

# Mahindra & Mahindra Financial Services Limited

Quarter Result Update  
December - 2016

**Corporate Office:**

Mahindra Towers, 4<sup>th</sup> Floor,  
Dr. G. M. Bhosale Marg, Worli,  
Mumbai 400 018 India

Tel: +91 22 66526000

Fax: +91 22 24953608

Email: [Investorhelpline\\_mmfsl@mahindra.com](mailto:Investorhelpline_mmfsl@mahindra.com)

**Regd. Office:**

Gateway Building, Apollo Bunder,  
Mumbai 400 001 India

Tel: +91 22 2289 5500

Fax: +91 22 2287 5485

[www.mahindrafinance.com](http://www.mahindrafinance.com)

CIN - L65921MH1991PLC059642

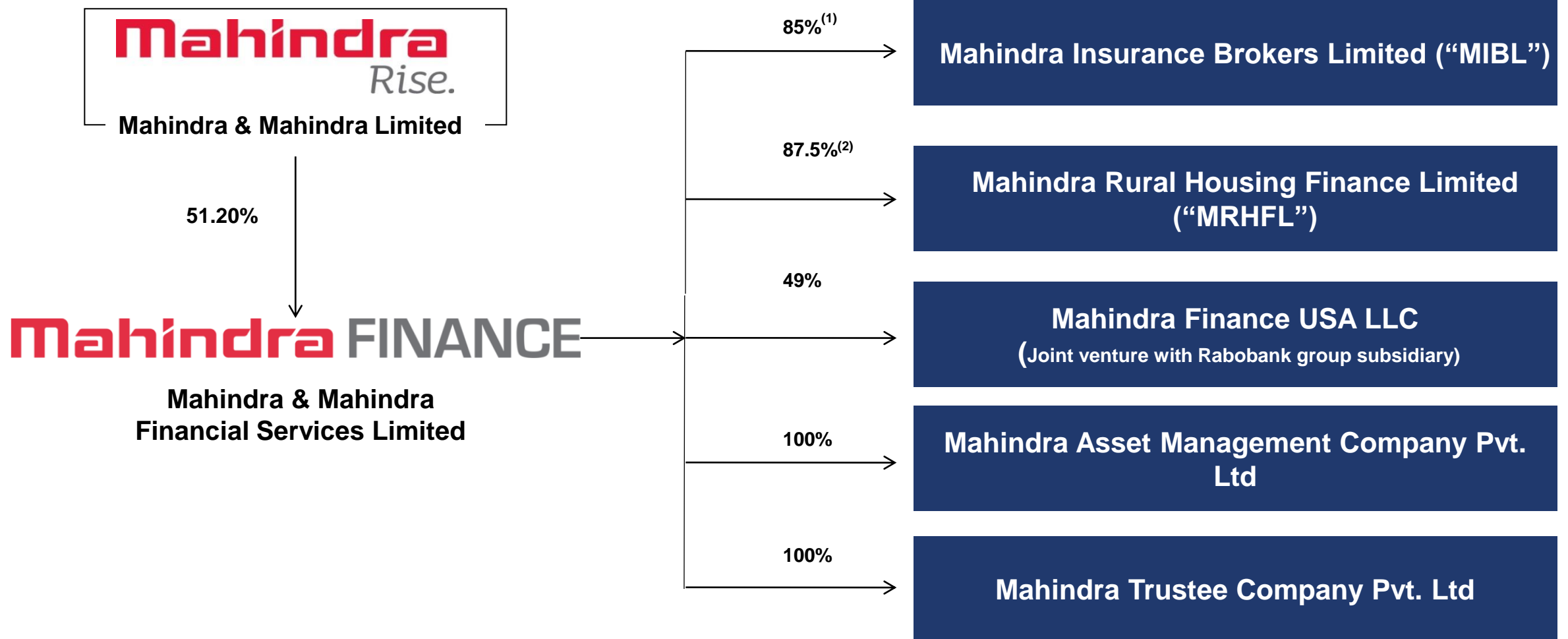


# Company Background

- Parentage:** Mahindra & Mahindra Financial Services Limited (“MMFSL”) is a subsidiary of Mahindra and Mahindra Limited (*Mcap: Rs 738 billion*)\*, India’s largest tractor and utility vehicle manufacturer
- About MMFSL:** MMFSL (*Mcap: Rs 156 billion*)\*, one of India’s leading non-banking finance companies focused in the rural and semi-urban sector is the largest Indian tractor financier
- Key Business Area:** 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
- Vision:** MMFSL’s vision is to be a leading provider of financial services in the rural and semi-urban areas of India
- Reach:** Has 1181 offices covering 27 states and 4 union territories in India, with over 4.57 million vehicle finance customer contracts since inception
- Credit Ratings:** India Ratings has assigned AAA(ind)/Stable, CARE Ratings has assigned AAA/Stable, 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 Jan 23, 2017 from BSE website*

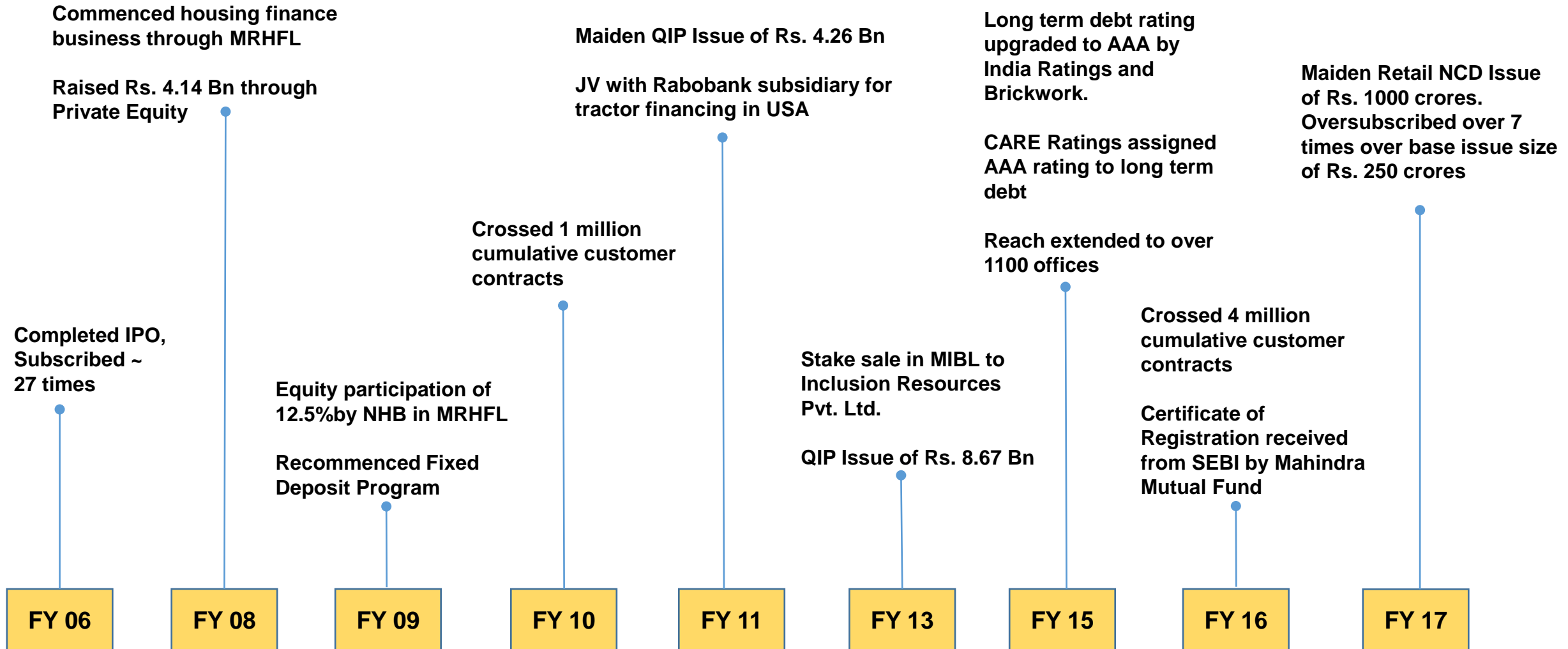
# MMFSL Group structure



**Note:**

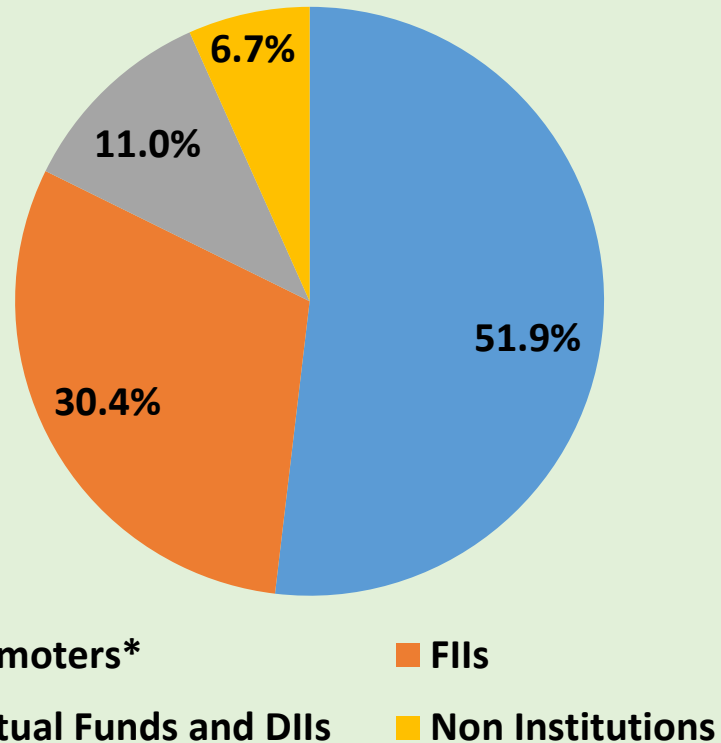
- 1. Balance 15% with Inclusion Resources Pvt. Ltd., a subsidiary of Leapfrog Financial Inclusion Fund, incorporated in Singapore.
- 2. Balance 12.5% with National Housing Bank (NHB)

# Our Journey



# Shareholding Pattern (as on 31<sup>st</sup> December 2016)

## Shareholding Pattern Chart



\* Mahindra & Mahindra Limited holds a stake of 51.2% in the Company.  
ESOP trust holds the balance 0.7%

## Top 10 Public Shareholders

- Franklin Templeton Investment Funds
- Aranda Investments (Mauritius) Pte Ltd
- Amansa Holdings Private Limited
- Life Insurance Corporation Of India
- Bank Muscat India Fund
- Government Pension Fund Global
- Stichting Depository APG Emerging Markets Equity
- Goldman Sachs India Limited
- Vanguard Emerging Markets Stock Index Fund
- HDFC Standard Life Insurance Company



**Company Overview**

**Industry Overview**

**Business Strategy**

**Financial Information**

**Key Subsidiaries**

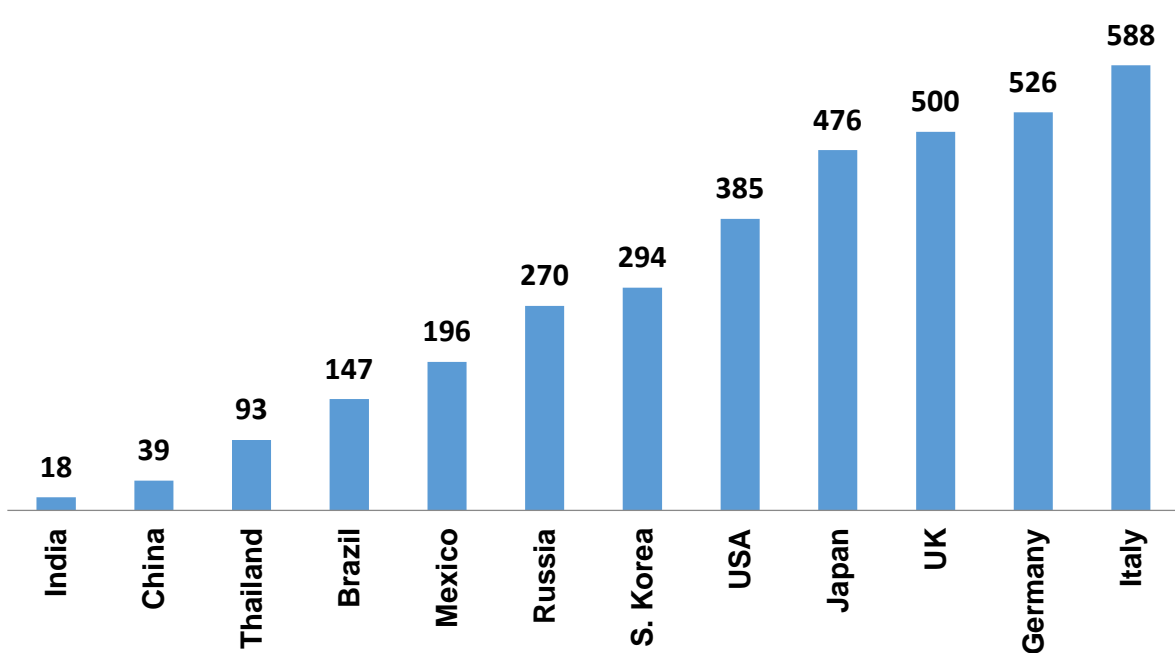
**Awards & Accolades**

**Risk Management Policies**

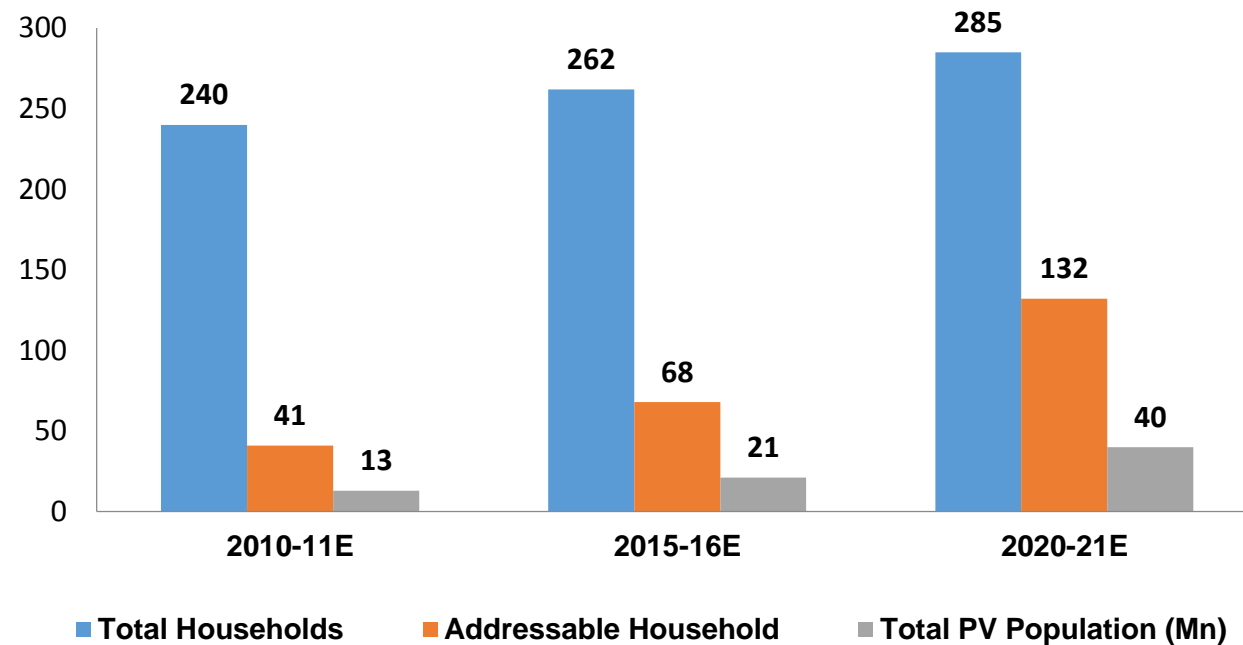
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# Auto Industry: Long term growth potential

Global Comparison in terms of PV per thousand people



Addressable HHs to increase over the next 5 years



- With 18 cars per 1000 people (FY 2014), on account of strong long term growth prospects penetration is expected to increase to 27 cars per 1000 people (FY 2020)
- Growth to be driven by increase in disposable income of households and stable cost of ownership.



# Passenger Vehicles Industry: Overall Demand Drivers

	FY 06 – FY11	FY 11 – FY 16	FY 16 – FY 21
Small Cars	14%	2%	12% - 14%
Sedans	11%	(1%)	8% - 10%
UV + Vans	13%	6%	12% - 14%
<b>Total (Cars + UVs)</b>	<b>13%</b>	<b>2%</b>	<b>11% - 13%</b>

- Rising proportion of rural sales with increase in proportion of first time buyers will drive small cars and UV growth in long term

Volumes in '000	FY 2015		FY 2016		FY 2017 (E)
	Volume	Growth	Volume	Growth	Growth
Small Cars	1,620	8%	1,754	8%	6% - 8%
Sedans	256	(11%)	271	6%	(3%) – (5%)
UV + Vans	725	1%	763	5%	18% - 20%
<b>Total (Cars + UVs)</b>	<b>2,601</b>	<b>4%</b>	<b>2,788</b>	<b>7%</b>	<b>9% - 11%</b>

- Low single digit growth expected in larger vehicles - Impact of infrastructure cess and ban on diesel vehicles (over 2000 cc) in the Capital
- Implementation of 7<sup>th</sup> pay commission to support sale of small cars. GST and 7<sup>th</sup> pay commission would also strengthen 2017-18 demand

# Commercial Vehicles Industry: Overall Demand Drivers

	FY 11 – FY 16	FY 16 – FY 21
MHCV (goods)	(1%)	9% - 11%
LCV (goods)	1%	11% - 14%
Buses	0%	8% - 10%

- Growth to be witnessed as industrial activity improves, agricultural output steadies and infrastructure projects receive focus
- Demand for LCVs fuelled by increase of hub-and-spoke model, growth of organised retail, rising consumption expenditure and improvement in rural road infrastructure

	FY 2015		FY 2016		FY 2017 (E)
	Volume	Growth	Volume	Growth	Growth
MHCV	195,903	21%	258,510	32%	2% - 4%
LCV	337,653	(13%)	332,773	(1%)	9% - 11%
Buses	81,653	0%	92,845	14%	8% - 10%

- Under the MHCV segment, ICV and multi-axle vehicles to grow share at cost of ICVs
- LCV industry poised to see improved growth in FY 17 after 2 consecutive years of negative/ poor growth

# Tractors Industry: Overall Demand Drivers

Industry - Tractors	FY 2015		FY 2016		FY 2017 (E)	FY 16 – FY 21 (P)
	Volume	Growth	Volume	Growth	Growth	Growth
<b>Tractors</b>	<b>551,463</b>	<b>(13%)</b>	<b>493,764</b>	<b>(10%)</b>	<b>15% - 17%</b>	<b>9% - 11%</b>

- Normal rainfall after 2 years of below – average rainfall (+/- 4% considered normal)
- Demonetization led to reduction in Industry volumes in November after 10 months of consecutive growth
- Unavailability of cash led to reduction in Rabi sowing in the initial period with it showing improvement in December
- Total area sown under Rabi crop improved by 6% (on YoY basis) to 616.21 lakh hectares<sup>1</sup>
- Tractor Financing Market has improved significantly on the back of good monsoon and improvement in farmers sentiment

# Auto Industry Volume

Domestic Sales (Volume in '000)	9MFY17 (Nos.)	9MFY16 (Nos.)	Y-o-Y Growth (%)	FY16 (Nos.)	FY15 (Nos.)	Y-o-Y Growth (%)
<b>Passenger Vehicles (PVs)</b>						
Passenger Cars / Vans	1,554	1,517	2.4%	2,025	1,877	7.9%
UVs	690	549	25.7%	764	723	5.7%
<b>Commercial Vehicles (CVs)</b>						
M&HCVs	204	208	(1.9%)	302	232	30.2%
LCVs	295	274	7.6%	383	382	0%
<b>Three Wheelers</b>	<b>406</b>	<b>398</b>	<b>1.8%</b>	<b>538</b>	<b>532</b>	<b>1.1%</b>
<b>Tractors</b>	<b>464</b>	<b>389</b>	<b>19.4%</b>	<b>494</b>	<b>551</b>	<b>(10.5%)</b>

Source: Crisil

# Automobile Finance Market: 5 years Projected Growth @16-18%

Growth in New Vehicle Finance Disbursements							
(% growth YoY)	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	5 year CAGR (FY21P)
Cars	8%	(7%)	(6%)	3%	17%	12%	15% - 17%
Utility Vehicles	16%	39%	(6%)	1%	16%	32%	20% - 22%
Commercial Vehicles	17%	(14%)	(24%)	9%	23%	9%	16% - 17%
Two Wheelers	27%	10%	16%	4%	7%	19% - 20%	17% - 19%

Car & UV Loan Portfolio	Top 20 Cities	Other Cities
Outstanding Loan Composition	55% - 60%	40% - 45%
Finance Penetration Ratio	80.0%	65.0%

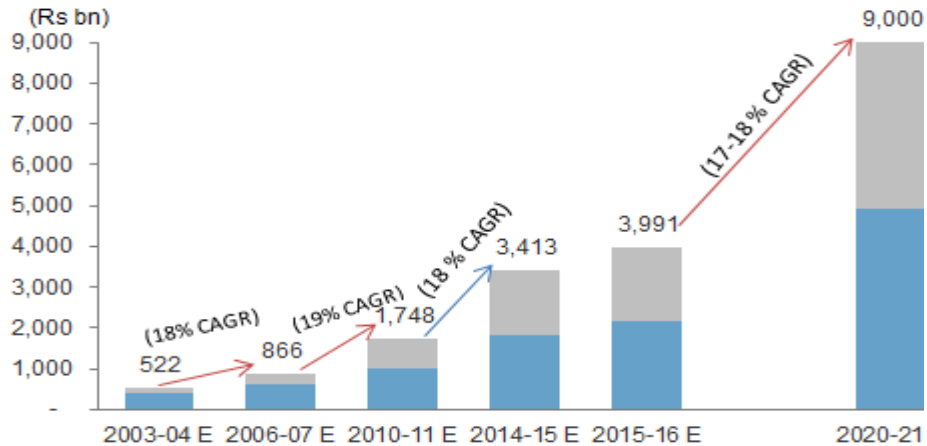
Source: CRISIL Research, Retail Finance - Auto, Nov 2016

- By FY 2020, penetration levels are expected to increase to 79% for cars and 76% for utility vehicles from 77% and 71% respectively (FY 2017 P) as a result of a moderation in interest rates and better availability of credit information
- Increase of finance penetration in cities (excluding top 20) are going to contribute in the overall growth
- Loan-to-value (LTVs) expected to increase marginally to 77% for cars and 74% for UVs from 76% and 72% respectively over the next 5 years

# Housing Finance Growth

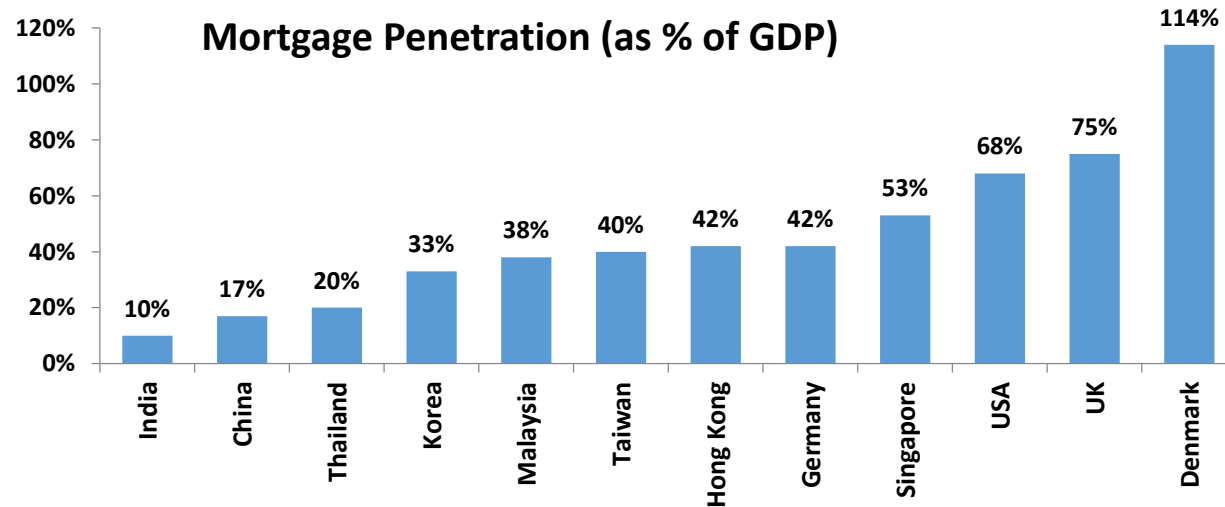
## Growth in Housing Finance Disbursements (Rs.bn)

Growth in housing finance disbursements



- 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.
- The increase was led by rising incomes, improving affordability, growing urbanisation, emergence of Tier-II and Tier-III cities, tax incentives



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**Key Subsidiaries**

**Awards & Accolades**

**Risk Management Policies**

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# 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**

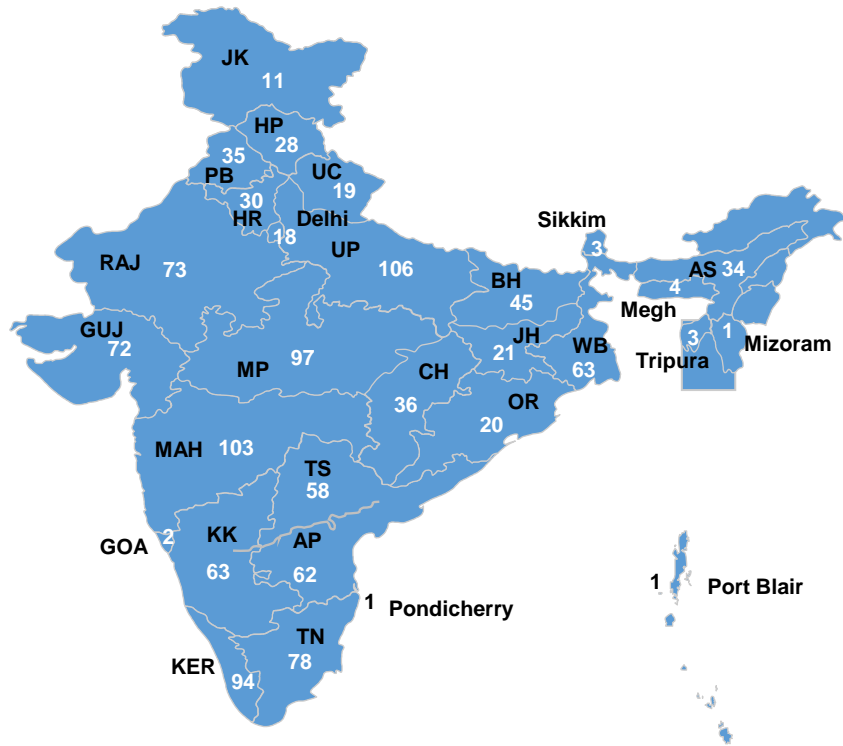
**Leverage the “Mahindra” Ecosystem**



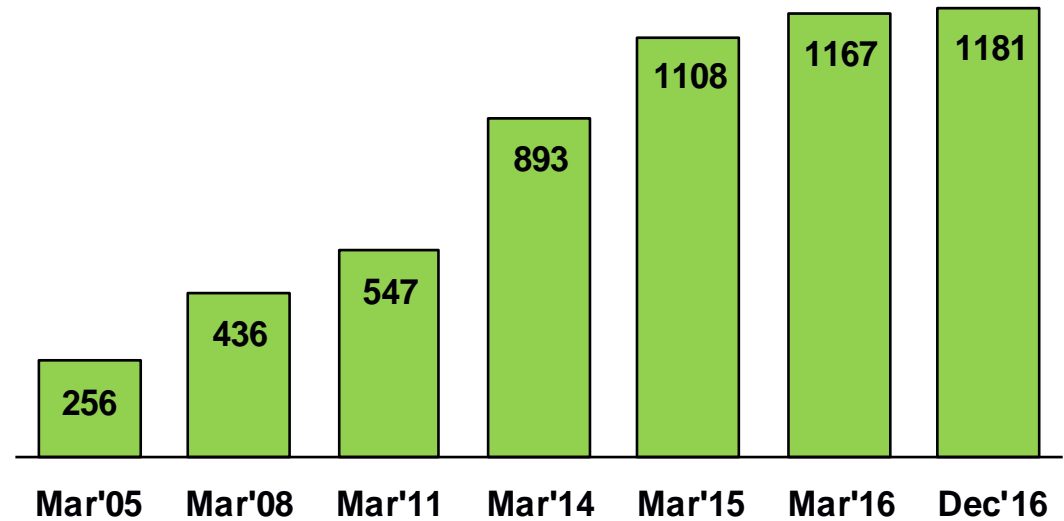
# Extensive Branch Network

- Extensive branch network with presence in 27 states and 4 union territories in India through 1181 offices
- 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



## Mutual Fund & AMC

- Asset Management Company/ Investment Manager to 'Mahindra Mutual Fund', which received certificate of registration from SEBI



# Break up of estimated value of Assets Financed

Asset Class	Nine months ended December – 16	Nine months ended December – 15	Year ended March – 16
Auto/ Utility vehicles	28%	31%	30%
Tractors	20%	16%	15%
Cars	23%	23%	22%
Commercial vehicles and Construction equipments	11%	10%	11%
Pre-owned vehicles	12%	16%	16%
Others	6%	4%	6%

\* Others include SME assets

\* Standalone

# Break up of AUM

Asset Class	As on December – 16	As on December – 15	As on March – 16
Auto/ Utility vehicles	31%	31%	31%
Tractors	18%	17%	17%
Cars	24%	24%	24%
Commercial vehicles and Construction equipments	13%	12%	12%
Pre-owned vehicles	9%	10%	10%
Others*	5%	6%	6%

1. Approximate percentages

2. As on 31<sup>st</sup> Dec 16, ~50% of the AUM was from M&M assets

\* Others include SME assets

\* Standalone

# 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	Stable
	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

Working Capital Consortium Facility enhanced to Rs. 20,000 mn. comprising several banks

## Funding Mix by Investor profile (Dec' 16)

Investor Type	Amount (INR mn.)	% Share
Mutual Fund	82,924	24%
Banks	148,965	43%
Insurance & Pension Funds	28,197	8%
FIs & Corporates	39,541	11%
Others	44,948	13%
<b>Total</b>	<b>344,575</b>	<b>100%</b>

## Funding Mix by type of Instrument (Dec' 16)

Instrument Type	Amount (INR mn.)	% Share
NCDs	144,599	42%
Retail NCDs	10,000	3%
Bank Loans	89,982	26%
Fixed Deposits	45,419	13%
CP, ICD	44,210	13%
Securitisation/ Assignment	10,365	3%
<b>Total</b>	<b>344,575</b>	<b>100%</b>

# 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





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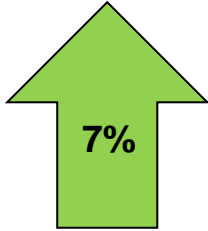
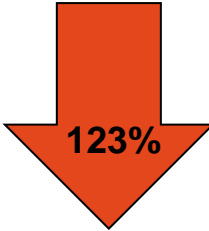
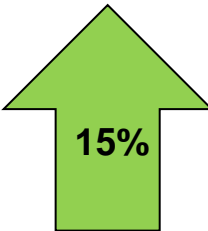
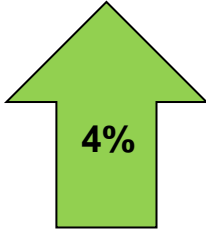
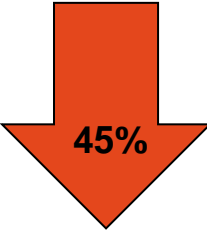
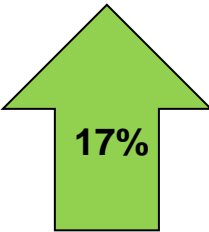
**Risk Management Policies**

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# Key Financials

Figures on standalone basis

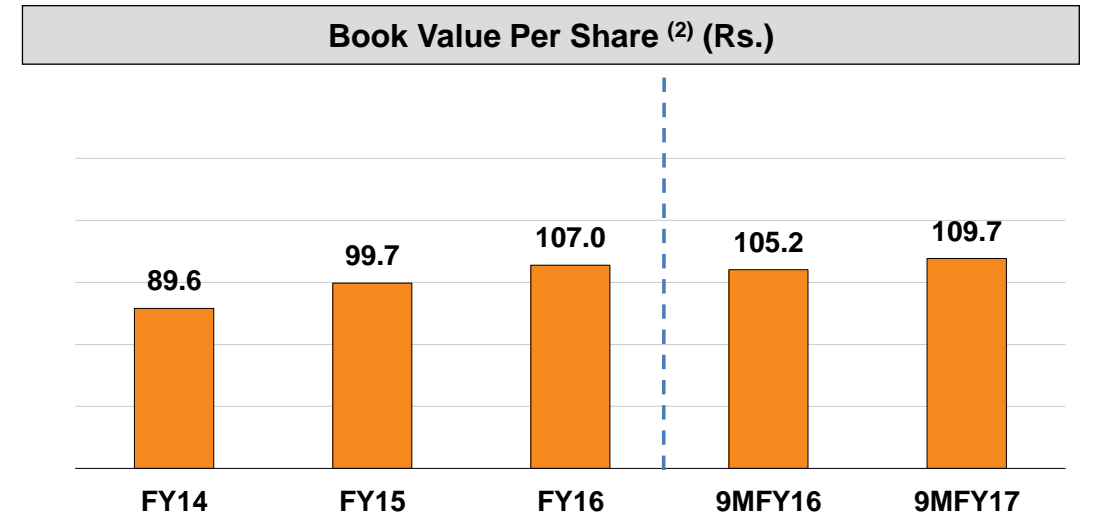
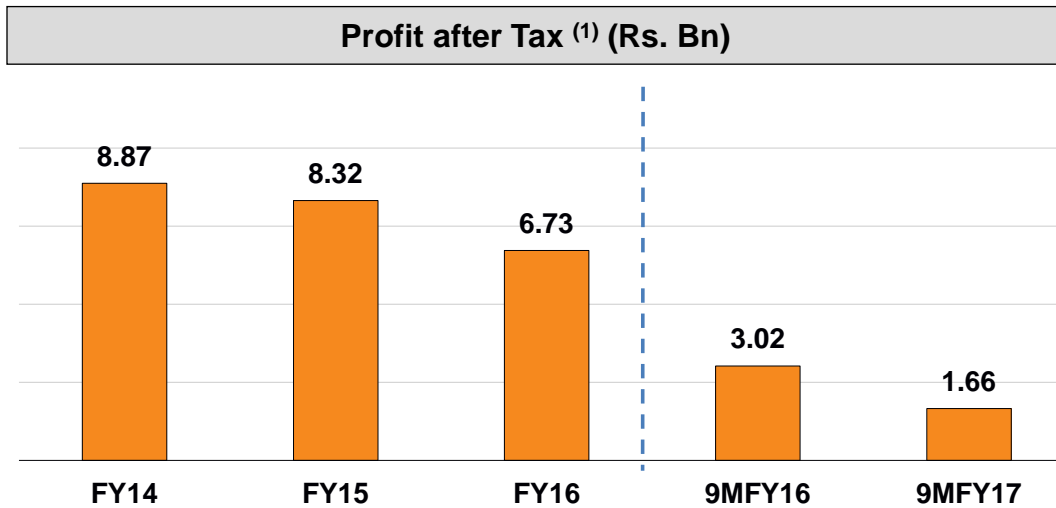
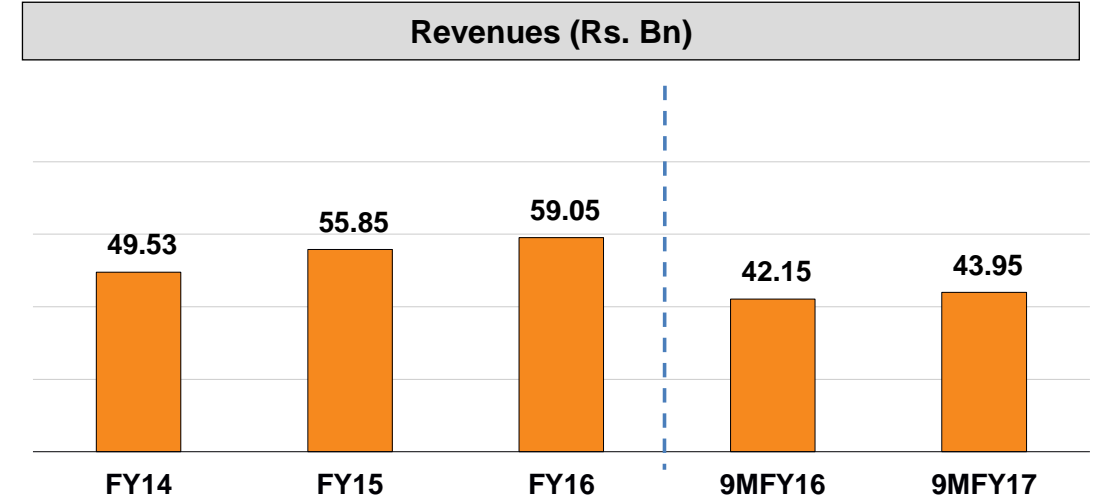
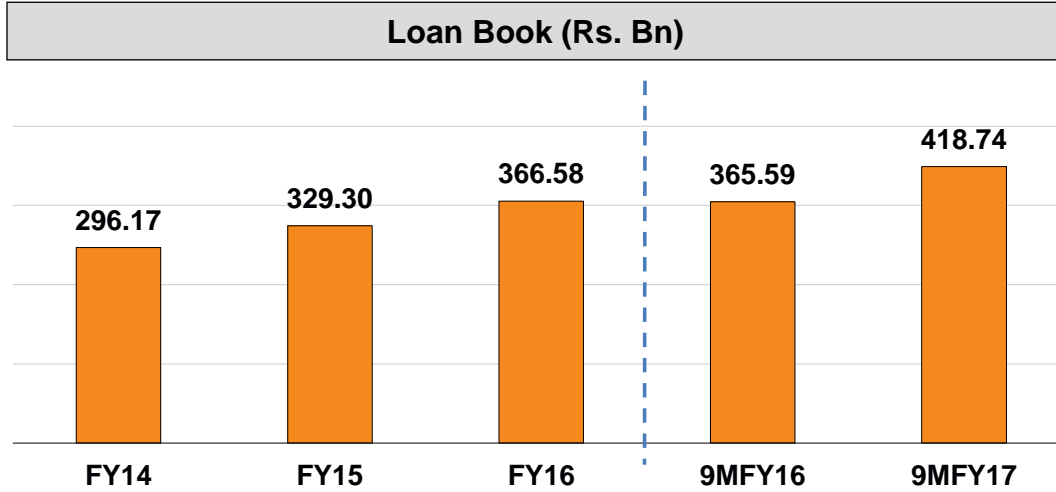
	Total Income	Profit after Tax	Value of Asset Financed
Q3 FY 17	Rs 15,035 mn  7%	Rs -156 mn  123%	Rs 91,755 mn  15%
Q3 FY 16	Rs 14,087 mn	Rs 672 mn	Rs 79,728 mn
<hr style="border-top: 1px dashed black;"/>			
9M FY 17	Rs 43,948 mn  4%	Rs 1,662 mn  45%	Rs 232,828 mn  17%
9M FY 16	Rs 42,154 mn	Rs 3,023 mn	Rs 198,956 mn

**\*Note :** The Company is required to recognise NPA based on 4 months' overdue by end of FY 2017, which the company has been following w.e.f. financial year ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 274 mn (including income de-recognition) as compared to quarter ended Dec 30<sup>th</sup> 2015 with a consequent impact on Profit before tax

\* Please refer to detailed note on Slide 44 on Provisioning Policy

# Growth Trajectory

Figures on standalone basis



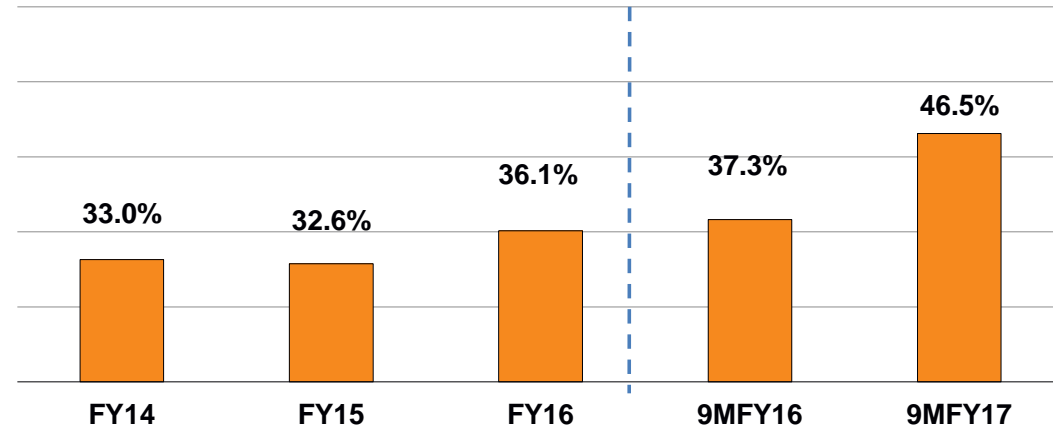
Note : <sup>(1)</sup> PAT post exceptional items.

<sup>(2)</sup> Calculated as Shareholders funds/ Number of shares.

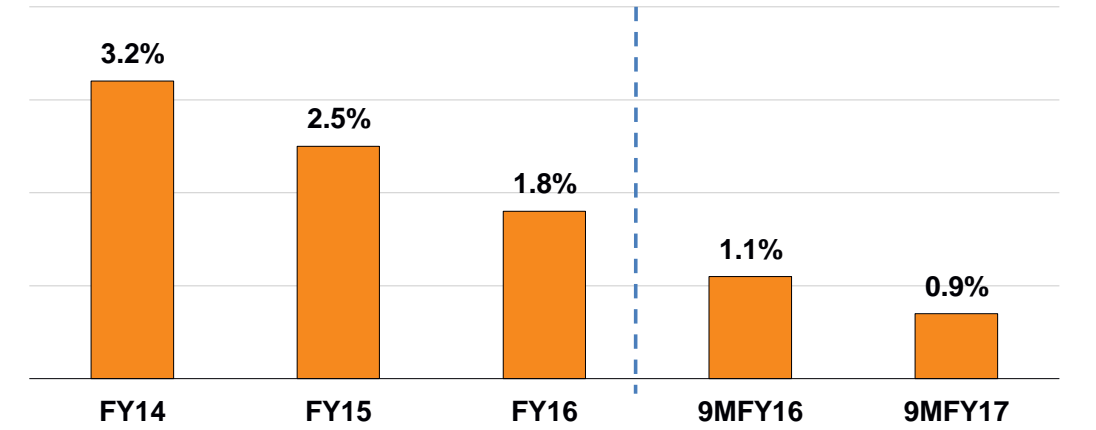
# Financial Performance

Figures on standalone basis

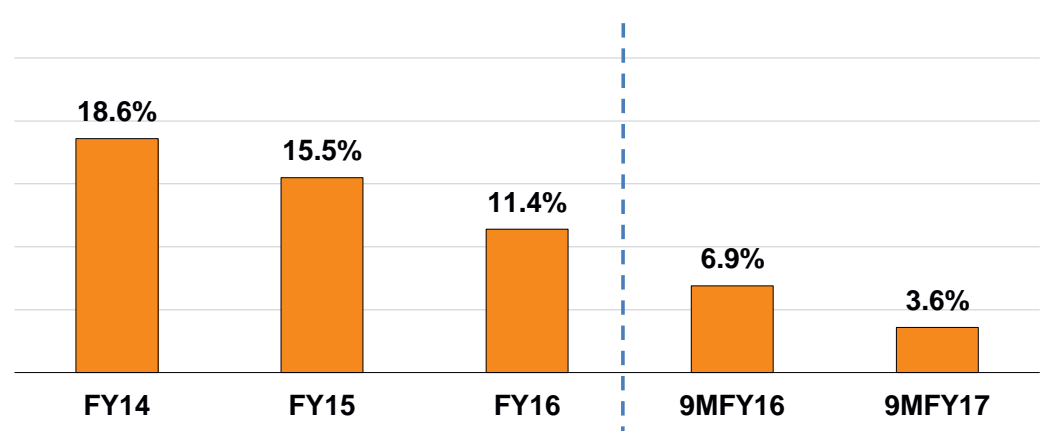
Cost to income ratio <sup>(1)</sup> (%)



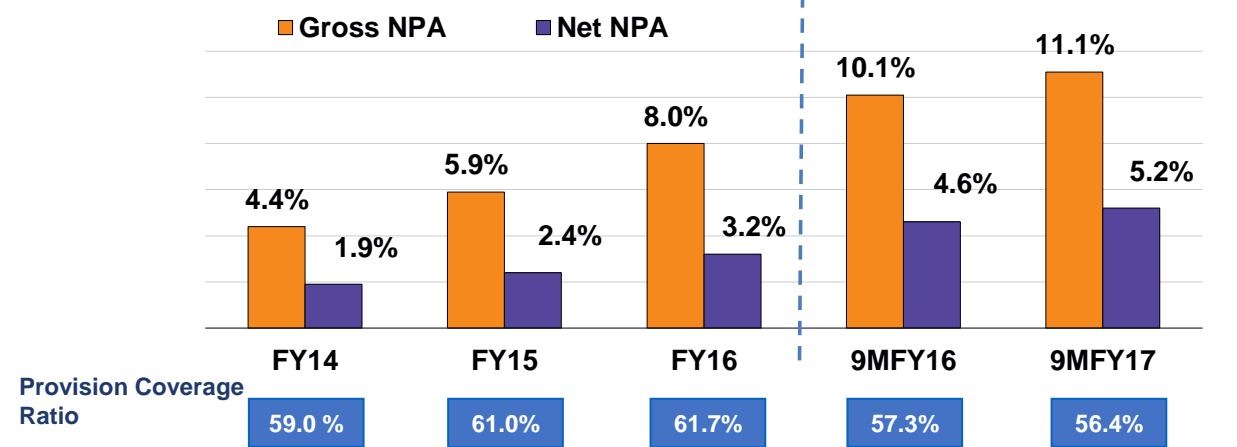
Return on Assets (ROA) <sup>(2)</sup> (%)



Return on Net Worth (RONW) <sup>(\*)</sup> (%)



Asset Quality



Note : <sup>(1)</sup> Cost to Income calculated as Operating Expenses (including depreciation)/(Net Interest Income + Other Income). <sup>(2)</sup> Calculated based on average total assets

# Standalone Profit & Loss Account

Particulars (Rs. in Million)	Q3FY17	Q2FY17	Q-o-Q	Q3FY16	Y-o-Y	FY16
Revenue from operations	15,101	14,464	4.4%	13,879	8.8%	56,468
Securitisation Income (net)	(197)	452	(143.5%)	123	(259.9%)	2,064
Less: Finance cost	7,441	7,086	5.0%	6,696	11.1%	26,393
<b>NII</b>	<b>7,463</b>	<b>7,830</b>	<b>(4.7%)</b>	<b>7,306</b>	<b>2.1%</b>	<b>32,139</b>
Other Income	130	241	(45.9%)	85	53.5%	519
<b>Total Income</b>	<b>7,593</b>	<b>8,071</b>	<b>(5.9%)</b>	<b>7,391</b>	<b>2.7%</b>	<b>32,658</b>
Employee benefits expense	1,627	1,711	(4.9%)	1,354	20.1%	5,588
Provisions and write Offs	4,190	3,042	37.7%	3,406	23.0%	10,495
Other expenses	1,907	1,749	9.0%	1,488	28.2%	5,784
Depreciation and amortization	111	107	3.8%	104	6.8%	409
<b>Total Expenses</b>	<b>7,835</b>	<b>6,609</b>	<b>18.5%</b>	<b>6,352</b>	<b>23.3%</b>	<b>22,276</b>
<b>Profit before tax</b>	<b>(241)</b>	<b>1,462</b>	<b>(116.5%)</b>	<b>1,039</b>	<b>(123.2%)</b>	<b>10,382</b>
Tax expense	(85)	514	(116.5%)	367	(123.1%)	3,656
<b>Net Profit after Taxes</b>	<b>(156)</b>	<b>948</b>	<b>(116.5%)</b>	<b>672</b>	<b>(123.3%)</b>	<b>6,726</b>

\* Please refer to detailed note on Slide 44 on Provisioning Policy

# Standalone Profit & Loss Account

Particulars (Rs. in Million)	Nine months ended Dec – 16	Nine months ended Dec – 15	Year ended March - 16
Revenue from operations	43,485	41,811	58,532
Other income	464	343	519
<b>Total Revenue</b>	<b>43,948</b>	<b>42,154</b>	<b>59,051</b>
<b>Expenses:</b>			
Employee benefits expense	5,012	4,032	5,588
Finance costs	21,437	19,682	26,393
Depreciation and amortization expense	325	304	409
Provisions and write Offs	9,477	9,406	10,495
Other expenses	5,135	4,054	5,784
<b>Total Expenses</b>	<b>41,386</b>	<b>37,478</b>	<b>48,669</b>
<b>Profit before tax</b>	<b>2,562</b>	<b>4,676</b>	<b>10,382</b>
Tax expense	901	1,652	3,656
<b>Profit after Tax</b>	<b>1,662</b>	<b>3,023</b>	<b>6,726</b>

\* Please refer to detailed note on Slide 44 on Provisioning Policy

# Standalone Balance Sheet

Particulars (Rs. in Million)	As on Dec 31, 2016	As on Dec 31, 2015	As on Mar 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share Capital	1,130	1,128	1,129
b) Reserves and Surplus	61,270	58,718	59,752
<b>Shareholders' funds</b>	<b>62,400</b>	<b>59,846</b>	<b>60,881</b>
<b>Non-current liabilities</b>			
a) Long-term borrowings	198,792	167,248	173,317
b) Other Long-term liabilities	5,076	4,075	4,326
c) Long term provisions	5,377	10,047	4,482
<b>Non-current liabilities</b>	<b>209,245</b>	<b>181,370</b>	<b>182,125</b>
<b>Current liabilities</b>			
a) Short Term Borrowings	59,584	56,197	43,469
b) Trade payables	6,871	5,701	4,789
c) Other current liabilities	91,654	77,389	89,462
d) Short term provisions	17,831	8,696	15,069
<b>Current liabilities</b>	<b>175,940</b>	<b>147,983</b>	<b>152,789</b>
<b>Total Equities and Liabilities</b>	<b>447,584</b>	<b>389,199</b>	<b>395,795</b>

# Standalone Balance Sheet (Contd.)

Particulars (Rs. in Million)	As on Dec 31, 2016	As on Dec 31, 2015	As on Mar 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed Assets	1,151	1,107	1,135
b) Non-current investments	11,291	9,396	9,923
c) Deferred tax assets (Net)	6,363	4,586	5,853
d) Long-term loans and advances	209,493	181,007	184,172
e) Other non-current assets	655	1652	518
<b>Non-current assets</b>	<b>228,953</b>	<b>197,748</b>	<b>201,601</b>
<b>Current assets</b>			
a) Current investments	3,101	1,327	4,910
b) Trade receivables	52	64	51
c) Cash and cash equivalents	5,474	4,624	5,890
d) Short-term loans and advances	209,249	184,579	182,406
e) Other current assets	755	857	937
<b>Current assets</b>	<b>218,632</b>	<b>191,451</b>	<b>194,194</b>
<b>Total Assets</b>	<b>447,584</b>	<b>389,199</b>	<b>395,795</b>

# Consolidated Profit & Loss Account

Particulars (Rs. in Million)	Nine months ended Dec – 16	Nine months ended Dec – 15	Year ended March - 16
Revenue from operations	50,231	46,673	65,539
Other income	450	254	436
<b>Total Revenue</b>	<b>50,681</b>	<b>46,927</b>	<b>65,975</b>
<b>Expenses:</b>			
Employee benefits expense	6,458	5,022	7,041
Finance costs	23,838	21,324	28,683
Depreciation and amortization expense	379	336	457
Provisions and write Offs*	10,113	9,816	10,982
Other expenses	5,998	4,632	6,571
<b>Total Expenses</b>	<b>46,785</b>	<b>41,130</b>	<b>53,734</b>
<b>Profit before tax</b>	<b>3,896</b>	<b>5,797</b>	<b>12,241</b>
Tax expense	1,459	2,097	4,367
<b>Profit after tax</b>	<b>2,437</b>	<b>3,700</b>	<b>7,874</b>
Minority Interest	103	90	151
<b>Net Profit after Taxes and Minority Interest</b>	<b>2,334</b>	<b>3,610</b>	<b>7,723</b>

\* Please refer to detailed note on Slide 44 on Provisioning Policy



# Consolidated Balance Sheet

Particulars (Rs. in Million)	As on Dec 31, 2016	As on Dec 31, 2015	As on Mar 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share Capital	1,130	1,129	1,129
b) Reserves and Surplus	65,791	62,126	63,565
<b>Shareholders' funds</b>	<b>66,921</b>	<b>63,255</b>	<b>64,694</b>
<b>Minority Interest</b>	<b>758</b>	<b>564</b>	<b>675</b>
<b>Non-current liabilities</b>			
a) Long-term borrowings	231,586	194,830	203,412
b) Other Long-term liabilities	5,076	4,075	4,326
c) Long term provisions	6,108	10,483	4,919
<b>Non-current liabilities</b>	<b>242,770</b>	<b>209,388</b>	<b>212,657</b>
<b>Current liabilities</b>			
a) Short Term Borrowings	75,086	64,191	52,175
b) Trade payables	7,253	5,934	5,073
c) Other current liabilities	105,129	85,825	99,103
d) Short term provisions	18,723	9,223	15,691
<b>Current liabilities</b>	<b>206,192</b>	<b>165,173</b>	<b>172,042</b>
<b>Total Equities and Liabilities</b>	<b>516,640</b>	<b>438,380</b>	<b>450,068</b>

# Consolidated Balance Sheet (Contd.)

Particulars (Rs. in Million)	As on Dec 31, 2016	As on Dec 31, 2015	As on Mar 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed Assets	1,359	1,227	1,291
b) Non-current investments	7,482	6,530	6,522
c) Deferred tax assets (Net)	6,540	4,688	5,992
d) Long-term loans and advances	263,930	220,546	228,420
e) Other non current assets	661	1658	524
<b>Non-current assets</b>	<b>279,972</b>	<b>234,649</b>	<b>242,749</b>
<b>Current assets</b>			
a) Current investments	3,183	1,833	5,467
b) Trade receivables	170	171	200
c) Cash and cash equivalents	5,760	4,875	6,098
d) Short-term loans and advances	226,805	196,045	194,669
e) Other current assets	750	807	885
<b>Current assets</b>	<b>236,668</b>	<b>203,731</b>	<b>207,319</b>
<b>Total Assets</b>	<b>516,640</b>	<b>438,380</b>	<b>450,068</b>

# Summary & Key Ratios

Figures on standalone basis

Particulars (Rs. in Million)	Nine months ended Dec – 16	Nine months ended Dec – 15	Year ended March - 16
RONW (Avg. Net Worth)	3.6%	6.9%	11.4%
Debt / Equity	5.36:1	4.83:1	4.84:1
<b>Capital Adequacy</b>	<b>17.9%</b>	17.8%	17.3%
Tier I	13.3%	15.0%	14.6%
Tier II	4.6%	2.8%	2.7%
EPS (Basic) (Rs.)	2.94	5.36	11.92
Book Value (Rs.)	109.7	105.2	107.0
Dividend	--	--	200%
Assets Under Management (Rs. Mn)	457,109	402,823	409,333
New Contracts During the period (Nos)	414,815	400,615	522,256
No. of employees	17,433	15,580	15,821

\* Please refer to detailed note on Slide 44 on Provisioning Policy

# Spread Analysis

Figures on standalone basis

Particulars (Rs. in Million)	Nine months ended Dec – 16	Nine months ended Dec – 15	Year ended March - 16
Total Income / Average Assets	<b>14.5%</b>	15.8%	16.3%
Interest / Average Assets	<b>7.1%</b>	7.4%	7.3%
Gross Spread	<b>7.4%</b>	8.4%	9.0%
Overheads / Average Assets	<b>3.5%</b>	3.1%	3.2%
Write offs & NPA provisions / Average Assets	<b>3.1%</b>	3.5%	2.9%
Net Spread	<b>0.8%</b>	1.8%	2.9%
Net Spread after Tax	<b>0.5%</b>	1.1%	1.8%

\* Please refer to detailed note on Slide 44 on Provisioning Policy

# NPA Analysis

Figures on standalone basis

Particulars (Rs. in Million)	As on Dec 31, 2016	As on Dec 31, 2015	As on Mar 31, 2016
Gross Non - Performing Assets*	50,589	39,851	32,242
Less: NPA Provisions	28,515	22,836	19,891
Net Non – Performing Assets	22,074	17,016	12,351
Total Assets (Incl. NPA Provision)	455,032	395,003	400,764
Gross NPA to Total Assets(%)	11.1%	10.1%	8.0%
Net NPA to Total Assets(%)	5.2%	4.6%	3.2%
Coverage Ratio(%)	56.4%	57.3%	61.7%

**Note:** \*includes additional assets of Rs. 3278 mn (as of Dec 2016); Rs. 2486 mn (as of Mar 2016); Rs. 2489 mn (as of Dec 2015) compared to 150 day provisioning norms

Above workings are excluding securitised/assigned portfolio

\* Please refer to detailed note on Slide 44 on Provisioning Policy



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# Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Nine Month ended December – 16	Nine Month ended December – 15	Year ended March – 16
Loans disbursed	13,212	10,220	15,525
No. of Customer Contracts (Nos)	99,851	77,483	125,074
Outstanding loan book	42,311	28,584	32,645
Total income	4,835	3,404	4,954
PBT	671	515	967
PAT	441	328	627

- **Business Area:** 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%
- **Reach:** Currently spread in 12 States

# Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Nine Month ended December – 16	Nine Month ended December – 15	Year ended March – 16
Total income	1,206	1,033	1,492
Net premium	8,858	7,200	10,870
PBT	521	503	752
PAT	337	326	485
No. of Policies for the Period (nos.)	1,120,878	960,181	1,330,929
No. of employees (nos.)	939	788	802

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





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# Awards and Accolades

- **Great Place to Work Institute** in association with **Economic Times** has recognized **Mahindra & Mahindra Financial Services Ltd.** as one of **INDIA'S BEST COMPANIES TO WORK FOR , 2016**
- Mahindra Finance has been appraised and rated at People CMM® Maturity Level 3
- Mahindra Finance included on **Dow Jones Sustainability Index (DJSI)** – Emerging Market Trends for 4<sup>th</sup> year in a row. We are the **only Indian Company** from Diversified Financial Services Sector to get selected
- Mahindra Finance made it to the list of **Carbon Disclosure Leadership Index (CDLI)** for **2nd consecutive year in 2015**
- Mahindra Finance was honored for Best Overall Excellence in CSR in the organizational Category
- Mahindra Finance was honored with the **IDF Award** for excellent participation in Resource Mobilization for Humanitarian Projects





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# Conservative Risk Management Policies

## Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	MMFSL
5 and <= 16	10%	> 4 and <= 11	10%
> 16 and <= 28	20%	> 11 and <= 24	50%
> 28 and <= 52	30%	> 24 months*	100%
> 52 months	50%		

### \*Note 1:

The Company, w.e.f. quarter ended 30th June 2016, has started considering the estimated realisable value of underlying security (which conforms to the RBI norms) for loan assets to determine 100% provisioning for assets which were 24 months overdue which has resulted in lower provision of Rs.1796 mn. for the nine months period ended 31st December, 2016 as against Rs.1693 mn. for the half year ended 30th September, 2016 with a consequent impact on the profit before tax.

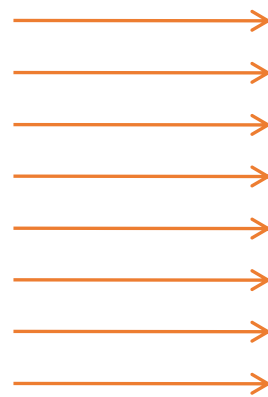
**Note 2:** The Company is required to recognise NPA based on 4 months' overdue by end of FY 2017, which the company has been following w.e.f. financial year ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 274 mn (including income de-recognition) as compared to quarter ended Dec 30<sup>th</sup> 2015 with a consequent impact on Profit before tax

**Note 3:** Pursuant to RBI circular, the Company has deferred the classification of borrower accounts which were standard assets as on November 1, 2016 to sub-standard category, involving a provision of Rs.1527 mn. (including income de-recognition) on a standalone basis and Rs.1782 mn. (including income de-recognition) on a consolidated basis.

## 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**

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