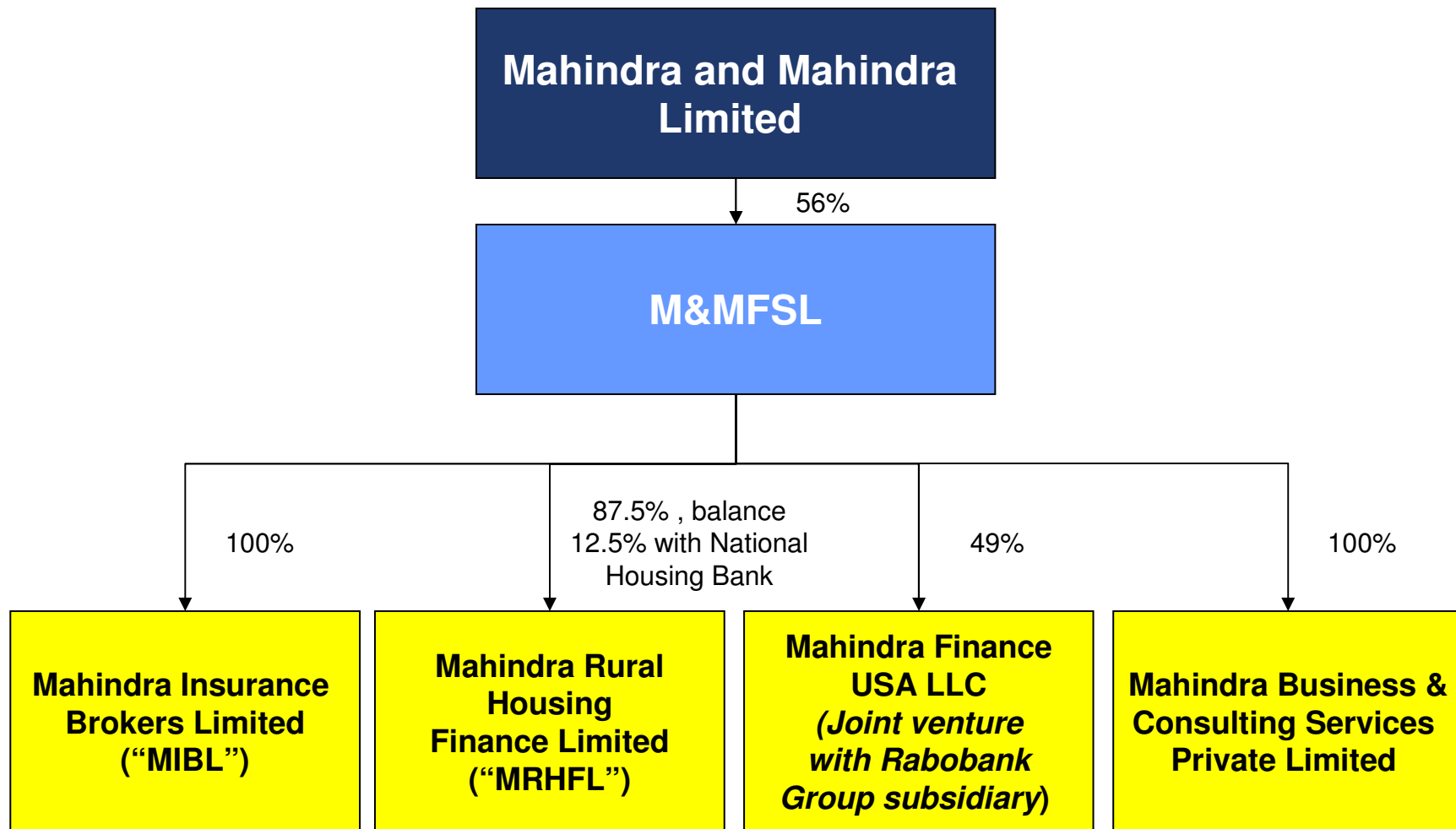
# Background

---

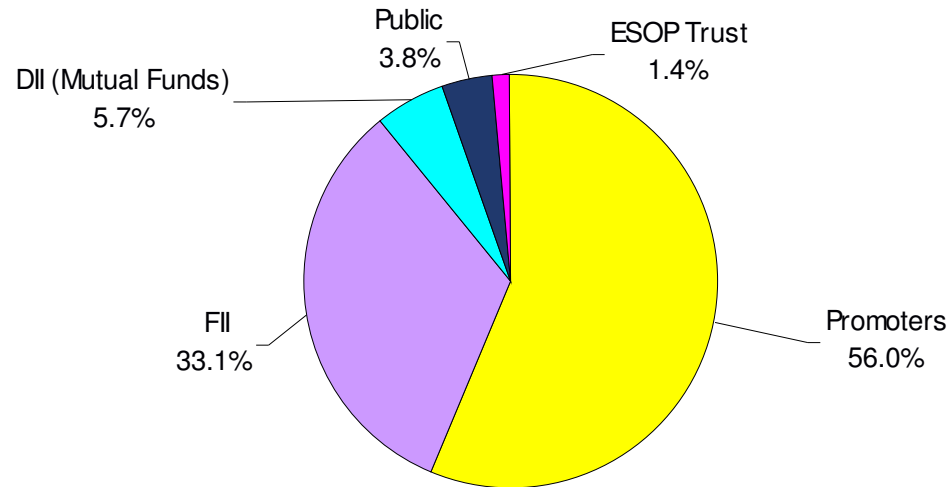
- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 403 billion)\*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 69 billion)\* is one of India's leading non-banking finance companies focused in the 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 592 offices covering 24 states and 4 union territories in India, with over 1.9 million vehicle finance customer contracts since inception, as of December 31, 2011
- CRISIL has assigned AA+/Stable, FITCH has assigned AA+(ind)/ Stable and Brickwork has assigned AA+/ Positive rating to the Company's long term and subordinated debt

*\*Source: Market capitalisation as of January 20, 2012  
from BSE website*

# M&MFSL Group structure



# Shareholding pattern (as on December 31, 2011)



- 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
- The Company issued 6.13 million shares to Qualified Institutional Buyers (QIBs) under QIP in February 2011, all at a cash price of Rs. 695/Share.
- Shareholders include Cophall Mauritius Investment Ltd, PCA India Equity Open Ltd, Fidelity Investment Trust, Valiant Mauritius Partners Ltd and Cartica Capital Ltd.

---

# Competitive strengths

# Competitive strengths

---

**#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-11	Nine Months ended December-10	Full year ended March-11
Auto/ Utility vehicles (M&M)	27%	30%	29%
Tractors (M&M)	20%	22%	22%
Cars and other (including non M&M vehicles)	32%	33%	33%
Commercial vehicles and Construction equipments	11%	6%	7%
Pre-owned vehicles and others	10%	9%	9%

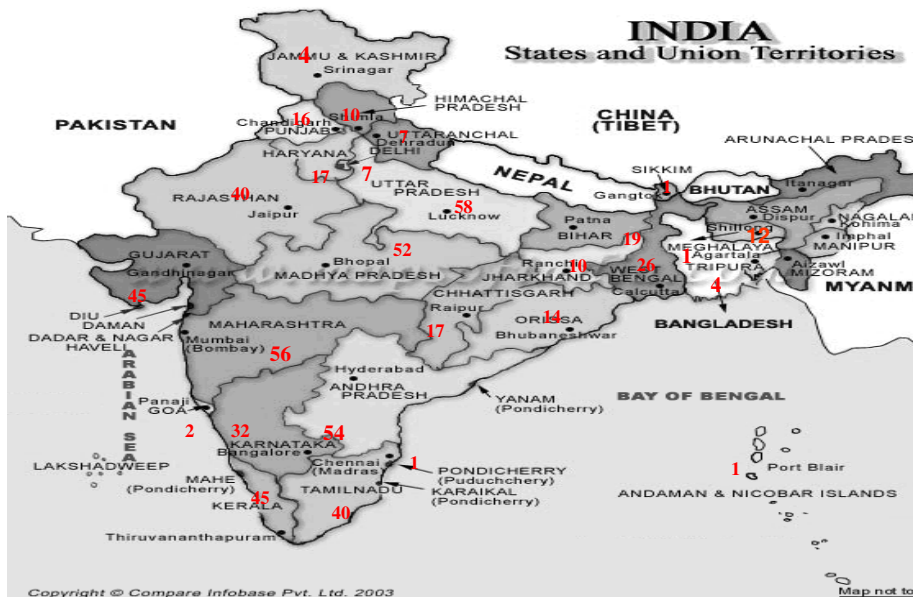
# Break down of AUM

Segments	As on December-11	As on December-10	As on March-11
Auto/ Utility vehicles (M&M)	30%	30%	31%
Tractors (M&M)	20%	23%	23%
Cars and other (including non M&M vehicles)	31%	33%	31%
Commercial vehicles and Construction equipments	12%	8%	9%
Pre-owned vehicles and others	7%	6%	6%

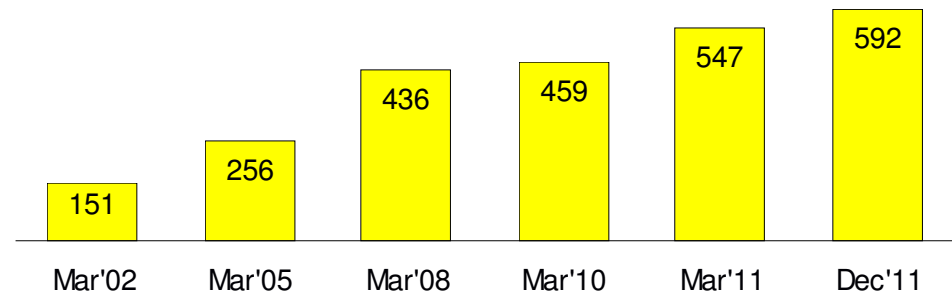
# Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 592 offices as of December 31, 2011
  - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of

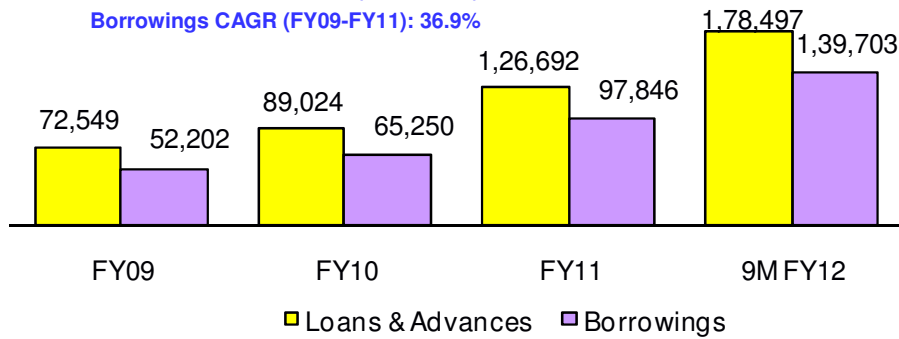


# Established track record

Figures on consolidated basis

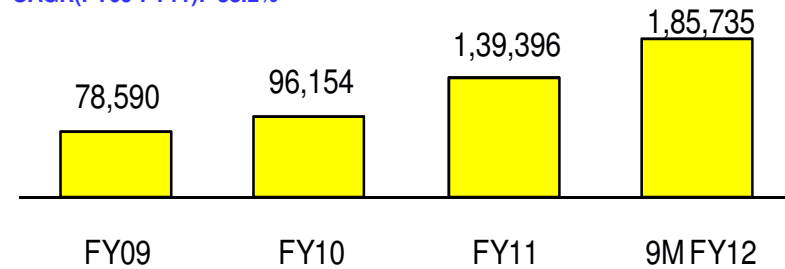
## Loans & Advances and Borrowings (Rs. million)

Loans & Advances CAGR (FY09-FY11): 32.1%  
Borrowings CAGR (FY09-FY11): 36.9%



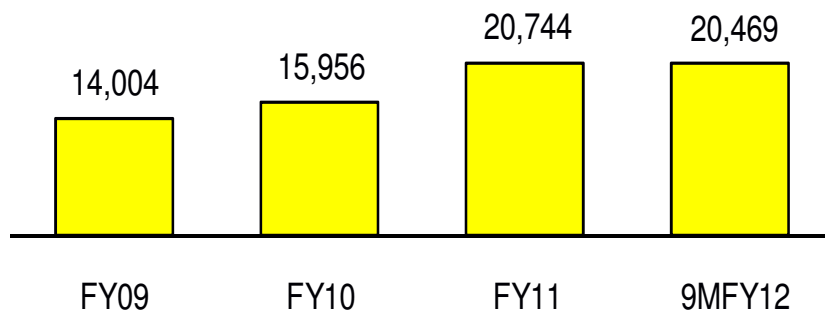
## Total Assets (Rs. million)

CAGR(FY09-FY11): 33.2%



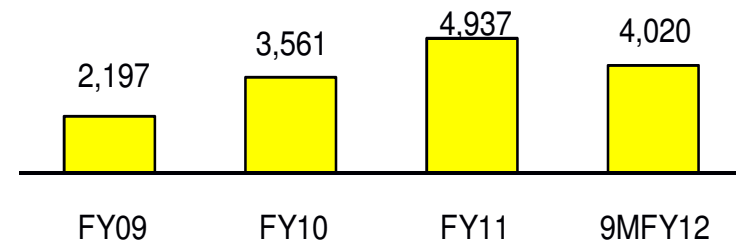
## Total Income (Rs. million)

CAGR(FY09-FY11): 21.7%



## Profit After Tax (Rs. million)

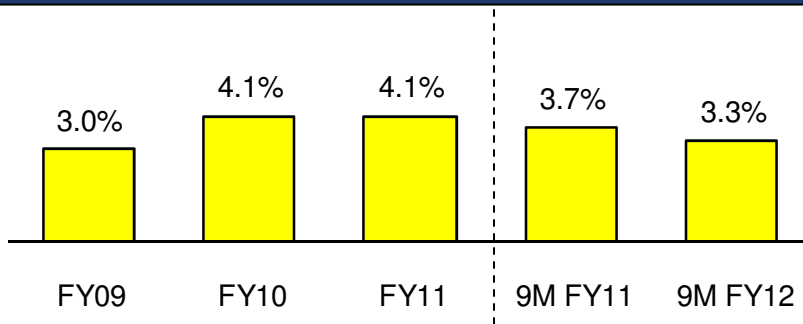
CAGR(FY09-FY11): 49.9%



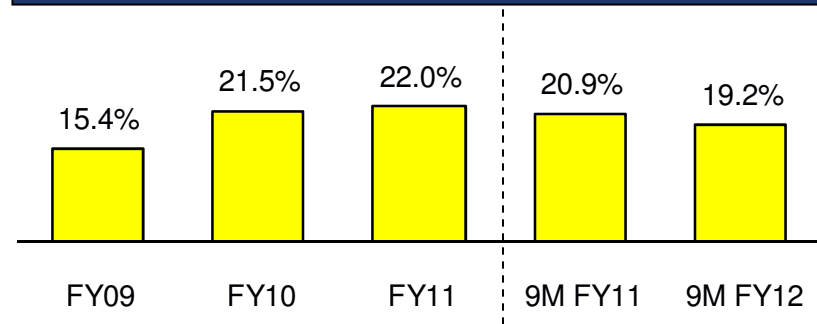
# Established track record

Figures on standalone basis

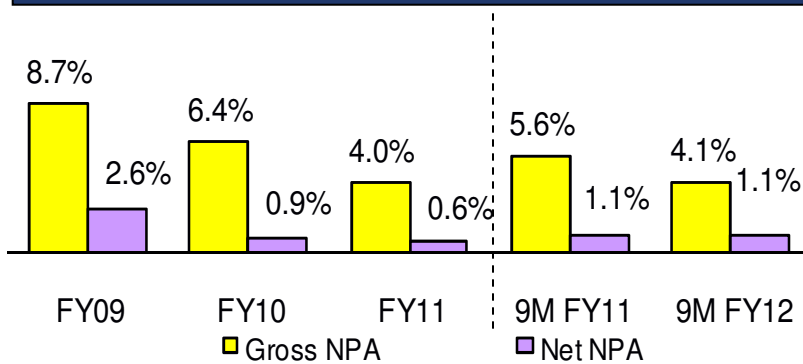
ROA (Avg. Assets) (%)



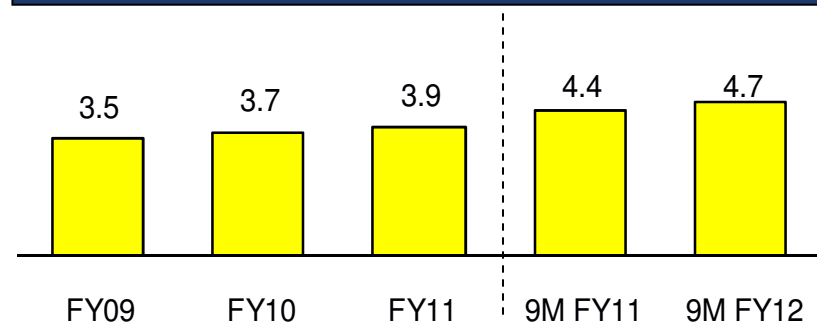
RONW (Avg. Net Worth) (%)



Gross NPA and Net NPA to Total Assets (%)



Leverage ratio



# Key Risks & Management Strategies

---

- |                                      |   |
|--------------------------------------|---|
| ■ 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                      |

---

# Financial Information

# Standalone Profit & Loss Statement

Particulars (Rs. million)	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
Income from operations	19,296	13,823	19,739
Other income	460	280	387
<b>Total income</b>	<b>19,756</b>	<b>14,103</b>	<b>20,126</b>
Interest cost	7,899	4,646	6,602
Administrative cost	5,776	4,485	6,027
Provision on Standard Assets	102	285	314
Depreciation	148	102	158
<b>Total expenditure</b>	<b>13,925</b>	<b>9,518</b>	<b>13,101</b>
<b>PBT</b>	<b>5,831</b>	<b>4,585</b>	<b>7,025</b>
<b>PAT</b>	<b>3,924</b>	<b>3,066</b>	<b>4,631</b>



# Standalone Balance Sheet

<b>LIABILITIES</b> (Rs. million)	<b>As on December – 11</b>	<b>As on December – 10</b>	<b>As on March – 11</b>
Shareholder's funds	<b>28,887</b>	20,365	24,901
Secured loans	<b>101,093</b>	63,170	83,006
Unsecured loans	<b>34,205</b>	27,349	13,744
Current liabilities & provisions	<b>15,923</b>	15,747	15,890
<b>TOTAL</b>	<b>180,108</b>	126,631	137,541

<b>ASSETS</b> (Rs. million)	<b>As on December- 11</b>	<b>As on December- 10</b>	<b>As on March – 11</b>
Fixed Assets	<b>971</b>	733	818
Investments	<b>1,899</b>	1201	6,746
Cash & Bank balance	<b>2,299</b>	2,909	2,976
Other Current assets	<b>197</b>	159	184
Loans & Advances	<b>172,460</b>	119,300	124,650
Deferred tax asset	<b>2,282</b>	2,329	2,167
<b>TOTAL</b>	<b>180,108</b>	126,631	137,541

# Consolidated Profit & Loss Statement

Particulars (Rs. million)	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
Income from operations	20,169	14,301	20,435
Other income	300	232	309
<b>Total income</b>	<b>20,469</b>	<b>14,533</b>	<b>20,744</b>
Interest cost	8,008	4,689	6,662
Administrative cost	6,220	4,549	6,129
Provision on Standard Assets	112	285	314
Depreciation	152	104	162
<b>Total expenditure</b>	<b>14,492</b>	<b>9,627</b>	<b>13,267</b>
<b>PBT</b>	<b>5,977</b>	<b>4,906</b>	<b>7,477</b>
<b>PAT</b>	<b>4,020</b>	<b>3,280</b>	<b>4,937</b>

# Consolidated Balance Sheet

<b>LIABILITIES</b> (Rs. million)	<b>As on December – 11</b>	<b>As on December – 10</b>	<b>As on March – 11</b>
Shareholder's funds	<b>29,567</b>	20,833	25,450
Minority Interest	<b>75</b>	46	47
Secured loans	<b>105,691</b>	64,175	84,349
Unsecured loans	<b>34,012</b>	27,103	13,497
Current liabilities & provisions	<b>16,390</b>	15,852	16,053
<b>TOTAL</b>	<b>185,735</b>	128,009	139,396
<b>ASSETS</b> (Rs. million)	<b>As on December – 11</b>	<b>As on December – 10</b>	<b>As on March – 11</b>
Fixed Assets	<b>1,006</b>	754	840
Investments	<b>1,266</b>	936	6,252
Cash & Bank balance	<b>2,456</b>	2,967	3,236
Other Current assets	<b>209</b>	167	200
Loans & Advances	<b>178,497</b>	120,850	126,692
Deferred tax asset	<b>2,301</b>	2,335	2,176
<b>TOTAL</b>	<b>185,735</b>	128,009	139,396

# 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	A1+	Stable
Long term and Subordinated debt	AA+	Stable

	Brickwork Rating	Outlook
Long term and Subordinated debt	AA+	Positive

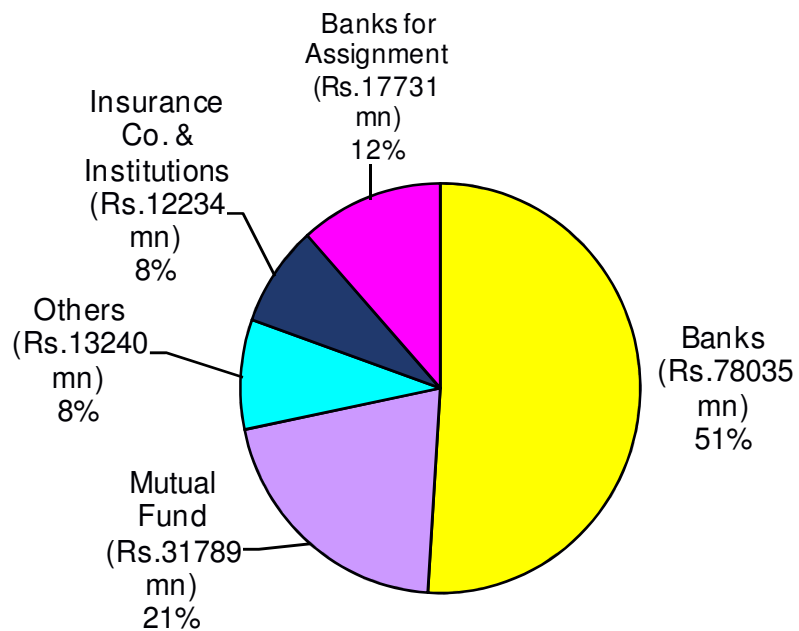
	FITCH Rating	Outlook
Long term and Subordinated debt	AA+(ind)	Stable

# Source of Borrowing

(as on December 31, 2011)

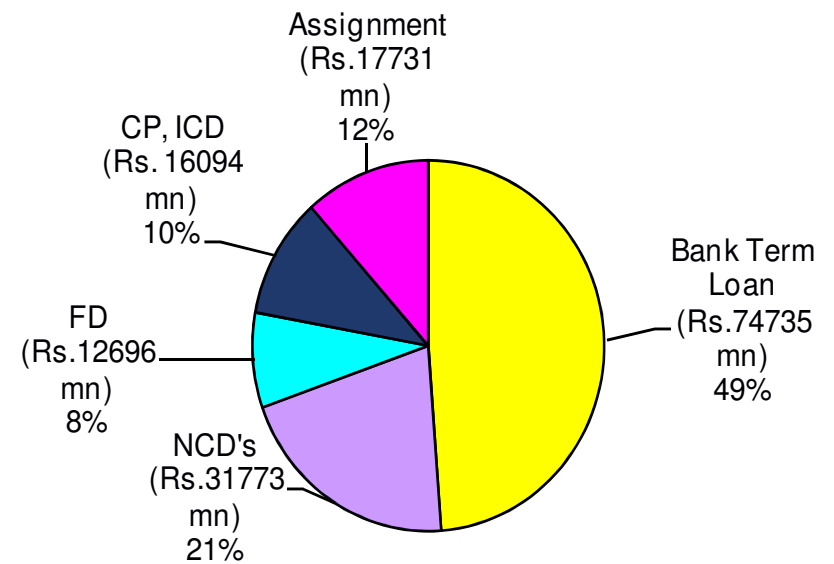
Figures on standalone basis

Fund Mix on the basis of Investor profile



Total : Rs.153029 million

Fund Mix on the basis of Instrument



Total : Rs.153029 million

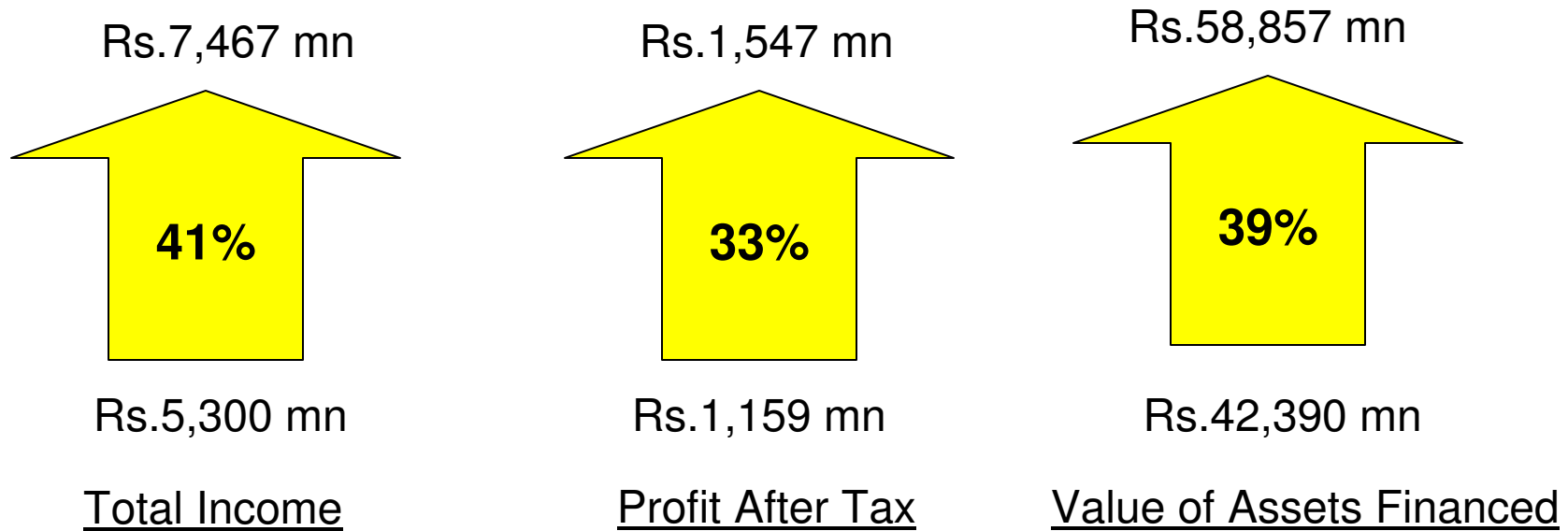
# Loan Receivables Assignment

- 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 48 securitisation / Assignment transactions as of December 31, 2011.

Particulars (Rs. million)	FY08	FY09	FY10	FY11
Receivables Securitised / Assigned	8,099	10,362	10,446	12,276
Consideration Received	7,303	9,151	9,713	10,893
Net Income from Securitisation/ Assignment	1,074	1,043	1,254	906

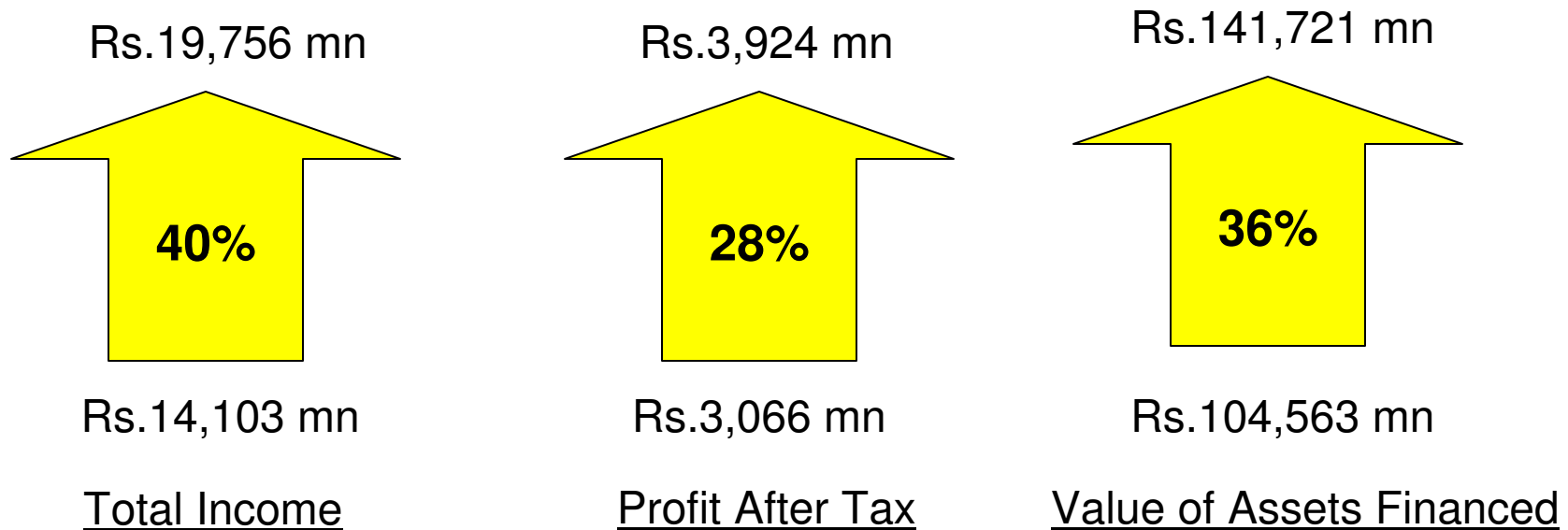
# Highlights for Q3- FY12 Vs Q3- FY11

Figures on standalone basis



## Highlights for 9M- FY12 Vs 9M- FY11

Figures on standalone basis



- Assets under Management have increased from Rs.138,896 Mn to Rs.194,595 Mn year-on-year basis.



# Summary of Results

Figures on standalone basis

Particulars (Rs. million)	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
Total Income	19,756	14,103	20,126
Profit before tax	5,831	4,585	7,024
Profit after tax	3,924	3,066	4,631
Dividend (%)	--	--	100
Net Worth	28,814	20,356	24,880
EPS (Basic)	38.28	31.91	47.85
Market Capitalisation	63,468	71,740	80,727
Value of Assets Financed	141,721	104,563	144,199
No. of Branches	592	537	547
New Contracts During the period (Nos)	346,337	270,509	367,774
No. of employees	4,275	4,367	4,303

# Ratio Analysis

Figures on standalone basis

	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
PBT/Total Income	<b>29.5%</b>	32.5%	34.9%
PBT/Total Assets	<b>4.4%</b>	4.8%	5.2%
RONW (Avg. Net Worth)	<b>19.2%</b>	20.9%	22.0%
Overheads/Total Assets	<b>3.3%</b>	3.7%	3.6%
Debt / Equity	<b>4.69:1</b>	4.44:1	3.88:1
Book value multiple	<b>2.2</b>	3.5	3.2
Capital Adequacy	<b>17.5%</b>	17.4%	20.3%
Tier I	<b>14.6%</b>	13.9%	17.0%
Tier II	<b>2.9%</b>	3.5%	3.3%
Book Value (Rs.)	<b>280.9</b>	211.5	242.8

# Spread Analysis

Figures on standalone basis

	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
Total Income / Average Assets	<b>16.9%</b>	17.4%	17.9%
Interest / Average Assets	<b>6.7%</b>	5.7%	5.8%
Gross Spread	<b>10.2%</b>	11.7%	12.1%
Overheads / Average Assets	<b>3.8%</b>	4.3%	4.4%
Write offs & NPA provisions / Average Assets	<b>1.3%</b>	1.8%	1.4%
Net Spread	<b>5.1%</b>	5.6%	6.3%

# NPA

Figures on standalone basis

Particulars (Rs. million)	December – 11	December – 10	March – 11
Gross Non - Performing Assets	7,382	7,104	5,488
Less: NPA Provisions	5,494	5,798	4,744
Net Non – Performing Assets	1,888	1,306	744
Total Assets (Incl. NPA Provision)	181,381	127,907	138,606
Gross NPA to Total Assets(%)	4.1%	5.6%	4.0%
Net NPA to Total Assets(%)	1.1%	1.1%	0.6%
Coverage Ratio(%)	74.4%	81.6%	86.4%

**Note:** Above workings are excluding securitised/assigned 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**

---

## Technology initiatives and Employee management

# Technology initiatives

---

- Approximately 91% of our 592 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

---

- 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.



---

## Information about key subsidiaries

# Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
Loans disbursed	1,810	1,362	2,036
No. of Customer Contracts (Nos)	19,762	12,835	21,981
Outstanding loan book	4,642	2,577	3,152
Total income	595	332	493
PBT	89	83	122
PAT	67	61	89

- 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

An additional provision of Rs. 17 mn has been charged to P&L, in line with notification No. NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank. The company has made (a) provision @ 0.40 % on Standard Assets outstanding as on 31<sup>st</sup> December 2011 (b) provision at higher percentage on substandard, doubtful and loss assets.

# Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Nine Months ended December – 11	Nine Months ended December – 10	Year ended March – 11
Total income	259	375	517
Net premium	2,786	2,037	2,891
PBT	69	238	329
PAT	46	155	218
No. of Policies for the Period (nos.)	502,841	349,790	508,877
No. of employees (nos.)	428	389	379

---

# Business Strategies

# Business Strategies

---

**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**

# Disclaimer

---

This presentation does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Mahindra & Mahindra Financial Services Limited (the "Company"), nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment there for.

This presentation contains statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition of the Company. These statements can be recognized by the use of words such as "expects," "plans," "will," "estimates," "projects," or other words of similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors and assumptions which the Company believes to be reasonable in light of its operating experience in recent years. The Company does not undertake to revise any forward-looking statement that may be made from time to time by or on behalf of the Company.

No representation, warranty, guarantee or undertaking, express or implied, is or will be made as to, and no reliance should be placed on, the accuracy, completeness or fairness of the information, estimates, projections and opinions contained in this presentation. Potential investors must make their own assessment of the relevance, accuracy and adequacy of the information contained in this presentation and must make such independent investigation as they may consider necessary or appropriate for such purpose. Any opinions expressed in this presentation are subject to change without notice. None of the Company, the placement agents, promoters or any other persons that may participate in the offering of any securities of the Company shall have any responsibility or liability whatsoever for any loss howsoever arising from this presentation or its contents or otherwise arising in connection therewith.

This presentation and its contents are confidential and should not be distributed, published or reproduced, in whole or part, or disclosed by recipients directly or indirectly to any other person. In particular, this presentation is not for publication or distribution or release in the United States, Australia, Canada or Japan or in any other country where such distribution may lead to a breach of any law or regulatory requirement. The information contained herein does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for securities for sale in the United States, Australia, Canada or Japan or any other jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to or for the benefit of US persons absent registration or an applicable exemption from registration.

CRISIL DISCLAIMER: CRISIL limited has used due care and caution in preparing this report. Information has been obtained by CRISIL from sources which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. No part of this report may be published/reproduced in any form without CRISIL's prior written approval. CRISIL is not liable for investment decisions which may be based on the views expressed in this report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Rating Division, which may, in its regular operations, obtain information of a confidential nature that is not available to CRISIL Research.

**Thank you**

**Mahindra Finance**