

Mahindra & Mahindra Financial Services Limited

Quarter Result Update
DECEMBER - 2015

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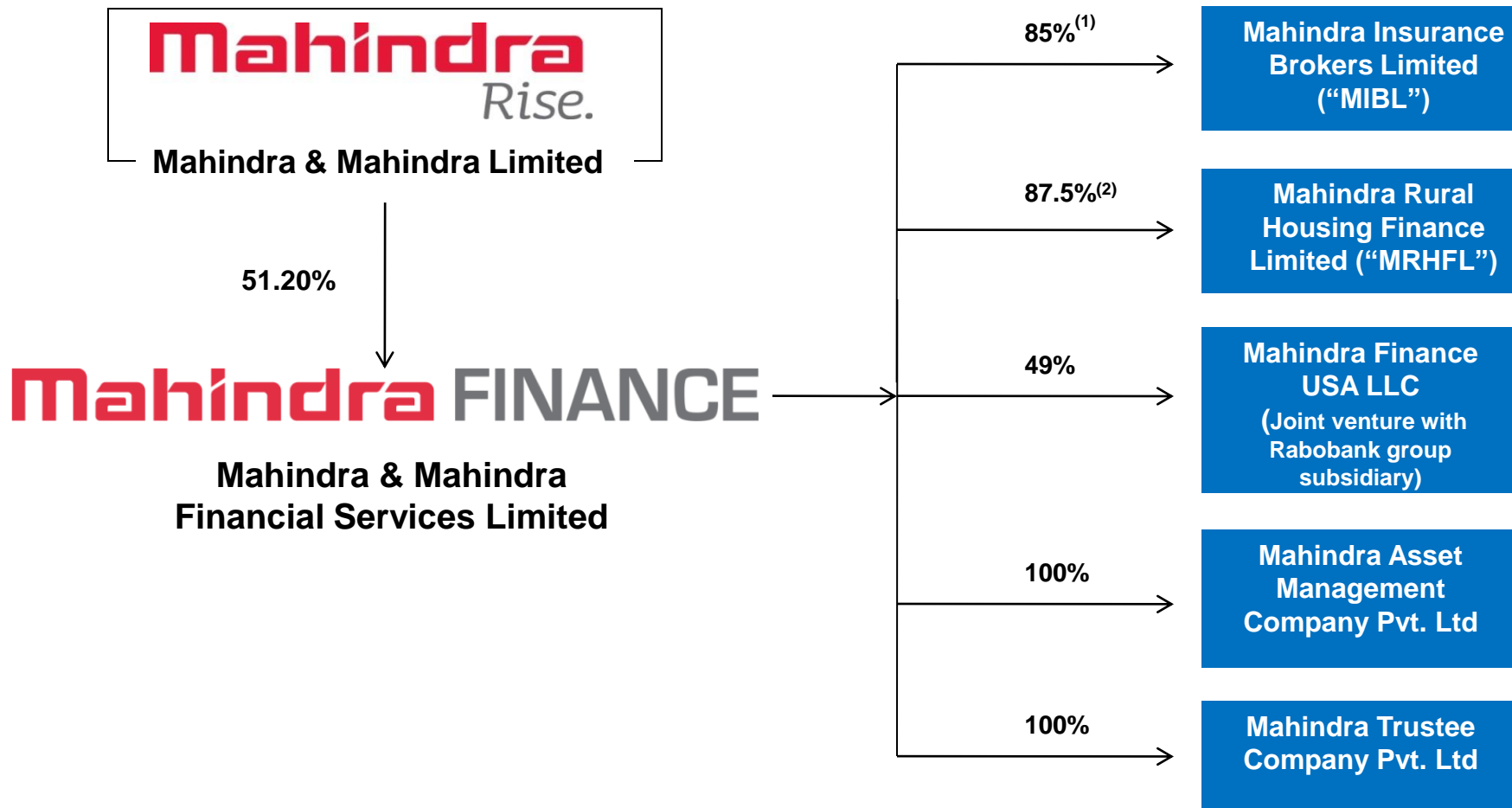
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Background

- Mahindra & Mahindra Financial Services Limited (“MMFSL”) is a subsidiary of Mahindra and Mahindra Limited (*Mcap: Rs 715 billion*)*, one of India’s leading tractor and utility vehicle manufacturers
- MMFSL (*Mcap: Rs 125 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, commercial vehicles, construction equipments and SME Financing
- MMFSL’s vision is to be a leading provider of financial services in the rural and semi-urban areas of India
- Has 1179 offices covering 25 states and 5 union territories in India, with over 4.0 million customer contracts since inception, as of December 31, 2015
- India Ratings has assigned AAA(ind)/Stable, CARE Ratings has assigned AAA, Brickwork has assigned AAA/Stable and CRISIL has assigned AA+/Stable rating to the Company’s long term and subordinated debt

**Source: Market capitalisation as of January 20, 2016 from BSE website*

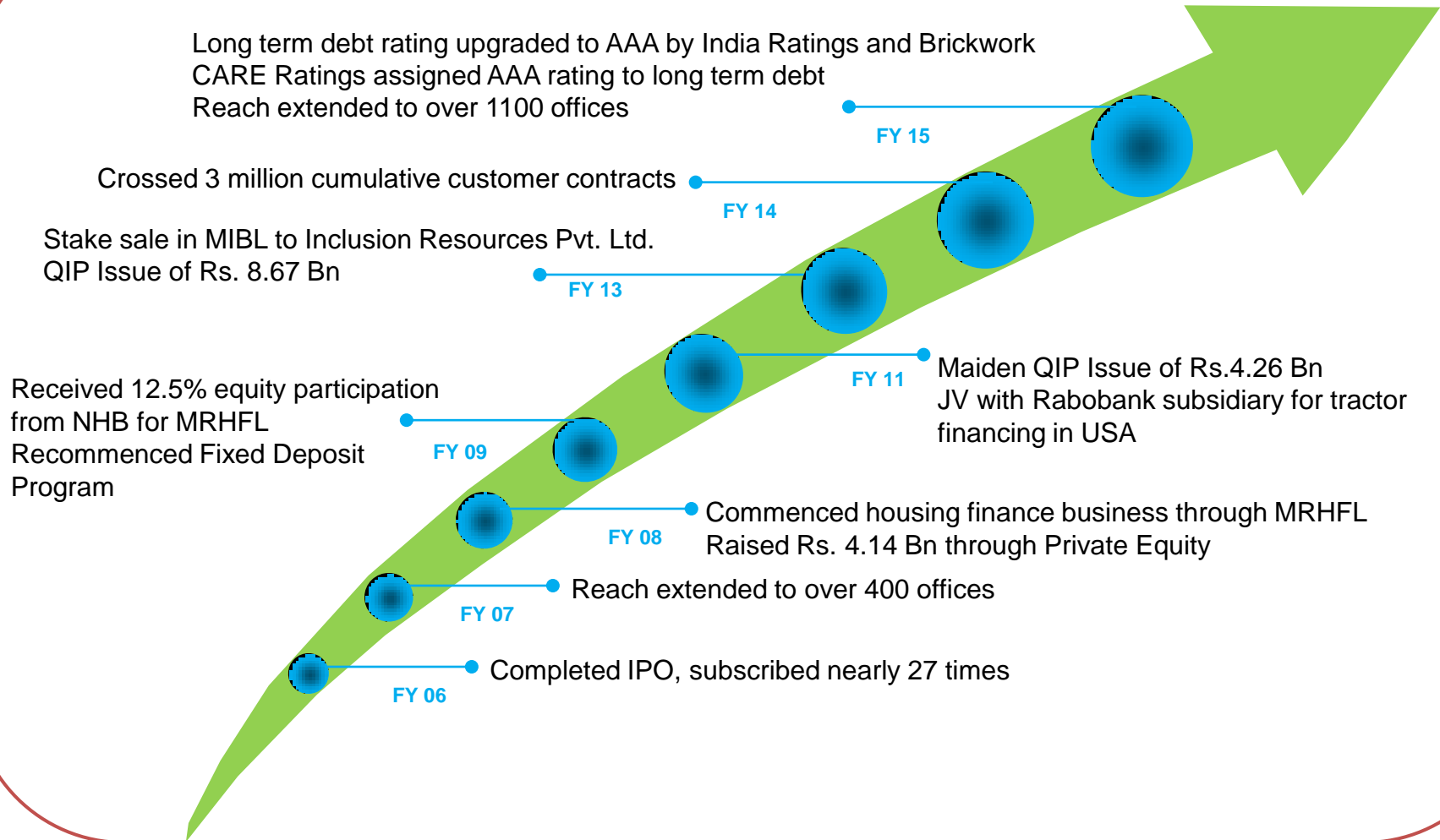
MMFSL Group structure



Note:

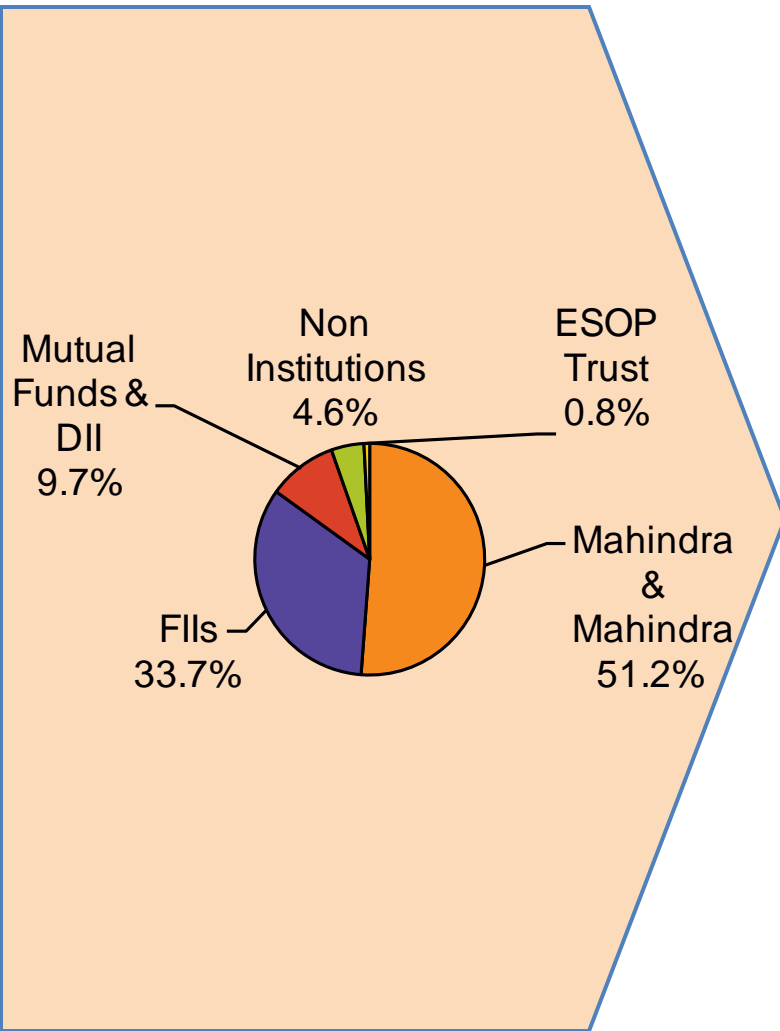
1. Balance 15% with Inclusion Resources Pvt. Ltd., a subsidiary of Leapfrog Financial Inclusion Fund, incorporated in Singapore.
2. Balance 12.5% with National Housing Bank (NHB)
3. Pursuant to the scheme of amalgamation of erstwhile Mahindra Business & Consulting Services Private Ltd. (MBCSPL), a wholly owned subsidiary, with the Company, all the assets and liabilities, including reserves, of MBCSPL were transferred and vested in the Company effective from appointed date 01st April, 2014. The Scheme became effective upon filing with the Registrar of Companies on 18th April, 2015

Our Journey Thus Far



Shareholding pattern

(as on December 31, 2015)



Top 10 Shareholders

- Amansa Holdings Private Limited
- Franklin Templeton Investment Funds
- Aranda Investments (Mauritius) PTE Ltd
- JP Morgan Sicav Investment Company (Mauritius)
- Life Insurance Corporation Of India
- Bank Muscat S A O G A/C Bankmuscat India Fund
- FIL Investments (Mauritius) Ltd
- JP Morgan India Fund
- Stichting Depository Apg Emerging Markets Equity
- Vanguard Emerging Markets Stock Index Fund, Aserie

Industry overview

*Transforming rural lives
across the country*



Automobile Finance Market to Grow by 16-18% over the next 5 years

| Growth in New Vehicle Finance Disbursements | | | | | | |
|---|-------|-------|-------|-------|--------|-----------------|
| (% growth over previous yr) | FY12E | FY13E | FY14E | FY15E | FY16P | CAGR FY15-FY20P |
| Cars | 8% | 1% | (7%) | 4% | 10-12% | 17-19% |
| Utility Vehicles | 16% | 39% | (6%) | 3% | 15-17% | 18-20% |
| Commercial Vehicles | 17% | (11%) | (25%) | 5% | 10-12% | 15-17% |
| Two-Wheelers | 25% | 10% | 15% | 7% | 7-9% | 14-16% |

Source: CRISIL Research, Retail Finance - Auto, July 2015

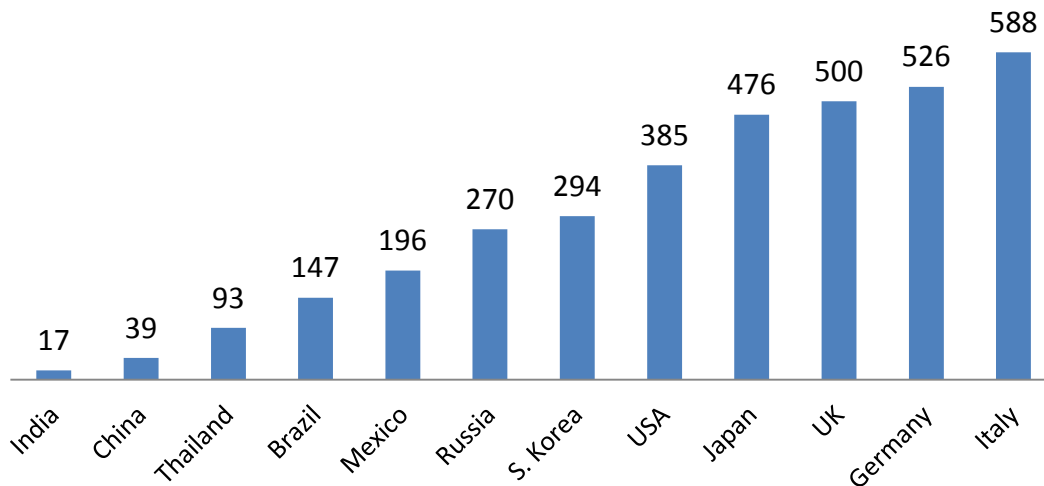
- By the fiscal year 2019, penetration levels are expected to increase to 78% for cars and 75% for utility vehicles from 76% and 69% respectively as a result of a moderation in interest rates and alleviation of credit risk
- Loan-to-value (LTVs) expected to increase marginally to 76% for cars and 72% for UVs from 75% and 71% respectively over the next 5 years

Auto Industry

Long term growth potential

| | <u>FY05-10</u> | <u>FY10-15</u> | <u>FY16P</u> | <u>FY15-20P</u> |
|---------------------|----------------|----------------|--------------|-----------------|
| | CAGR (%) | CAGR (%) | (%) | CAGR (%) |
| Cars and Uvs | 13 | 6 | 6-8 | 11-13 |
| Tractors | 12 | 7 | 3-4 | 11-13 |
| CVs | 10 | 3 | 4-6 | 10-13 |

Global Comparison in terms of PV per thousand people ⁽¹⁾



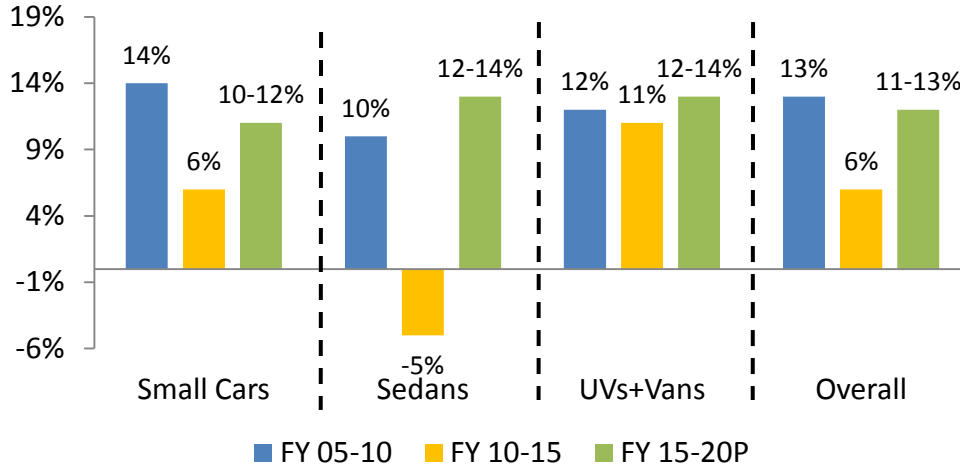
- Strong prospects in the long-term. Growth to be driven by increase in income of households and higher passenger vehicle penetration
- Small Cars to drive growth in the long term due to higher aspiration levels led by economy recovery and lower cost of ownership
- With 17 cars per 1000 people, India's potential is greater
- MHCV goods vehicle sales in the long term to be supported by growth in economic activity, export-import and freight traffic, construction activities etc.
- Demand for LCVs in the long term to be fuelled by increase of hub-and-spoke model, growth of organised retail, rising consumption expenditure and improvement in rural road infrastructure

Source: *CRISIL Research

Note : (1) All numbers except India are for CY 2012. India's figures are for 2013-14.

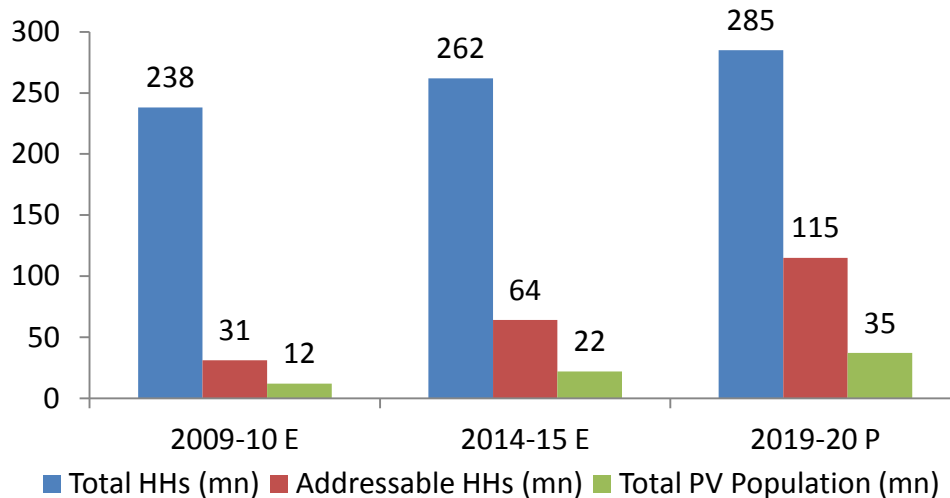
Overall Demand Drivers

Passenger Vehicles Growth CAGR



- Increase in affordability
- Growth in Addressable Market
- Entry of New Players and New Model Launches
- Increase in dealerships and access to Finance
- Reduction in holding period, which increases the demand for second vehicles
- Growth in Economic Activity
- Infrastructure development, structural changes and government initiatives

Addressable HHs to increase over the next 5 years



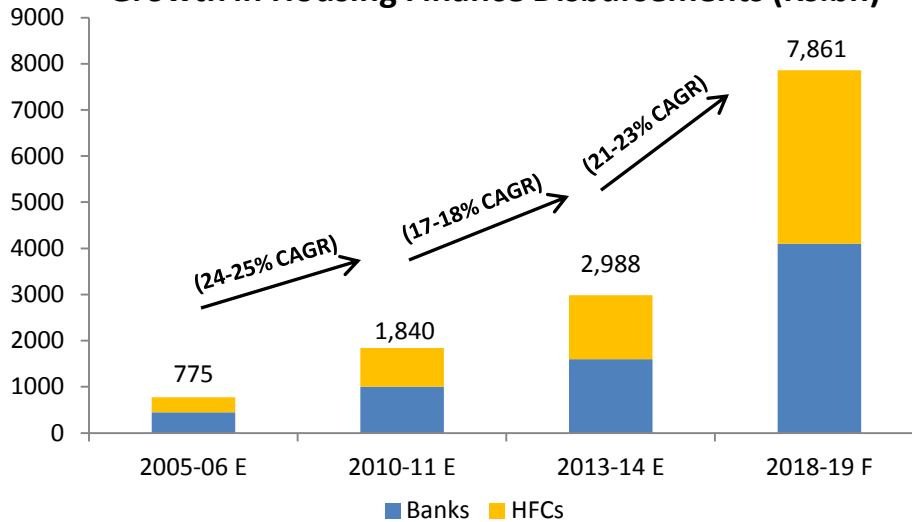
Auto Industry Volume

| Domestic Sales (Volume in '000) | 9MFY16 (Nos.) | 9MFY15 (Nos.) | Y-o-Y Growth (%) | FY15 (Nos.) | FY14 (Nos.) | Y-o-Y Growth (%) |
|------------------------------------|------------------|------------------|------------------------|----------------|----------------|------------------------|
| Passenger Vehicles (PVs) | | | | | | |
| Passenger Cars / Vans | 1,517 | 1,359 | 12% | 1,876 | 1,791 | 5% |
| UVs | 549 | 536 | 2% | 725 | 717 | 1% |
| Commercial Vehicles (CVs) | | | | | | |
| M&HCVs | 208 | 160 | 30% | 233 | 200 | 17% |
| LCVs | 273 | 284 | (4%) | 382 | 432 | (12%) |
| Three Wheelers | 398 | 416 | (4%) | 532 | 480 | 11% |
| Tractors | 389 | 454 | (14%) | 551 | 634 | (13%) |

Source: Crisil

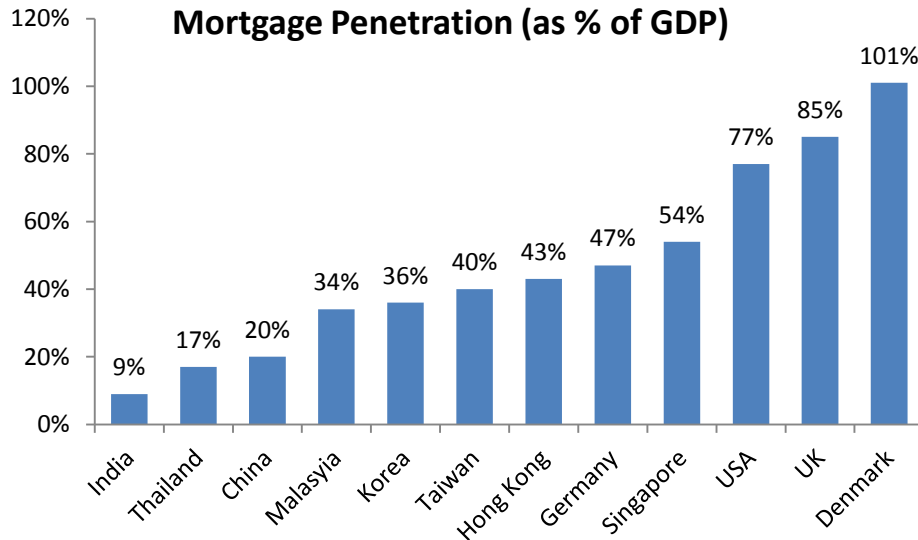
Housing Finance Growth

Growth in Housing Finance Disbursements (Rs.bn)



- Growth in disbursements to be supported by rising focus of developers on the affordable housing segment
- Tier II and III cities to drive growth

Mortgage Penetration (as % of GDP)



- Though India's mortgage-to-GDP ratio is low, it has improved by 300-400 bps over the last six years
- Growth in economic activity, disposable incomes, improving affordability

Business Strategy

Grow in rural and semi urban markets for vehicle and automobile financing

Expand Branch Network

Leverage existing customers base through Direct Marketing Initiatives

Diversify Product Portfolio

Broad base Liability Mix

Continuing to attract, train and retain talented employees

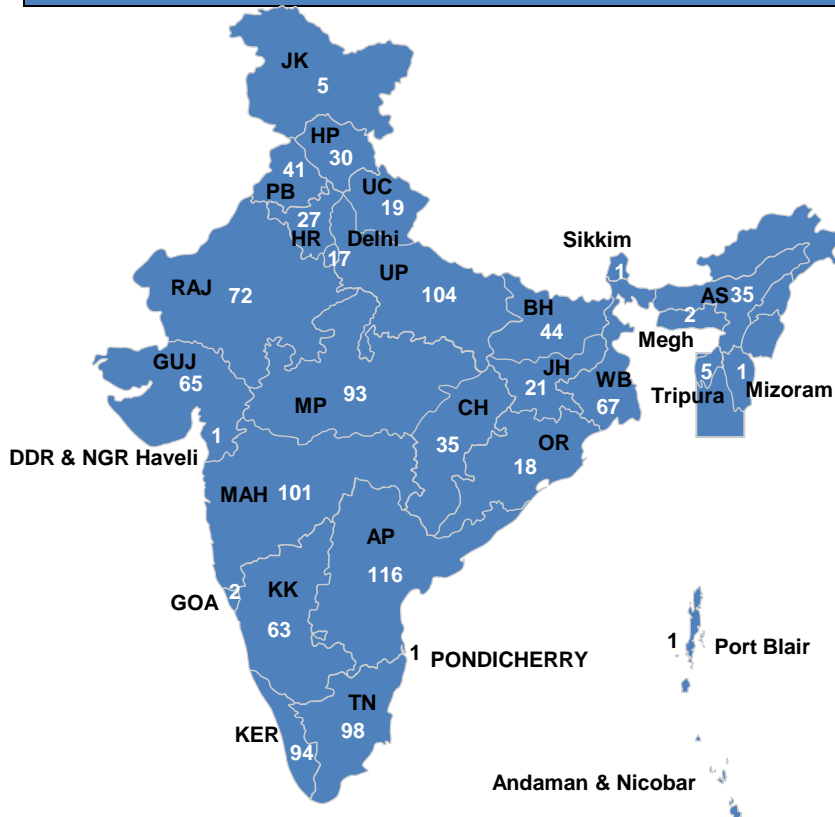
Effective use of technology to improve productivity

Leverage the “Mahindra” Ecosystem

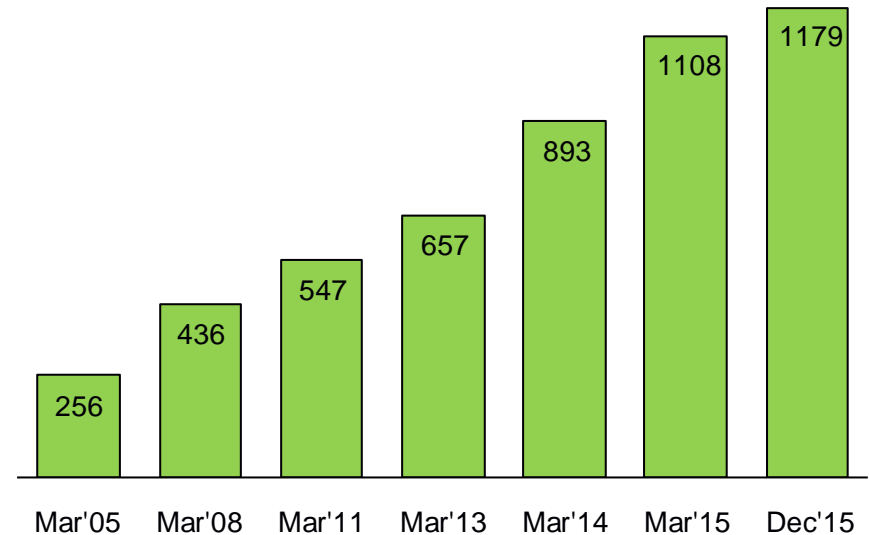
Extensive branch network

- MMFSL has an extensive branch network with presence in 25 states and 5 union territories in India through 1179 offices as of December 31, 2015
- Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of



Diversified Product Portfolio

Vehicle Financing

- Loans for auto and utility vehicles, tractors, cars, commercial vehicles and construction equipments



Pre-Owned Vehicles

- Loans for pre-owned cars, multi-utility vehicles, tractors and commercial vehicles



SME Financing

- Loans for varied purposes like project finance, equipment finance and working capital finance



Personal Loans

- Offers personal loans typically for weddings, children's education, medical treatment and working capital



Mutual Fund Distribution

- Advises clients on investing money through AMFI certified professionals under the brand "MAHINDRA FINANCE FINSMART"



Insurance Broking

- Insurance solutions to retail customers as well as corporations through our subsidiary MIBL



Housing Finance

- Loans for buying, renovating, extending and improving homes in rural and semi-urban India through our subsidiary MRHFL



Break up of estimated value of Assets Financed

| Asset Class | Nine months ended December – 15 | Nine months ended December – 14 | Year ended March – 15 |
|--|--|--|----------------------------------|
| Auto/ Utility vehicles | 31% | 33% | 33% |
| Tractors | 16% | 19% | 18% |
| Cars | 23% | 21% | 22% |
| Commercial vehicles and Construction equipments | 10% | 9% | 9% |
| Pre-owned vehicles and others | 20% | 18% | 18% |

Break up of AUM

| Asset Class | As on December – 15 | As on December – 14 | As on March – 15 |
|--|------------------------|------------------------|---------------------|
| Auto/ Utility vehicles | 31% | 30% | 31% |
| Tractors | 17% | 19% | 18% |
| Cars | 24% | 23% | 23% |
| Commercial vehicles and Construction equipments | 12% | 13% | 13% |
| Pre-owned vehicles and others | 16% | 15% | 15% |

1. Approximate percentages

2. As on 31st Dec 15, ~47% of the AUM was from M&M assets

Credit Rating

- MMFSL believes that its credit rating and strong brand equity enables it to borrow funds at competitive rates

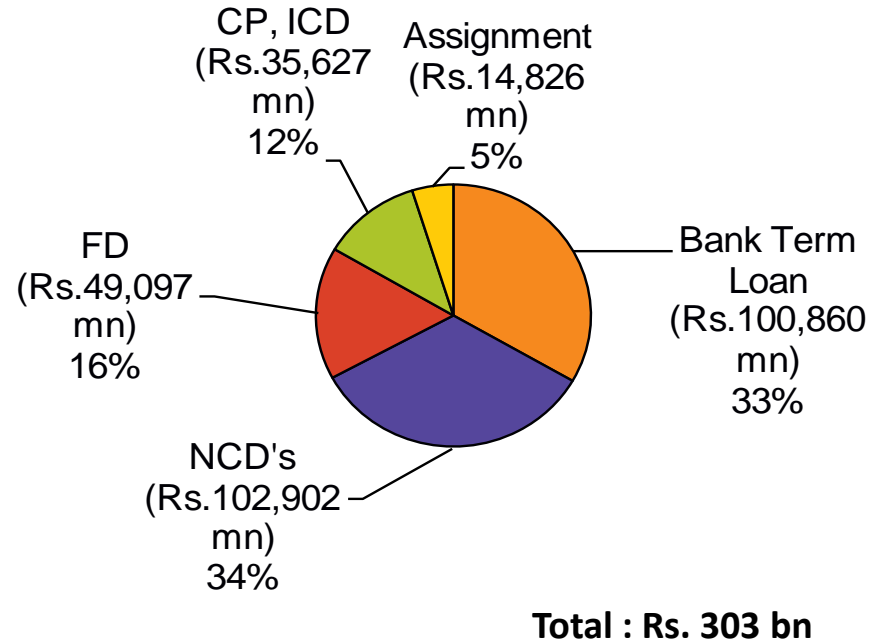
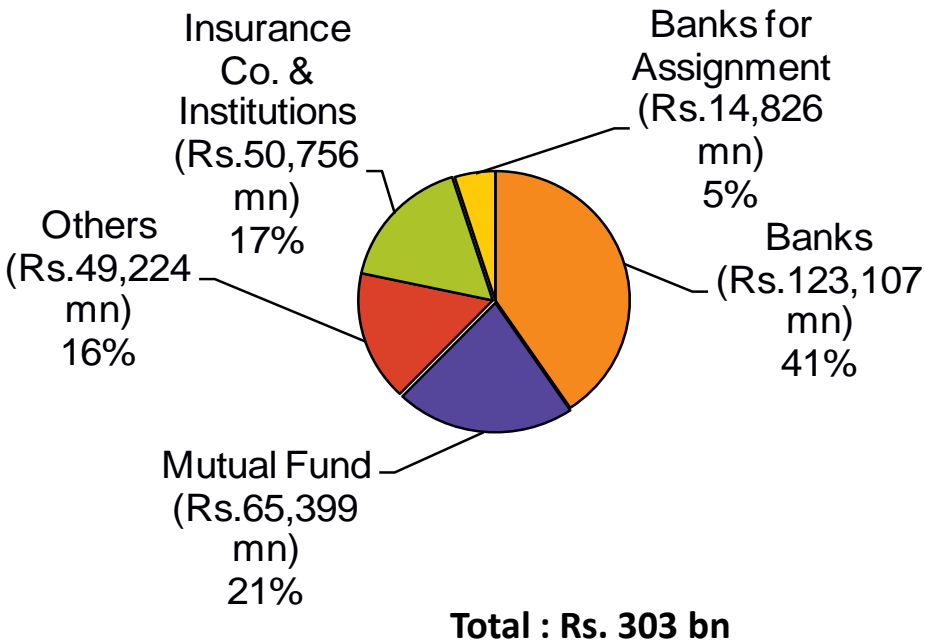
| Credit Rating | India Ratings | Outlook |
|---------------------------------|---------------|---------|
| Long term and Subordinated debt | AAA (ind) | Stable |
| Short term debt | IND A1+ | -- |
| | CARE Ratings | Outlook |
| Long term and Subordinated debt | AAA | -- |
| | Brickwork | Outlook |
| Long term and Subordinated debt | AAA | Stable |
| | CRISIL | Outlook |
| Fixed Deposit Programme | FAAA | Stable |
| Short term debt | A1+ | -- |
| Long term and Subordinated debt | AA+ | Stable |

Broad based Liability Mix

- Total consortium size of Rs.15.3 Bn comprising several banks

Funding Mix by Investor profile (Dec' 15)

Funding Mix by type of Instrument (Dec' 15)



Employee Management and Technology Initiatives

Employee engagement & training

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

Technology initiatives

- All our offices are connected to the centralised data centre in Mumbai through Lease line/HHD
- 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

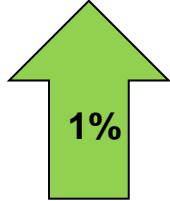


Key Financials

Q3FY16 Vs Q3FY15 (Figures on standalone basis)

Total Income

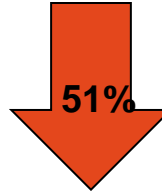
Rs 14,087 mn



Rs 13,955 mn

Profit after Tax

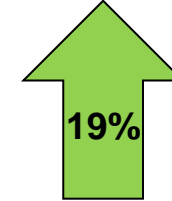
Rs 672 mn



Rs 1,364 mn

Value of Asset Financed

Rs 79,728 mn

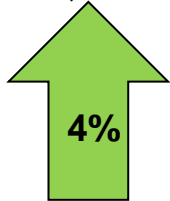


Rs 67,099 mn

9MFY16 Vs 9MFY15 (Figures on standalone basis)

Total Income

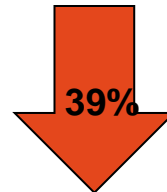
Rs 42,154 mn



Rs 40,474 mn

Profit after Tax

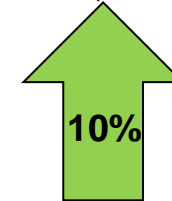
Rs 3,023 mn



Rs 4,984 mn

Value of Asset Financed

Rs 198,956 mn



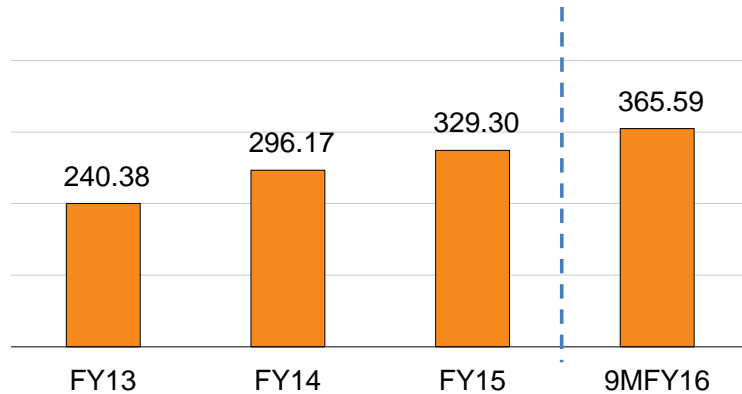
Rs 180,284 mn

Note: Effective from previous quarter ended 30th Sept, 2015, the Company has decided to accelerate the recognition of NPAs in a phased manner so as to meet the revised norms of 4 months before 31st March, 2017. Accordingly, an additional provision of Rs. 505.8 mn (including income de-recognition) has been made with a consequent impact on Profit before Tax for nine months ended 31st Dec, 2015.

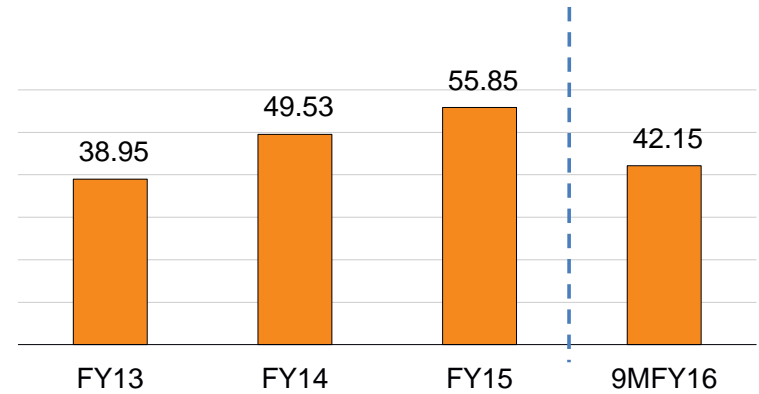
Growth Trajectory

Figures on standalone basis

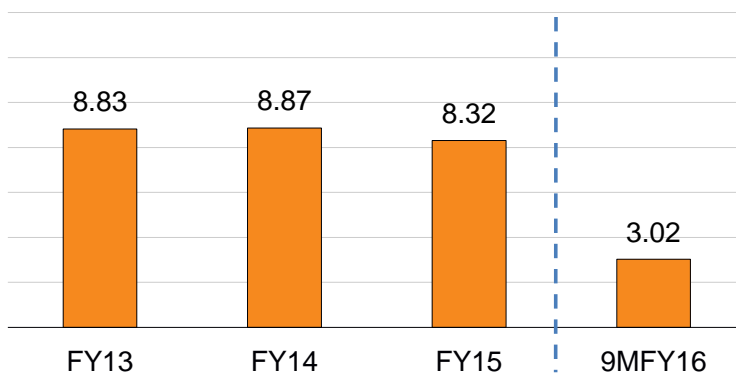
Loan Book (Rs. Bn)



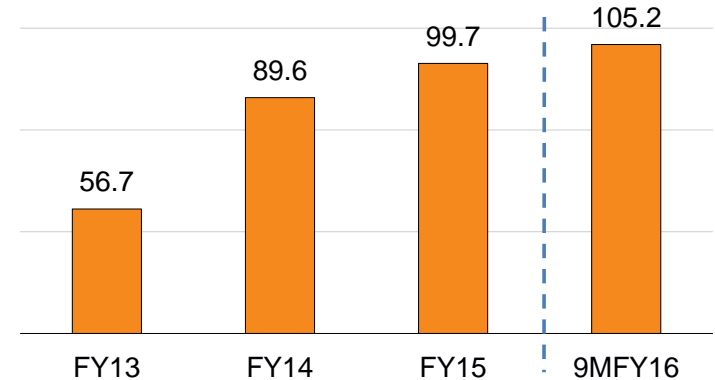
Revenues (Rs. Bn)



Profit after Tax ⁽¹⁾ (Rs. Bn)



Book Value Per Share ⁽²⁾ (Rs.)

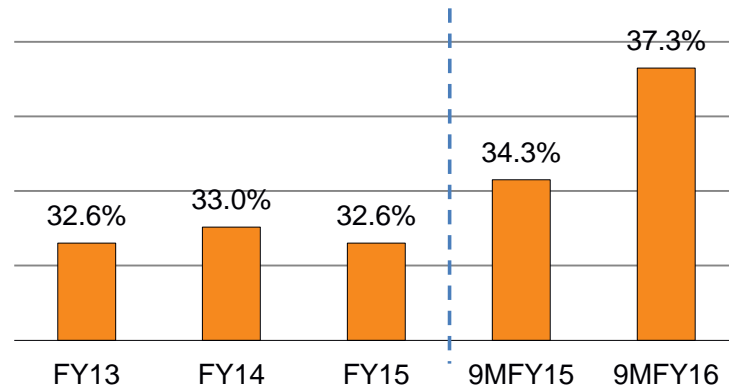


Note : 1 PAT post exceptional items 2. Calculated as Shareholders funds/ Number of shares 3. All figures and ratios are post additional provision of Rs. 505.8 mn (including income de-recognition). Please refer to detailed note on Slide 23.

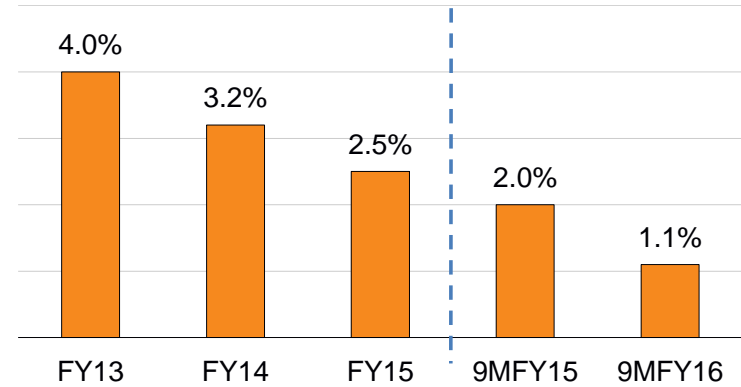
Financial Performance

Figures on standalone basis

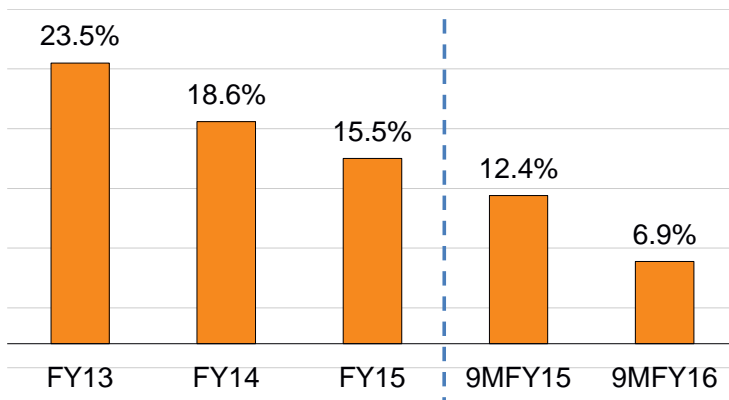
Cost to income ratio ⁽¹⁾ (%)



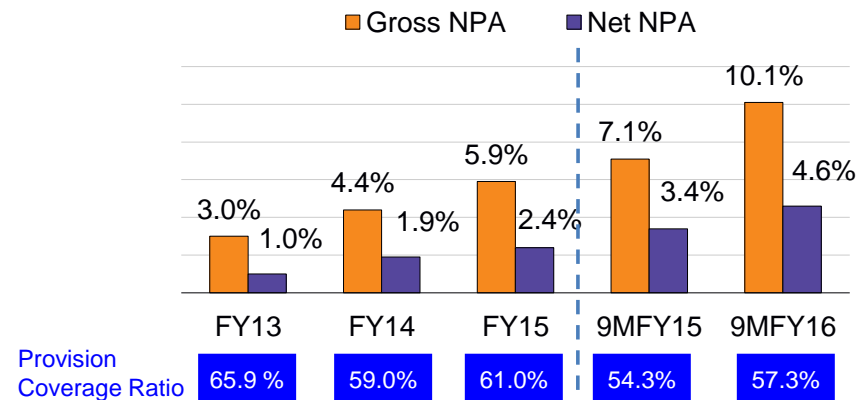
Return on Assets (ROA) ⁽²⁾ (%)



Return on Net Worth (RONW) ⁽³⁾ (%)



Asset Quality



Note 1 Cost to Income calculated as Operating Expenses (including depreciation)/(Net Interest Income + Other Income). 2 Calculated based on average total assets. 3 All figures and ratios are post additional provision of Rs. 505.8 mn (including income de-recognition). Please refer to detailed note on Slide 23.

Standalone Profit & Loss Statement

| Particulars (Rs. in Million) | Q3FY16 | Q3FY15 | Y-o-Y | Q2FY16 | Q-o-Q | FY15 |
|--|--------------|--------------|--------------|--------------|--------------|---------------|
| Revenue from operations | 13,879 | 13,172 | 5% | 13,432 | 3% | 52,799 |
| Securitisation Income (net) | 123 | 694 | (82%) | 768 | (84%) | 2,562 |
| Less: Finance cost | 6,696 | 6,478 | 3% | 6,542 | 2% | 24,967 |
| NII | 7,306 | 7,388 | (1%) | 7,658 | (5%) | 30,394 |
| Other Income | 85 | 89 | (4%) | 183 | (54%) | 486 |
| Total Income | 7,391 | 7,477 | (1%) | 7,841 | (6%) | 30,880 |
| Employee benefits expense* | 1,354 | 1,183 | 14% | 1,384 | (2%) | 4,591 |
| Provisions and write Offs | 3,406 | 2,691 | 27% | 2,772 | 23% | 8,275 |
| Other expenses* | 1,488 | 1,423 | 5% | 1,323 | 12% | 5,062 |
| Depreciation and amortization | 104 | 100 | 4% | 101 | 3% | 415 |
| Total Expenses | 6,352 | 5,397 | 18% | 5,580 | 14% | 18,343 |
| Profit before tax | 1,039 | 2,080 | (50%) | 2,261 | (54%) | 12,537 |
| Tax expense | 367 | 716 | (49%) | 799 | (54%) | 4,219 |
| Net Profit after Taxes for the year | 672 | 1,364 | (51%) | 1,462 | (54%) | 8,318 |

Note: 1. All figures are post additional provision of Rs. 505.8 mn (including Income de-recognition). Please refer to detailed note on Slide 23. 2 * Other expenses for the quarter ended 31Dec15 includes NIL (quarter ended 31Dec14 and 30Sept15 : Rs.0.01 mn and NIL respectively; year ended 31Mar15 : Rs. 24 mn) incurred towards professional fees for manpower services provided by MBCSPL.

Standalone Balance Sheet

| Particulars (Rs. in Million) | As on Dec 31 2015 | As on Dec 31 2014 | As on Mar 31 2015 |
|---------------------------------------|----------------------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| a) Share Capital | 1,128 | 1,128 | 1,128 |
| b) Reserves and Surplus | 58,718 | 54,841 | 55,566 |
| Shareholders' funds | 59,846 | 55,969 | 56,694 |
| Non-current liabilities | | | |
| a) Long-term borrowings | 1,67,248 | 1,58,663 | 1,47,871 |
| b) Other Long-term liabilities | 4,075 | 3,049 | 3,025 |
| c) Long term provisions | 10,047 | 3,626 | 3,280 |
| Non-current liabilities | 1,81,370 | 1,65,338 | 1,54,176 |
| Current liabilities | | | |
| a) Short Term Borrowings | 56,197 | 43,833 | 48,710 |
| b) Trade payables | 5,701 | 5,110 | 4,779 |
| c) Other current liabilities | 77,389 | 68,889 | 74,876 |
| d) Short term provisions | 8,696 | 9,110 | 11,506 |
| Current liabilities | 1,47,983 | 1,26,942 | 1,39,871 |
| Total Equities and Liabilities | 3,89,199 | 3,48,249 | 3,50,741 |

Standalone Balance Sheet (Cont'd)

| Particulars (Rs. in Million) | As on Dec 31 2015 | As on Dec 31 2014 | As on Mar 31 2015 |
|----------------------------------|----------------------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| a) Fixed Assets | 1,107 | 1,062 | 1,100 |
| b) Non-current investments | 9,396 | 6,768 | 7,599 |
| c) Deferred tax assets (Net) | 4,586 | 3,718 | 4,153 |
| d) Long-term loans and advances | 1,81,007 | 1,66,674 | 1,70,037 |
| e) Other non-current assets | 1,652 | 1,271 | 2,320 |
| Non-current assets | 1,97,748 | 1,79,493 | 1,85,209 |
| Current assets | | | |
| a) Current investments | 1,327 | 459 | 937 |
| b) Trade receivables | 64 | 57 | 57 |
| c) Cash and cash equivalents | 4,624 | 5,239 | 4,794 |
| d) Short-term loans and advances | 1,84,579 | 1,62,300 | 1,59,261 |
| e) Other current assets | 857 | 701 | 483 |
| Current assets | 1,91,451 | 1,68,756 | 1,65,532 |
| Total Assets | 3,89,199 | 3,48,249 | 3,50,741 |

Mahindra Rural Housing Finance

| Particulars (Rs. million) | Nine Months ended December – 15 | Nine Months ended December – 14 | Year ended March – 15 |
|---------------------------------|------------------------------------|------------------------------------|--------------------------|
| Loans disbursed | 10,220 | 6,431 | 9,896 |
| No. of Customer Contracts (Nos) | 77,483 | 48,443 | 81,960 |
| Outstanding loan book | 28,584 | 18,312 | 20,983 |
| Total income | 3,404 | 2,268 | 3,284 |
| PBT | 515 | 352 | 673 |
| PAT | 328 | 226 | 442 |

- Provide loans for home construction, extension, purchase and improvement to a wide base of customers in rural and semi-urban India
- Shareholding pattern: MMFSL- 87.5%, NHB- 12.5%
- Currently operating in 10 States

Mahindra Insurance Brokers Limited

| Particulars (Rs. million) | Nine Months ended December – 15 | Nine Months ended December – 14 | Year ended March – 15 |
|---------------------------------------|------------------------------------|------------------------------------|--------------------------|
| Total income | 1,033 | 906 | 1,262 |
| Net premium | 7,200 | 5,901 | 8,939 |
| PBT | 503 | 457 | 653 |
| PAT | 326 | 301 | 429 |
| No. of Policies for the Period (nos.) | 960,181 | 825,825 | 1,137,981 |
| No. of employees (nos.) | 788 | 724 | 715 |

- Licensed by IRDA for undertaking insurance broking in Life, Non-Life and reinsurance businesses
- Shareholding pattern: MMFSL- 85%, Inclusion Resources Pvt. Ltd.- 15%

Consolidated Profit & Loss Statement

| Particulars (Rs. in Million) | Nine months ended December – 15 | Nine months ended December – 14 | Year ended March - 15 |
|---|------------------------------------|------------------------------------|--------------------------|
| Revenue from operations | 46,673 | 43,562 | 60,211 |
| Other income | 254 | 246 | 398 |
| Total Revenue | 46,927 | 43,808 | 60,609 |
| Expenses: | | | |
| Employee benefits expense | 5,022 | 4,227 | 5,671 |
| Finance costs | 21,324 | 19,650 | 26,430 |
| Depreciation and amortization expense | 336 | 343 | 455 |
| Provisions and write Offs | 9,816 | 6,987 | 8,491 |
| Other expenses | 4,632 | 4,114 | 5,563 |
| Total Expenses | 41,130 | 35,321 | 46,610 |
| Profit before tax | 5,797 | 8,487 | 13,999 |
| Tax expense | 2,097 | 2,957 | 4,750 |
| Profit for the year | 3,700 | 5,530 | 9,249 |
| Minority Interest | 90 | 73 | 120 |
| Net Profit after Taxes and Minority Interest | 3,610 | 5,457 | 9,129 |

Note : All figures are post additional provision of Rs. 505.8 mn (including Income de-recognition). Please refer to detailed note on Slide 23.

Consolidated Balance Sheet

| Particulars (Rs. in Million) | As on Dec 31 2015 | As on Dec 31 2014 | As on Mar 31 2015 |
|---------------------------------------|----------------------|----------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| a) Share Capital | 1,129 | 1,128 | 1,128 |
| b) Reserves and Surplus | 62,126 | 57,304 | 58,299 |
| Shareholders' funds | 63,255 | 58,432 | 59,427 |
| Minority Interest | 564 | 447 | 493 |
| Non-current liabilities | | | |
| a) Long-term borrowings | 1,94,830 | 1,75,741 | 1,68,652 |
| b) Other Long-term liabilities | 4,075 | 3,055 | 3,025 |
| c) Long term provisions | 10,483 | 3,883 | 3,527 |
| Non-current liabilities | 2,09,388 | 1,82,679 | 1,75,204 |
| Current liabilities | | | |
| a) Short Term Borrowings | 64,191 | 48,597 | 52,586 |
| b) Trade payables | 5,934 | 5,279 | 4,954 |
| c) Other current liabilities | 85,825 | 74,985 | 81,823 |
| d) Short term provisions | 9,223 | 9,431 | 11,844 |
| Current liabilities | 1,65,173 | 1,38,292 | 1,51,207 |
| Total Equities and Liabilities | 4,38,380 | 3,79,850 | 3,86,331 |

Consolidated Balance Sheet (Cont'd)

| Particulars (Rs. in Million) | As on Dec 31 2015 | As on Dec 31 2014 | As on Mar 31 2015 |
|----------------------------------|----------------------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| a) Fixed Assets | 1,227 | 1,159 | 1,192 |
| b) Non-current investments | 6,530 | 4,843 | 5,597 |
| c) Deferred tax assets (Net) | 4,688 | 3,767 | 4,212 |
| d) Long-term loans and advances | 2,20,546 | 1,91,833 | 1,98,883 |
| e) Other non current assets | 1,658 | 1,277 | 2,326 |
| Non-current assets | 2,34,649 | 2,02,879 | 2,12,210 |
| Current assets | | | |
| a) Current investments | 1,833 | 459 | 945 |
| b) Trade receivables | 171 | 126 | 145 |
| c) Cash and cash equivalents | 4,875 | 5,367 | 4,936 |
| d) Short-term loans and advances | 1,96,045 | 1,70,331 | 1,67,620 |
| e) Other current assets | 807 | 688 | 475 |
| Current assets | 2,03,731 | 1,76,971 | 1,74,121 |
| Total Assets | 438,380 | 3,79,850 | 3,86,331 |

Summary & Key Ratios

Figures on standalone basis

| Particulars | Nine months ended December – 15 | Nine months ended December – 14 | Year ended March – 15 |
|---------------------------------------|------------------------------------|------------------------------------|--------------------------|
| RONW (Avg. Net Worth) | 6.9% | 12.4% | 15.5% |
| Debt / Equity | 4.83:1 | 4.69:1 | 4.63:1 |
| Capital Adequacy | 17.8% | 18.1% | 18.3% |
| Tier I | 15.0% | 15.6% | 15.5% |
| Tier II | 2.8% | 2.5% | 2.8% |
| EPS (Basic) (Rs.) | 5.36 | 8.84 | 14.75 |
| Book Value (Rs.) | 105.2 | 98.4 | 99.7 |
| Dividend | -- | -- | 200% |
| Assets Under Management (Rs. Mn) | 402,823 | 365,023 | 368,780 |
| New Contracts During the period (Nos) | 400,615 | 388,719 | 515,654 |
| No. of employees | 15,580 | 13,899 | 14,197 |

Note : All figures and ratios are post additional provision of Rs. 505.8 mn (including Income de-recognition). Please refer to detailed note on Slide 23.

Spread Analysis

Figures on standalone basis

| | Nine months ended December – 15 | Nine months ended December – 14 | Year ended March – 15 |
|--|------------------------------------|------------------------------------|--------------------------|
| Total Income / Average Assets | 15.8% | 16.5% | 17.1% |
| Interest / Average Assets | 7.4% | 7.6% | 7.7% |
| Gross Spread | 8.4% | 8.9% | 9.4% |
| Overheads / Average Assets | 3.1% | 3.1% | 3.1% |
| Write offs & NPA provisions / Average Assets | 3.5% | 2.7% | 2.5% |
| Net Spread | 1.8% | 3.1% | 3.8% |
| Net Spread after Tax | 1.1% | 2.0% | 2.5% |

Note : All ratios are post additional provision of Rs. 505.8 mn (including Income de-recognition). Please refer to detailed note on Slide 23.

NPA Analysis

Figures on standalone basis

| Particulars (Rs. million) | December – 15 | December – 14 | March – 15 |
|------------------------------------|---------------|---------------|------------|
| Gross Non - Performing Assets | 39,851 * | 24,991 | 20,997 |
| Less: NPA Provisions | 22,836 | 13,565 | 12,815 |
| Net Non – Performing Assets | 17,016 | 11,426 | 8,182 |
| Total Assets (Incl. NPA Provision) | 395,003 | 351,671 | 355,128 |
| Gross NPA to Total Assets(%) | 10.1% | 7.1% | 5.9% |
| Net NPA to Total Assets(%) | 4.6% | 3.4% | 2.4% |
| Coverage Ratio(%) | 57.3% | 54.3% | 61.0% |

Note: *includes additional assets of Rs. 2,489 mn identified due to accelerated recognition.

Effective from previous quarter ended 30th Sept, 2015, the Company has decided to accelerate the recognition of NPAs in a phased manner so as to meet the revised norms of 4 months before 31st March, 2017. Accordingly, an additional provision of Rs. 505.8 mn (including income de-recognition) has been made with a consequent impact on Profit before Tax for nine months ended 31st Dec, 2015.

Above workings are excluding securitised/assigned portfolio

Awards and Accolades

- Mahindra Finance has been appraised and rated at **People CMM® Maturity Level 3**



PCMM / 3SM
Exp. 2018-09-30 / Appraisal #25252

- Mahindra Finance included on **Dow Jones Sustainability Index (DJSI)** - Emerging Market Trends for 3rd years in a row. We also got featured in **RobecoSAM Sustainability Yearbook 2015**

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

- Mahindra Finance made it to the list of **Carbon Disclosure Leadership Index (CDLI)** for 2nd consecutive year in 2015



- Mahindra Rural Housing Finance Limited (MRHFL) has been awarded the 'Platinum' Award under the category of 'Social Development' and sub-category of 'Rural Upliftment' by **ASSOCHAM's 3rd Innovation Excellence Awards 2014**
- The 'Learning and Development' department of Mahindra & Mahindra Financial Services Ltd. has been declared as the winner of '**Golden Peacock National Training Award**' for the year 2014.
- Mahindra Finance is among the best in the prestigious **Dun & Bradstreet's 'India's Top 500 Companies 2014'**

Conservative Risk Management Policies

Provisioning Norms

| Duration (months) | RBI Norms | Duration (months) | MMFSL |
|-------------------|-----------|-------------------|-------|
| 6 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% | | |

Key Risks & Management Strategies

Key Risks

- Volatility in interest rates
- Rising competition
- Raising funds at competitive rates
- Dependence on M&M
- Occurrence of natural disasters
- Adhering to write-off standards
- Employee retention
- Physical cash management

Management Strategies

- Matching of asset and liabilities
- Increasing branch network
- Maintaining credit rating & improving asset quality
- Increasing non-M&M Portfolio
- Increasing geographical spread
- Diversify the product portfolio
- Job rotation / ESOP/ Recovery based performance initiatives
- Insurance & effective internal control

At MMFSL, NPA provisioning norms are more stringent than RBI norms

**Effective from previous quarter ended 30th Sept, 2015, the Company has decided to accelerate the recognition of NPAs in a phased manner so as to meet the revised norms of 4 months before 31st March, 2017. Accordingly, additional assets were recognised as NPA for the nine months ended 31st Dec, 2015.*

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