

# Mahindra & Mahindra Financial Services Limited

Quarter Result Update  
December - 2017

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CIN - L65921MH1991PLC059642

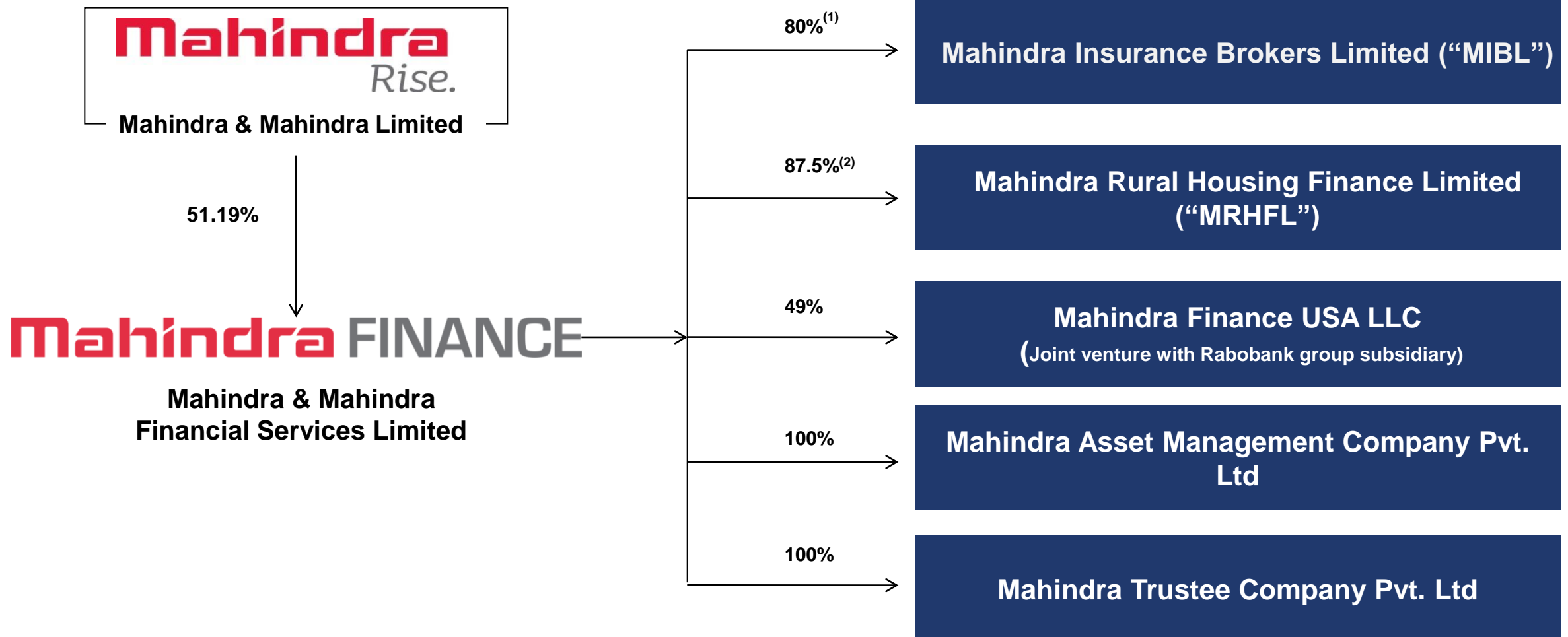


# Company Background

- Parentage:** Mahindra & Mahindra Financial Services Limited (“MMFSL”) is a subsidiary of Mahindra and Mahindra Limited (*Mcap: Rs 955 billion*)\*, India’s largest tractor and utility vehicle manufacturer
- About MMFSL:** MMFSL (*Mcap: Rs 314 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 1178 offices covering 27 states and 4 union territories in India, with over 5.16 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

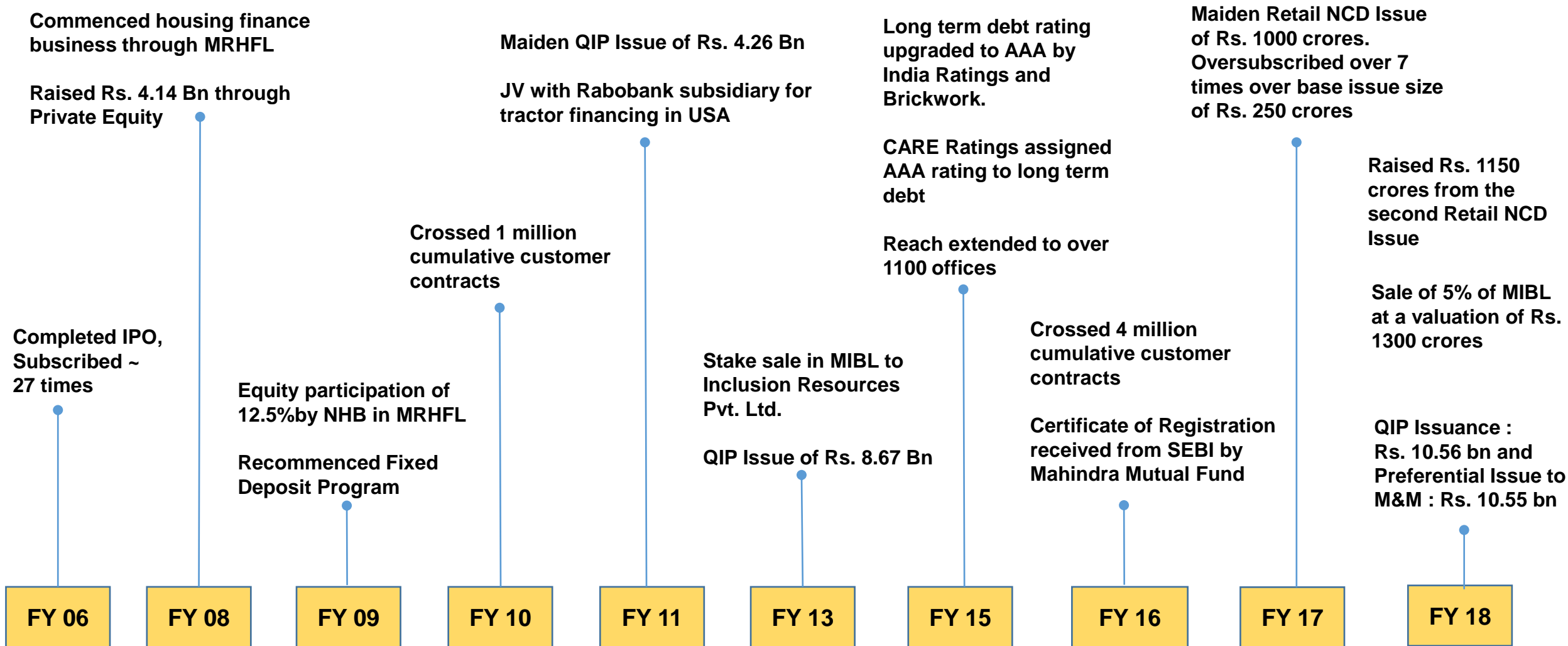
*\*Source: Market capitalisation as of January 23, 2018 from BSE website*

# MMFSL Group structure



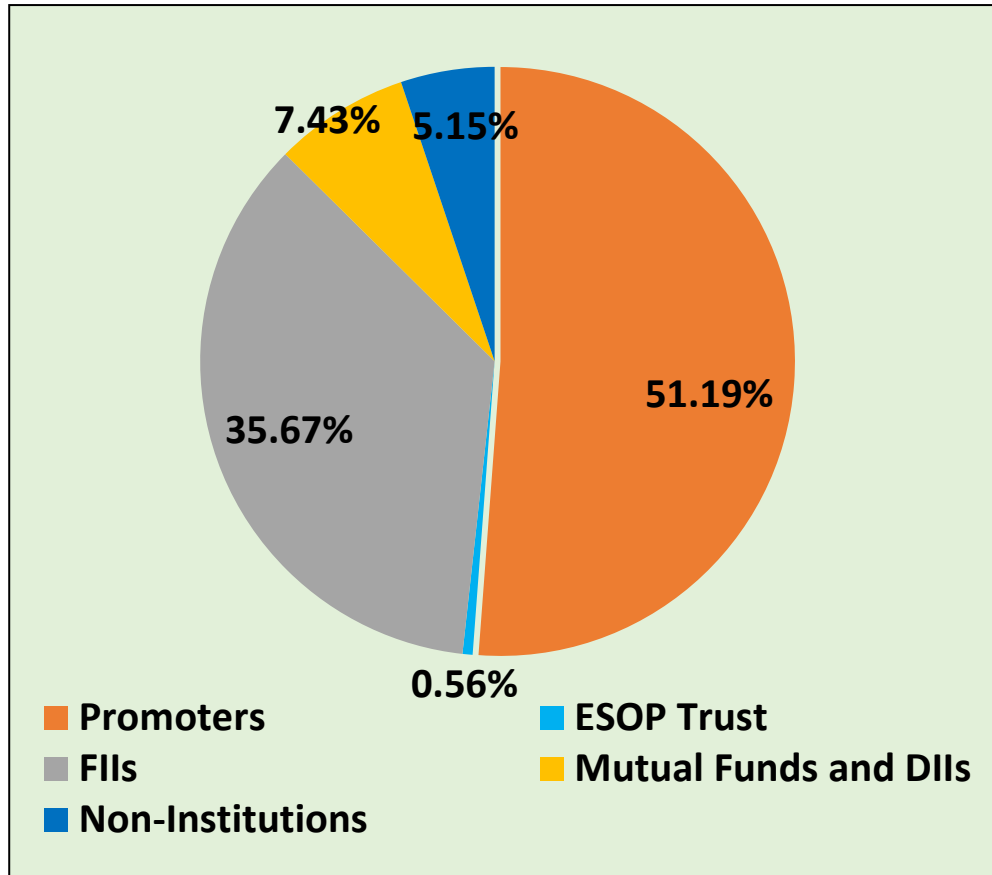
**Note:**  
1. Balance 20% with Inclusion Resources Pvt. Ltd. (IRPL), subsidiary of XL Group  
2. Balance 12.5% with National Housing Bank (NHB)

# Our Journey



# Shareholding Pattern (as on 31<sup>st</sup> December, 2017)

## Shareholding Pattern Chart



Mahindra & Mahindra Limited holds a stake of 51.19% in the Company

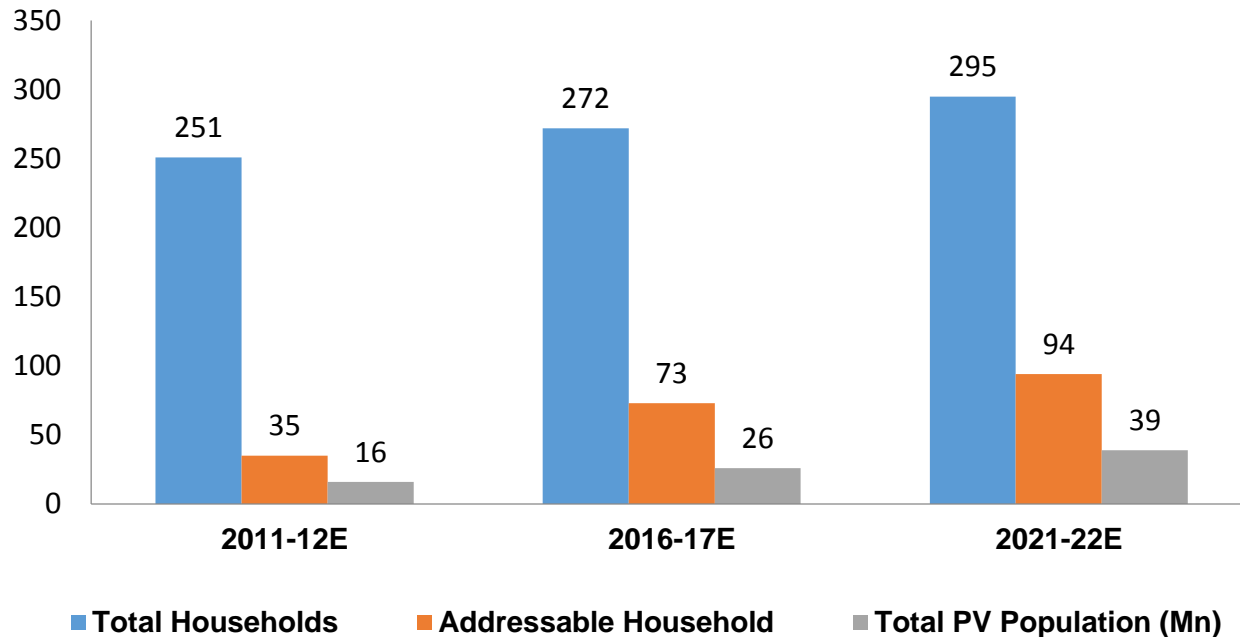
## Top 10 Public Shareholders

- Blackrock Global Funds Asian Dragon Fund
- Blackrock Global Funds - Asian Growth Leaders Fund
- HDFC Standard Life Insurance Company Limited
- Merrill Lynch Markets Singapore Pte Ltd
- Franklin Templeton Investment Funds
- Government Pension Fund Global
- SBI Blue Chip Fund
- Valiant Mauritius Partners Offshore Limited
- Bank Muscat India Fund
- Goldman Sachs India Limited

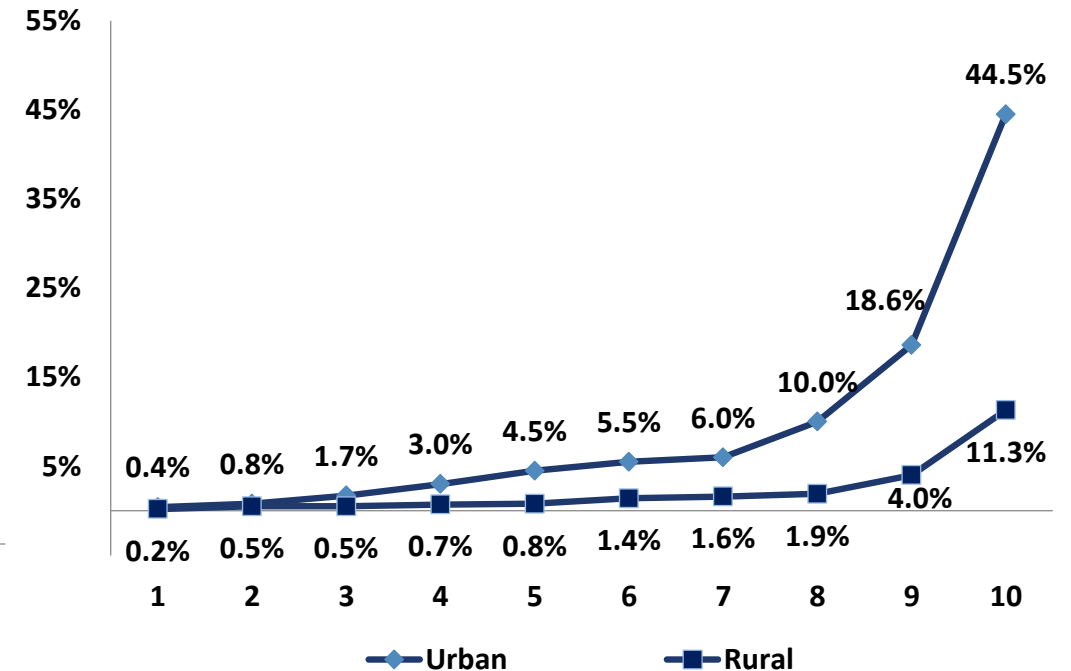


# Auto Industry: Long term growth potential

Expansion in Addressable market with Low Cost of Ownership



Decile-wise penetration (Urban versus Rural)



- Considering projected rise in addressable households, penetration levels expected to improve from currently 20 cars per 1000 people to 25-27 cars per 1000 people in the next five years.
- New model launches and expectation of stable crude price to script robust growth in near term
- Growth expected to continue at similar levels of 8%-10% in the next year as well. Increased government spending may push growth further
- Increase in raw material prices expected to be partially offset by lower effective tax post GST



# Passenger Vehicles Industry: Overall Demand Drivers

	FY 07 – FY12	FY 12 – FY 17	FY 17 – FY 22 (P)
Small Cars	14%	2%	8% – 10%
Large Cars	8%	(8%)	4% – 6%
UV + Vans	16%	10%	9% – 11%
<b>Total (Cars + UVs)</b>	<b>14%</b>	<b>3%</b>	<b>8% – 10%</b>

- Rural sales to enhance share of small cars
- With cost of ownership likely to decline, first time buyers and increasing proportion of rural sales shall drive demand for small cars
- Shift in consumer preference resulting in sedans losing market share to compact UV/ premium hatchback.

Volumes in '000	FY 2016		FY 2017		FY 2018 (E)	FY 2019 (P)
	Volume	Growth	Volume	Growth	Growth	Growth
Small Cars	1,754	8%	1,857	6%	6% – 8%	8% – 10%
Large Cars	271	6%	246	(10%)	(1)% – 1%	4% – 6%
UV + Vans	763	5%	944	24%	16% – 18%	8% – 10%
<b>Total (Cars + UVs)</b>	<b>2,788</b>	<b>7%</b>	<b>3,047</b>	<b>9%</b>	<b>8% – 10%</b>	<b>8% – 10%</b>

- Replacement demand will rise on the back of higher affordability, competitively priced launches and easy availability of finance
- Higher disbursements expected with reduced interest rate environment. Further new model launches shall enhance demand.

# Commercial Vehicles Industry: Overall Demand Drivers

	FY 12 – FY 17	FY 17 – FY 22 P
MHCV (goods)	(3.1%)	4% – 6%
LCV (goods)	(2.6%)	9% – 12%
Buses	(0.1%)	8% – 10%

- Hub-spoke model, improved infra to drive sale of higher tonnage vehicle
- ICV expected to grow at faster pace aided by e-commerce demand.
- Tipper sales to prop up with improvement in mining/ construction in longer term
- Growth in Pick-ups to outpace sub-one tonne vehicles with higher flexibility in usage and transporter needs

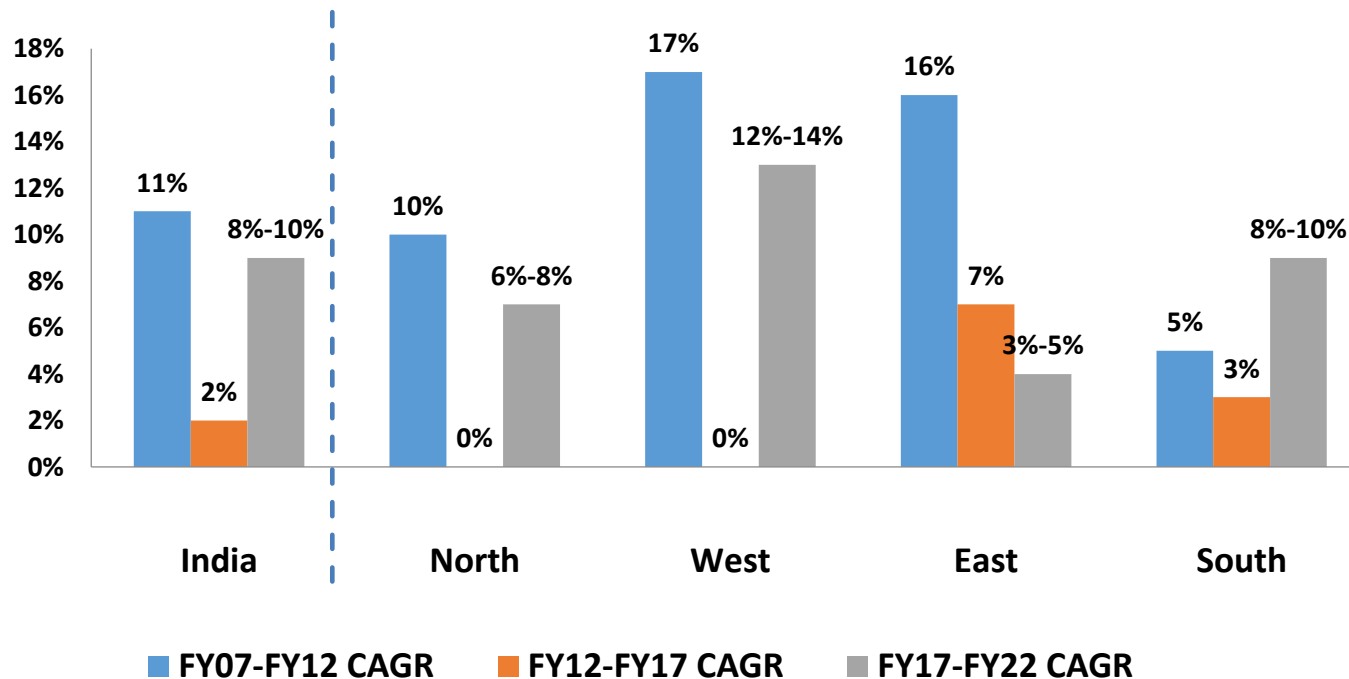
	FY 2016		FY 2017		FY 2018 (P)	FY 2019 (P)
	Volume	Growth	Volume	Growth	Growth	Growth
MHCV	257,987	32%	255,234	(1%)	4% – 6%	5% – 7%
LCV	334,371	(1%)	360,842	8%	19% – 21%	8% – 10%
Buses	92,845	15%	98,126	6%	(14% ) – (12%)	12% – 17%

- Tourism followed by schools to drive demand of Buses. Shift seen from ICV buses to LCV buses
- Intercity demand to pick-up with capacity constraint in railways. JNNURM I buses to gain pace after couple of years

# Tractors Industry: Overall Demand Drivers

Industry - Tractors	FY 2016		FY 2017		FY 2018 (P)	FY 17 – FY 22 (P)
	Volume	Growth	Volume	Growth	Growth	Growth
Tractors	493,764	(10%)	582,844	18%	15% – 17%	8% – 10%

\* East India and North India projected to have higher growth rates @ 20%-22% and 16%-18% respectively for FY 2017-18



- Near normal monsoon (5% lower than LPA) improves rural prospects
- States with deficient rainfalls were well irrigated
- Income parameters (MSP; Crop Output) as well as Demand Indicators (Infra development, Sand mining) projected to Neutral to Favourable
- India is amongst the lowest in farm mechanisation compared to global peers – a significant scope for growth

# Auto Industry Volume

Domestic Sales (Volume in '000)	9MFY18 (Nos.)	9MFY17 (Nos.)	Y-o-Y Growth (%)	FY17 (Nos.)	FY16 (Nos.)	Y-o-Y Growth (%)
<b>Passenger Vehicles (PVs)</b>						
Passenger Cars / Vans	1,619	1,582	2.3%	2,103	2,025	3.9%
UV's	807	690	17.0%	944	764	23.6%
<b>Commercial Vehicles (CVs)</b>						
M&HCVs	223	204	9.3%	302	302	0.0%
LCVs	352	295	19.3%	412	383	7.4%
<b>Three Wheelers</b>	<b>442</b>	<b>406</b>	<b>8.9%</b>	<b>512</b>	<b>538</b>	<b>(4.8%)</b>
<b>Tractors</b>	<b>541</b>	<b>464</b>	<b>16.6%</b>	<b>583</b>	<b>494</b>	<b>18.0%</b>

*Passenger Cars/ Vans have shown de-growth in the third quarter by 5.5% (YoY) while UV's have grown by 21.8% (YoY)*

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

Growth in New Vehicle Finance Disbursements								
(% growth YoY)	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18P	5 year CAGR (FY22P)
Cars	8%	(7%)	(6%)	3%	17%	12%	15%	16% – 18%
Utility Vehicles	16%	39%	(6%)	1%	12%	32%	23%	18% – 20%

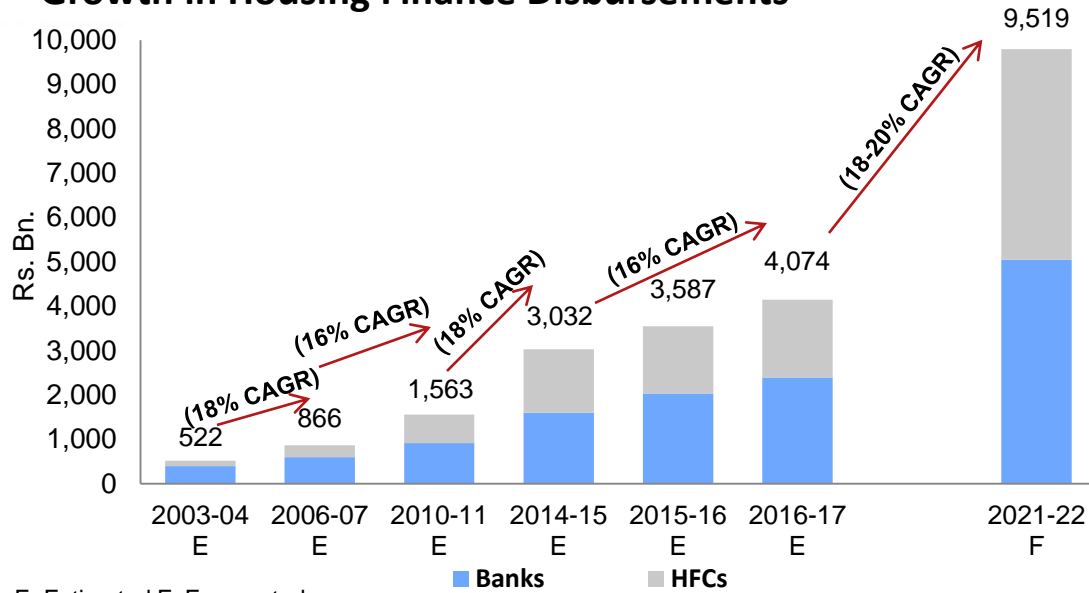
Source: CRISIL Research, Retail Finance - Auto, July 2017

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

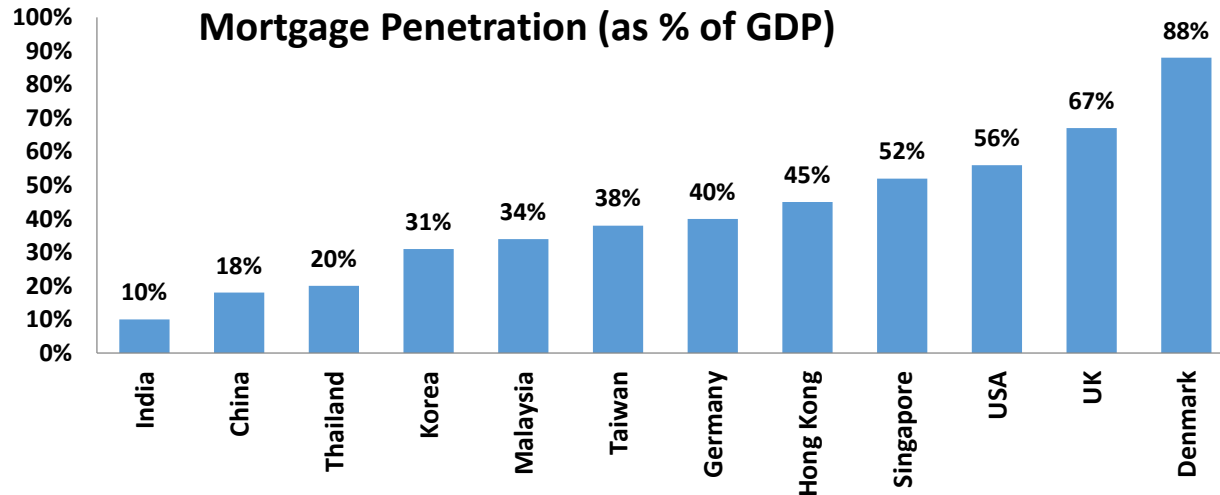
- By FY 2022, penetration levels are expected to increase to 79% for cars and 77% for utility vehicles from 77% and 73% respectively (FY 2018E) as a result of a moderation in interest rates and better availability of credit information
- Loan-to-value (LTVs) expected to increase marginally to 77% for cars and 75% for UVs from 76% and 73% respectively over the same period
- Finance penetration in cities (excluding top 20) are expected to grow with NBFC's expanding reach and better availability of credit information

# Housing Finance Growth

## Growth in Housing Finance Disbursements



E: Estimated F: Forecasted



- Loan Book growth expected to expand at 18% - 20% CAGR from Rs. 14.3 trillion (2016-17) to Rs. 33.5 trillion (2021-22).
- High government support and increasing demand/ penetration in Tier II/ smaller towns to fuel loan growth over the period
- Disbursements to grow @ 18% – 20% CAGR over FY 17 – 22 on the back of higher finance penetration, demand for affordable housing and increasing urbanisation
- Mortgage penetration in India is 9 – 11 years behind other regional emerging markets like China and Thailand
- Despite mortgage penetration improving by 300 – 400 bps over the last six years (now at 10%), the same is still low.
- Long term growth to remain intact as the real estate industry becomes more transparent, affordability improves, prices stabilize in major markets and interest rate decline under MCLR regime.



# 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**

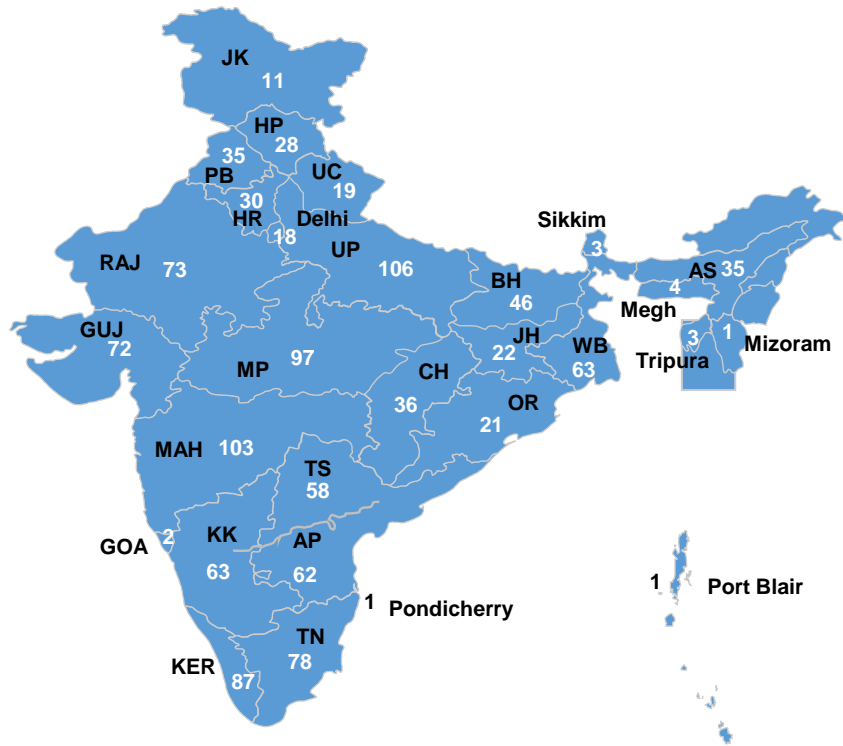
**Leverage the “Mahindra” Ecosystem**



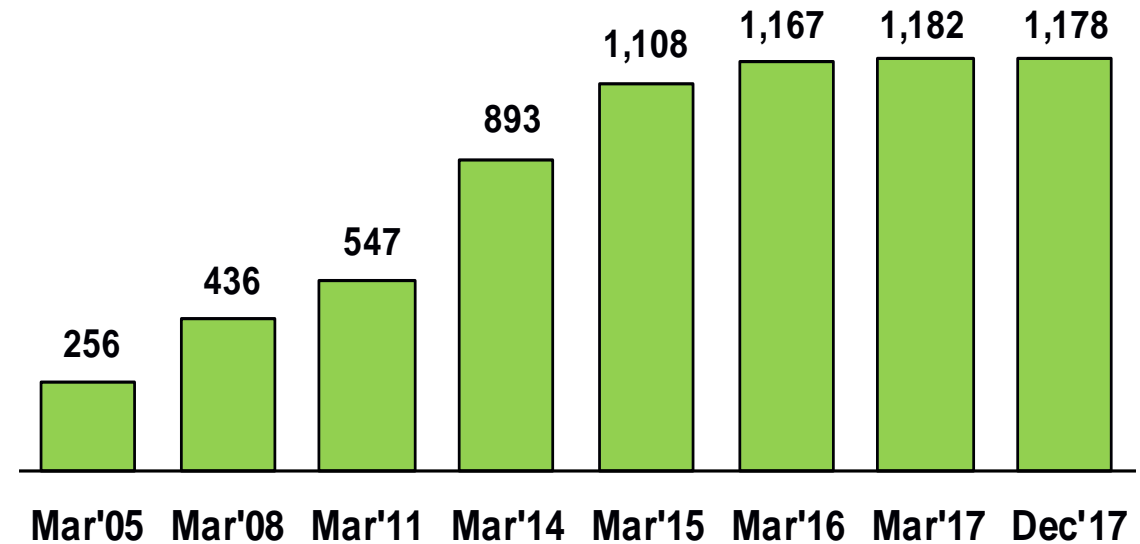
# Extensive Branch Network

- Extensive branch network with presence in 27 states and 4 union territories in India through 1,178 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 down of estimated value of Assets Financed

Asset Class	Nine months ended December – 17	Nine months ended December – 16	Year ended March – 17
Auto/ Utility vehicles	27%	28%	28%
Tractors	20%	20%	19%
Cars	21%	23%	22%
Commercial vehicles and Construction equipments	12%	11%	11%
Pre-owned vehicles	14%	12%	13%
SME and Others	6%	6%	7%

\* Standalone

# Break down of AUM

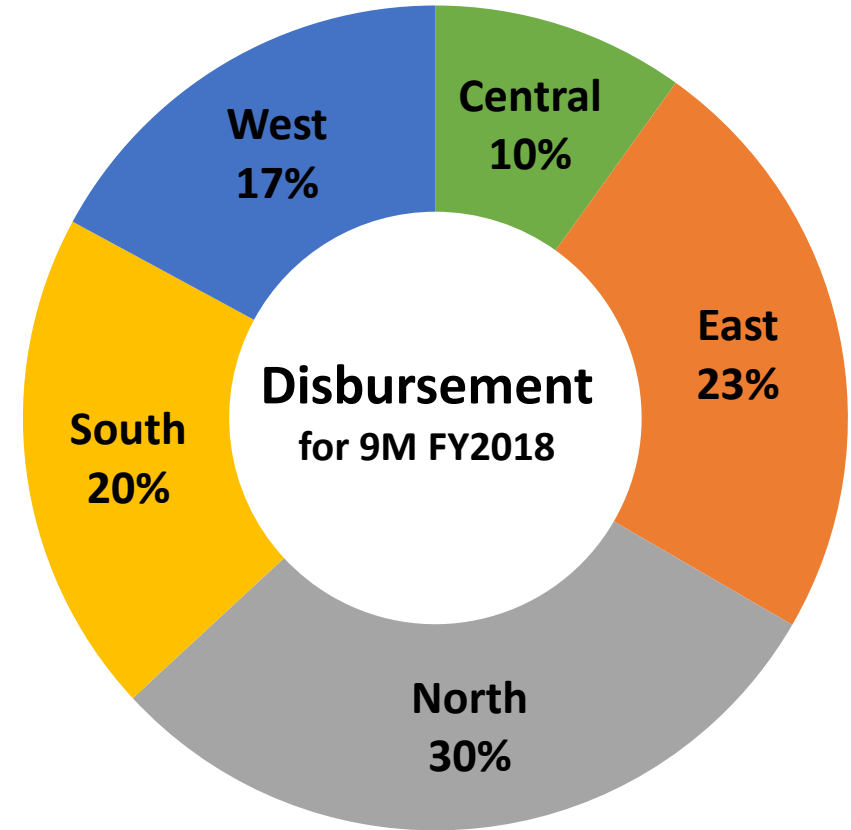
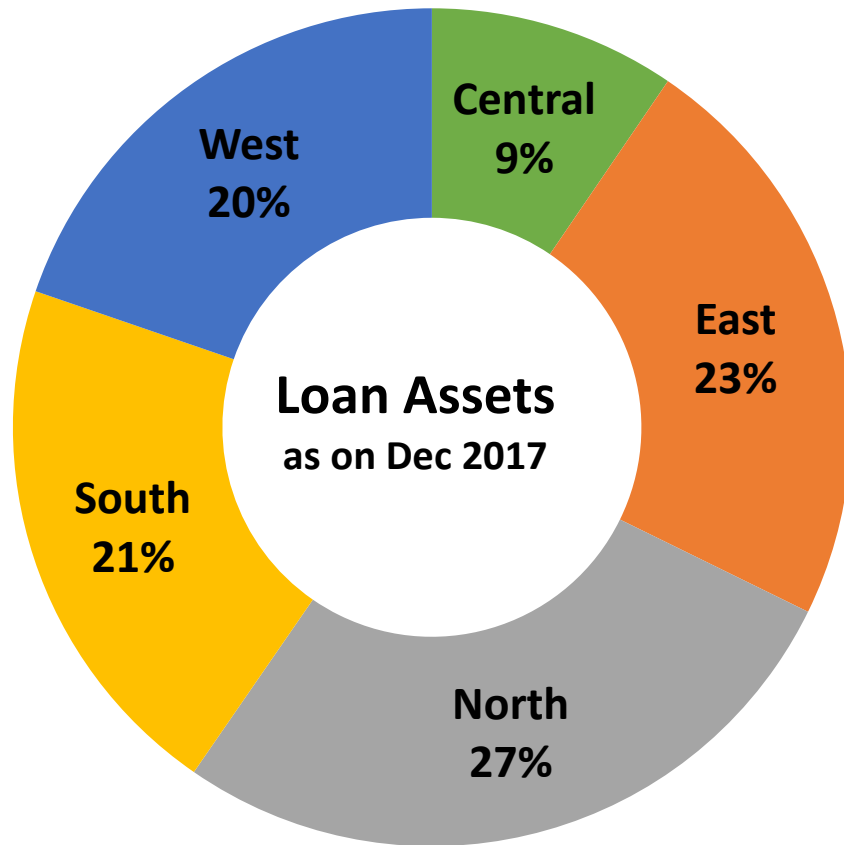
Asset Class	As on December – 17	As on December – 16	As on March – 17
Auto/ Utility vehicles	<b>28%</b>	31%	30%
Tractors	<b>18%</b>	18%	17%
Cars	<b>23%</b>	24%	23%
Commercial vehicles and Construction equipments	<b>13%</b>	13%	13%
Pre-owned vehicles	<b>8%</b>	9%	9%
SME and Others	<b>10%</b>	5%	8%

As on 31st Dec 17, ~47% of the AUM was from M&M assets

\* Share of SME: 7%

\* Standalone

# Break down by Geography



**NORTH:** Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand;

**EAST:** Assam, Bihar, Jharkhand, Meghalaya, Mizoram, Orissa, Sikkim, Tripura, West Bengal;

**WEST:** Dadra and Nagar Haveli, Gujarat, Maharashtra, Goa;

**CENTRAL:** Chhattisgarh, Madhya Pradesh;

**SOUTH:** Andaman and Nicobar Island, Andhra Pradesh, Karnataka, Kerala, Pondicherry, Tamil Nadu, Telangana;

\* 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	IND AAA	Stable
Short term debt	IND A1+	--
	CARE Ratings	Outlook
Long term and Subordinated debt	CARE AAA	Stable
	Brickwork	Outlook
Long term and Subordinated debt	BWR AAA	Stable
	CRISIL	Outlook
Fixed Deposit Programme	FAAA	Stable
Short term debt	CRISIL A1+	--
Long term and Subordinated debt; Bank Facilities	CRISIL 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' 17)

Investor Type	Amount (INR mn.)	% Share
Banks	138,826	37%
Mutual Fund	102,099	28%
Insurance & Pension Funds	62,996	17%
FIs & Corporates	32,409	9%
Others	33,718	9%
<b>Total</b>	<b>370,048</b>	<b>100%</b>

## Funding Mix by type of Instrument (Dec' 17)

Instrument Type	Amount (INR mn.)	% Share
NCDs	176,348	48%
Retail NCDs	21,505	6%
Bank Loans	91,164	24%
Fixed Deposits	33,011	9%
CP, ICD	41,440	11%
Securitisation/ Assignment	6,580	2%
<b>Total</b>	<b>370,048</b>	<b>100%</b>

\* Based on holding as on 31<sup>st</sup> December, 2017

# 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







**Company Overview**

**Industry Overview**

**Business Strategy**

**Financial Information**

**Key Subsidiaries**

**Awards & Accolades**

**Risk Management Policies**

***Transforming rural lives across the country***

# Key Financials (Consolidated)

Figures on consolidated basis

	Total Income	Profit after Tax	Value of Asset Financed <sup>^</sup>
Q3 FY 18	Rs 21,953 mn ↑ 26%	Rs 3,649 mn ↑ 3012%	Rs 112,849 mn ↑ 17%
Q3 FY 17	Rs 17,483 mn	Rs 117 mn	Rs 96,382 mn
<hr/>			
9M FY 18	Rs 60,669 mn ↑ 20%	Rs 5,240 mn ↑ 124%	Rs 276,718 mn ↑ 12%
9M FY 17	Rs 50,681 mn	Rs 2,334 mn	Rs 246,040 mn

**\*Note :** The Company had recognised and provided for NPAs based on 3 months overdue norms as at September 30, 2017 as compared to 4 months overdue norms followed until June 30, 2017. This transition resulted in additional provision of Rs.1300.30 million (including interest income de-recognition) for the nine month ended December 31, 2017 with a consequent impact on the Profit before tax.

<sup>^</sup> Includes MRHFL

# Key Financials

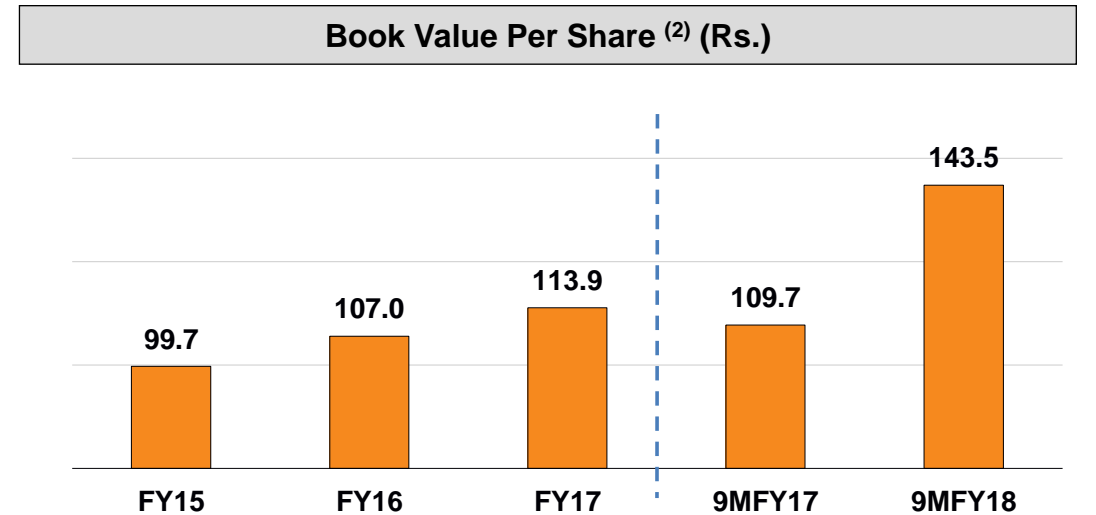
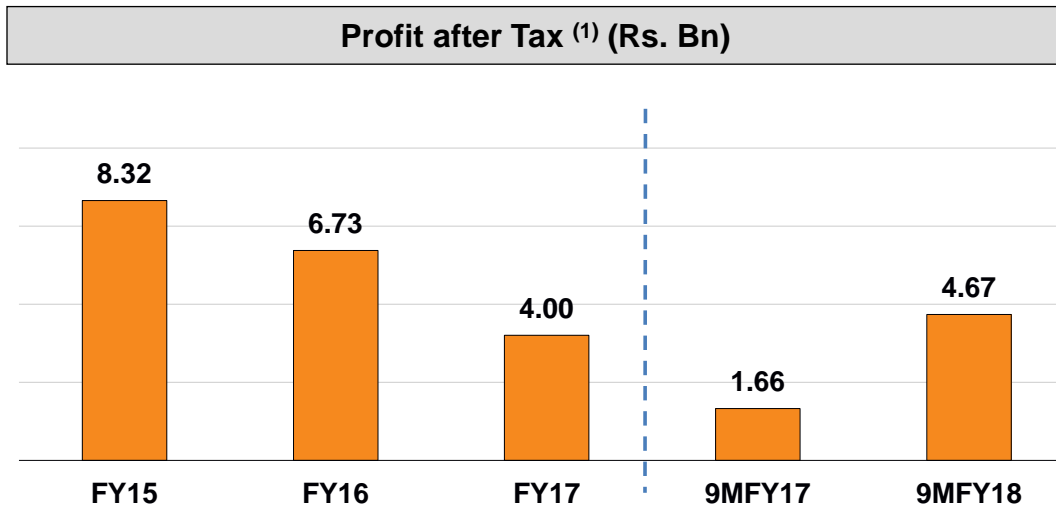
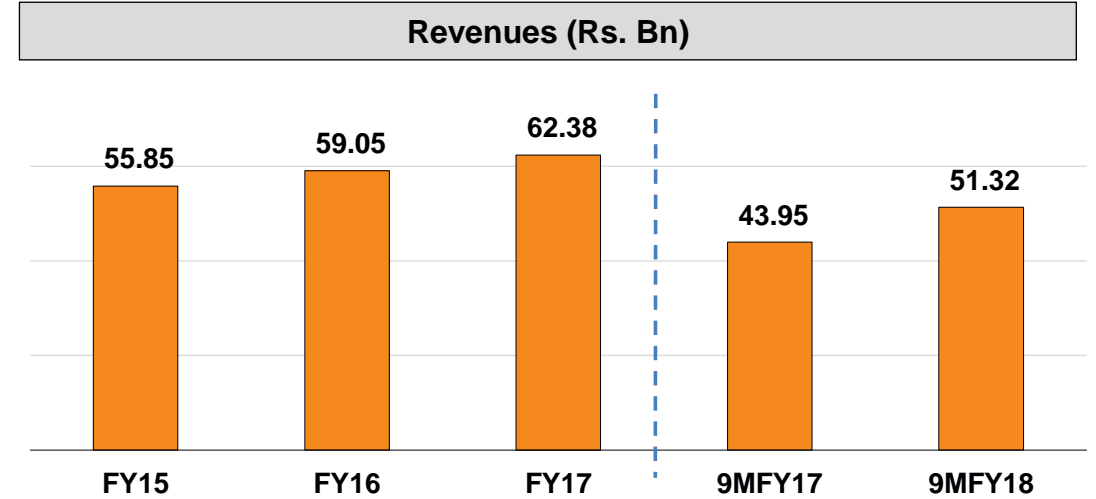
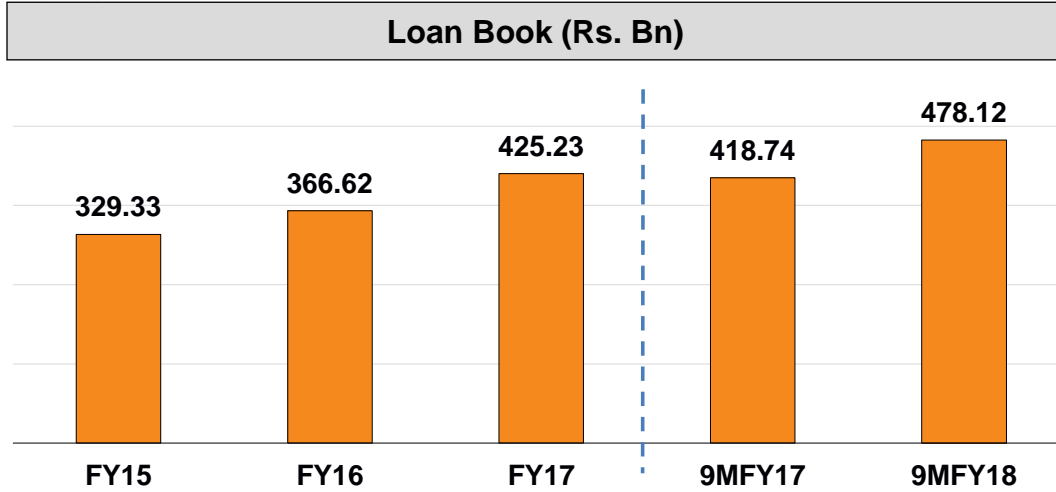
Figures on standalone basis

	Total Income	Profit after Tax	NPA Recognition	Value of Asset Financed
Q3 FY 18	Rs 18,464 mn ↑ 23%	Rs 3,420 mn ↑ NA	3 months overdue	Rs 107,055 mn ↑ 17%
Q3 FY 17	Rs 15,035 mn	Rs -156 mn	4 months overdue	Rs 91,755 mn
<hr/>				
9M FY 18	Rs 51,323 mn ↑ 17%	Rs 4,674 mn ↑ 181%	3 months overdue	Rs 259,119 mn ↑ 11%
9M FY 17	Rs 43,948 mn	Rs 1,662 mn	4 months overdue	Rs 232,828 mn

**\*Note :** The Company had recognised and provided for NPAs based on 3 months overdue norms as at September 30, 2017 as compared to 4 months overdue norms followed until June 30, 2017. This transition resulted in additional provision of Rs.1300.30 million (including interest income de-recognition) for the nine month ended December 31, 2017 with a consequent impact on the Profit before tax.

# Growth Trajectory

Figures on standalone basis

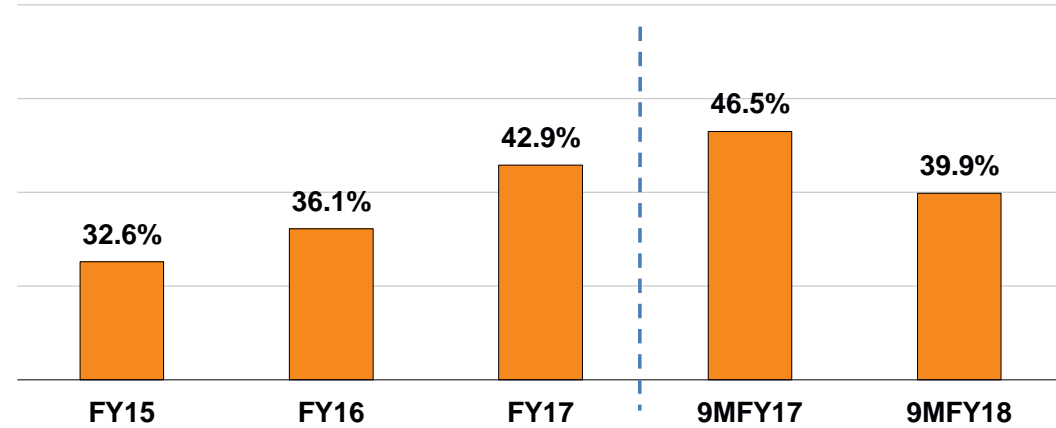


Note :<sup>(1)</sup> PAT post exceptional items – Sale of 5% equity of MIBL <sup>(2)</sup> Calculated as Shareholders funds/ Number of shares.

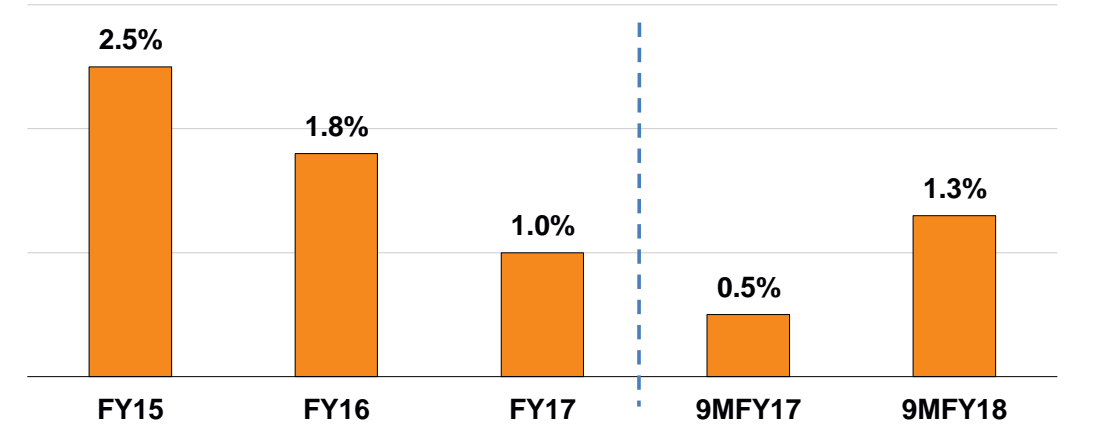
# Financial Performance

Figures on standalone basis

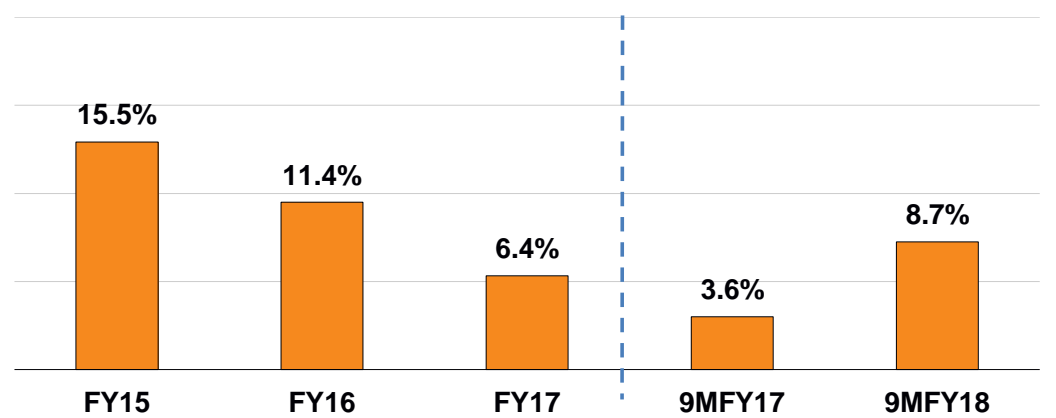
Cost to income ratio <sup>(1)</sup> (%)



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

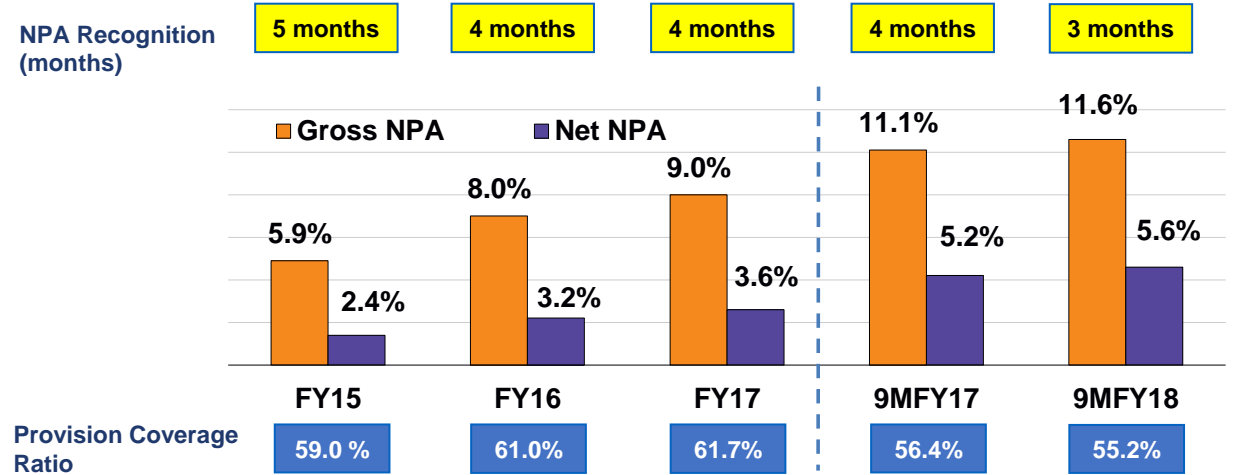


Return on Net Worth (RONW) (%)



^ after considering capital dilution for 1 month

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)	Q3FY18	Q2FY18	Q-o-Q	Q3FY17	Y-o-Y	FY 17
Revenue from operations	18,340	16,608	10.4%	14,904	23.0%	61,739
Less: Finance cost	7,629	7,498	1.7%	7,441	2.5%	28,574
<b>NII</b>	<b>10,711</b>	<b>9,110</b>	<b>17.6%</b>	<b>7,463</b>	<b>43.5%</b>	<b>33,165</b>
Other Income	124	220	-43.8%	130	-4.9%	636
<b>Total Income</b>	<b>10,835</b>	<b>9,330</b>	<b>16.1%</b>	<b>7,593</b>	<b>42.7%</b>	<b>33,801</b>
Employee benefits expense	2,052	1,862	10.2%	1,627	26.1%	6,809
Provisions and write Offs	1,989	4,446	-55.3%	4,190	-52.5%	13,091
Other expenses	2,124	1,725	23.1%	1,907	11.4%	7,240
Depreciation and amortization	107	107	0.4%	111	-3.6%	460
<b>Total Expenses</b>	<b>6,272</b>	<b>8,140</b>	<b>-23.0%</b>	<b>7,835</b>	<b>-19.9%</b>	<b>27,600</b>
<b>Profit before Tax (before Exceptional)</b>	<b>4,563</b>	<b>1,190</b>	<b>283.3%</b>	<b>(241)</b>	<b>-</b>	<b>6,201</b>
Exceptional Items ^	650	-	-	-	-	-
<b>Profit before Tax</b>	<b>5,213</b>	<b>1,190</b>	<b>337.9%</b>	<b>(241)</b>	<b>-</b>	<b>6,201</b>
Tax expense	1,793	410	336.8%	(85)	-	2,199
<b>Net Profit after Taxes</b>	<b>3,420</b>	<b>780</b>	<b>338.5%</b>	<b>(156)</b>	<b>-</b>	<b>4,002</b>

^ on account of sale of 5% equity of MIBL

\* Figures re-grouped and rounded where found relevant

# Standalone Profit & Loss Account

Particulars (Rs. in Million)	Nine months ended Dec – 17	Nine months ended Dec – 16	Y-o-Y	FY17
Revenue from operations	50,871	43,485	17.0%	61,739
Less: Finance cost	22,454	21,437	4.7%	28,574
<b>NII</b>	<b>28,417</b>	<b>22,048</b>	<b>28.9%</b>	<b>33,165</b>
Other Income	452	464	-2.5%	636
<b>Total Income</b>	<b>28,869</b>	<b>22,512</b>	<b>28.2%</b>	<b>33,801</b>
Employee benefits expense	5,893	5,012	17.6%	6,809
Provisions and write Offs	10,694	9,477	12.8%	13,091
Other expenses	5,568	5,135	8.4%	7,240
Depreciation and amortization	324	325	-0.1%	460
<b>Total Expenses</b>	<b>22,480</b>	<b>19,949</b>	<b>12.7%</b>	<b>27,600</b>
<b>Profit before Tax (before Exceptional)</b>	<b>6,389</b>	<b>2,562</b>	<b>149.4%</b>	<b>6,201</b>
Exceptional Items <sup>^</sup>	650	-	-	-
<b>Profit before Tax</b>	<b>7,039</b>	<b>2,562</b>	<b>174.7%</b>	<b>6,201</b>
Tax expense	2,366	901	162.6%	2,199
<b>Net Profit after Taxes</b>	<b>4,674</b>	<b>1,662</b>	<b>181.3%</b>	<b>4,002</b>

<sup>^</sup> on account of sale of 5% equity of MIBL

\* Figures re-grouped and rounded where found relevant

# Standalone Balance Sheet

Particulars (Rs. in Million)	As on Dec 31, 2017	As on Dec 31, 2016	As on Mar 31, 2017
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share Capital	1,229	1,130	1,130
b) Reserves and Surplus	87,446	61,270	63,642
<b>Shareholders' funds</b>	<b>88,675</b>	<b>62,400</b>	<b>64,772</b>
<b>Non-current liabilities</b>			
a) Long-term borrowings	220,090	198,792	214,537
b) Other Long-term liabilities	5,306	5,076	4,274
c) Long term provisions	8,267	5,377	5,489
<b>Non-current liabilities</b>	<b>233,663</b>	<b>209,245</b>	<b>224,300</b>
<b>Current liabilities</b>			
a) Short Term Borrowings	58,843	59,584	58,648
b) Trade payables	8,332	5,455	6,630
c) Other current liabilities	101,823	93,070	89,336
d) Short term provisions	19,336	17,831	16,167
<b>Current liabilities</b>	<b>188,334</b>	<b>175,940</b>	<b>170,780</b>
<b>Total Equities and Liabilities</b>	<b>510,672</b>	<b>447,584</b>	<b>459,852</b>

\* Figures re-grouped and rounded where found relevant



# Standalone Balance Sheet (Contd.)

Particulars (Rs. in Million)	As on Dec 31, 2017	As on Dec 31, 2016	As on Mar 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed Assets	1,078	1,151	1,120
b) Non-current investments	12,888	11,291	13,117
c) Deferred tax assets (Net)	8,533	6,363	7,317
d) Long-term loans and advances	254,117	212,900	222,598
e) Other non-current assets	925	655	1,122
<b>Non-current assets</b>	<b>277,541</b>	<b>232,360</b>	<b>245,275</b>
<b>Current assets</b>			
a) Current investments	4,758	3,101	5,778
b) Trade receivables	68	52	58
c) Cash and cash equivalents	3,943	5,474	5,781
d) Short-term loans and advances	224,006	205,842	202,635
e) Other current assets	357	755	326
<b>Current assets</b>	<b>233,131</b>	<b>215,225</b>	<b>214,577</b>
<b>Total Assets</b>	<b>510,672</b>	<b>447,584</b>	<b>459,852</b>

\* Figures re-grouped and rounded where found relevant

# Consolidated Profit & Loss Account

Particulars (Rs. in Million)	Nine months ended Dec – 17	Nine months ended Dec – 16	Y-o-Y	FY17
Revenue from operations	60,361	50,231	20.2%	71,462
Less: Finance cost	25,566	23,838	7.2%	31,862
<b>NII</b>	<b>34,795</b>	<b>26,393</b>	<b>31.8%</b>	<b>39,600</b>
Other Income	308	450	-31.5%	545
<b>Total Income</b>	<b>35,103</b>	<b>26,843</b>	<b>30.8%</b>	<b>40,145</b>
Employee benefits expense	8,058	6,458	24.8%	8,866
Provisions and write Offs	11,657	10,113	15.3%	13,896
Other expenses	7,007	5,998	16.8%	8,468
Depreciation and amortization	401	379	5.9%	537
<b>Total Expenses</b>	<b>27,123</b>	<b>22,947</b>	<b>18.2%</b>	<b>31,767</b>
<b>Profit before Tax (before Exceptional)</b>	<b>7,980</b>	<b>3,896</b>	<b>104.8%</b>	<b>8,378</b>
Exceptional Items ^	507	-	-	-
<b>Profit before Tax</b>	<b>8,487</b>	<b>3,896</b>	<b>117.8%</b>	<b>8,378</b>
Tax expense	3,104	1,459	112.8%	3,081
<b>Profit after tax</b>	<b>5,383</b>	<b>2,437</b>	<b>120.9%</b>	<b>5,297</b>
Minority Interest	143	103	38.9%	181
<b>Net Profit after Taxes and Minority Interest</b>	<b>5,240</b>	<b>2,334</b>	<b>124.5%</b>	<b>5,116</b>

^ on account of sale of 5% equity of MIBL

\* Figures re-grouped and rounded where found relevant

# Consolidated Balance Sheet

Particulars (Rs. in Million)	As on Dec 31, 2017	As on Dec 31, 2016	As on Mar 31, 2017
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share Capital	1,229	1,130	1,130
b) Reserves and Surplus	92,772	65,791	68,472
<b>Shareholders' funds</b>	<b>94,000</b>	<b>66,921</b>	<b>69,602</b>
<b>Minority Interest</b>	<b>1,254</b>	<b>758</b>	<b>998</b>
<b>Non-current liabilities</b>			
a) Long-term borrowings	266,747	231,586	249,849
b) Other Long-term liabilities	5,306	5,076	4,274
c) Long term provisions	9,345	6,108	6,217
<b>Non-current liabilities</b>	<b>281,398</b>	<b>242,770</b>	<b>260,340</b>
<b>Current liabilities</b>			
a) Short Term Borrowings	74,608	75,086	72,176
b) Trade payables	8,958	7,157	6,944
c) Other current liabilities	114,951	105,226	106,821
d) Short term provisions	21,098	18,723	17,185
<b>Current liabilities</b>	<b>219,615</b>	<b>206,192</b>	<b>203,126</b>
<b>Total Equities and Liabilities</b>	<b>596,267</b>	<b>516,640</b>	<b>534,066</b>

\* Figures re-grouped and rounded where found relevant

# Consolidated Balance Sheet (Contd.)

Particulars (Rs. in Million)	As on Dec 31, 2017	As on Dec 31, 2016	As on Mar 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed Assets	1,309	1,359	1,345
b) Non-current investments	7,470	7,482	7,979
c) Deferred tax assets (Net)	8,816	6,540	7,572
d) Long-term loans and advances	320,517	267,462	281,753
e) Other non current assets	931	661	1,128
<b>Non-current assets</b>	<b>339,042</b>	<b>283,504</b>	<b>299,777</b>
<b>Current assets</b>			
a) Current investments	4,755	3,183	5,924
b) Trade receivables	347	170	230
c) Cash and cash equivalents	4,453	5,760	6,039
d) Short-term loans and advances	247,318	223,273	221,766
e) Other current assets	352	750	330
<b>Current assets</b>	<b>257,224</b>	<b>233,137</b>	<b>234,289</b>
<b>Total Assets</b>	<b>596,267</b>	<b>516,640</b>	<b>534,066</b>

\* Figures re-grouped and rounded where found relevant

# Summary & Key Ratios

Figures on standalone basis

Particulars (Rs. in Million)	Nine months ended Dec – 17	Nine months ended Dec – 16	Year ended March – 17
RONW (Avg. Net Worth) ^	8.7%	3.6%	6.4%
Debt / Equity	4.10:1	5.36:1	5.35:1
<b>Capital Adequacy</b>	<b>23.5%</b>	17.9%	17.2%*
Tier I	17.0%	13.3%	12.8%
Tier II	6.5%	4.6%	4.4%
EPS (Basic) (Rs.)	8.20	2.94	7.09
Book Value (Rs.)	143.5	109.7	113.9
Dividend	-	--	120%
Assets Under Management (Rs. Mn)	517,819	457,109	467,755
New Contracts During the period (Nos)	448,835	414,815	556,122
No. of employees	18,486	17,433	17,856

^ after considering capital dilution

# Spread Analysis

Figures on standalone basis

Particulars (Rs. in Million)	Nine months ended Dec – 17	Nine months ended Dec – 16	Year ended March – 17
Total Income / Average Assets	<b>15.0%</b>	14.5%	15.2%
Interest / Average Assets	<b>6.5%</b>	7.1%	7.0%
Gross Spread	<b>8.5%</b>	7.4%	8.2%
Overheads / Average Assets	<b>3.4%</b>	3.5%	3.5%
Write offs & NPA provisions / Average Assets	<b>3.0%</b>	3.1%	3.2%
Net Spread	<b>2.1%</b>	0.8%	1.5%
Net Spread after Tax	<b>1.3%</b>	0.5%	1.0%

# NPA Analysis

Figures on standalone basis

Particulars (Rs. in Million)	As on Dec 31, 2017		As on Dec 31, 2016	As on Mar 31, 2017
	3 months overdue	4 months overdue	4 months overdue	4 months overdue
Recognition Basis				
Gross Non - Performing Assets	<b>60,228</b>	<b>53,285</b>	50,589	41,827
Less: NPA Provisions (incl. Income reversal)	<b>33,251</b>	<b>31,951</b>	28,515	25,830
Net Non – Performing Assets	<b>26,977</b>	<b>21,334</b>	22,074	15,997
Total Assets (Incl. NPA Provision)	<b>518,784</b>	<b>518,419</b>	455,032	466,338
Gross NPA to Total Assets(%)	<b>11.6%</b>	<b>10.3%</b>	11.1%	9.0%
Net NPA to Total Assets(%)	<b>5.6%</b>	<b>4.4%</b>	5.2%	3.6%
Coverage Ratio(%)	<b>55.2%</b>	<b>60.0%</b>	56.4%	61.8%

Above workings are excluding securitised/assigned portfolio

Count of NPA & Repossessed Stock	As on Dec 31, 2017		As on Dec 31, 2016	As on Mar 31, 2017
Contracts under NPA	<b>192,919</b>	<b>166,805</b>	189,832	138,357
% of Live Cases under NPA	<b>9.4%</b>	<b>8.1%</b>	9.8%	7.2%
Repossessed Assets (out of above NPA)	<b>15,004</b>	<b>15,004</b>	14,795	13,185





# Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Nine Month ended December – 17	Nine Month ended December – 16	Year ended March – 17
Loans disbursed	17,599	13,212	21,162
No. of Customer Contracts (nos.)	124,539	99,851	172,462
Outstanding loan book	57,423	42,311	48,235
Total income	6,862	4,835	7,034
PBT	1,143	671	1,269
PAT	741	441	830
Net-worth	5,328	3,071	4,759
GNPA %	13.8%	11.6%	9.7%

- **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 & 1 Union Territory

# Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Nine Month ended December – 17	Nine Month ended December – 16	Year ended March – 17
No. of Policies for the Period (nos.)	1,461,525	1,120,878	1,591,796
Total income	1,568	1,206	1,742
Net Premium	11,575	8,858	13,644
PBT	473*	521	817
PAT	307	337	530
No. of employees (nos.)	997	939	956

\* After accounting for one time milestone reward plan to employees/ directors of Rs. 235.53 million

- **Business Area:** Licensed by IRDA for undertaking insurance broking in Life, Non-Life and reinsurance businesses
- **Shareholding pattern:** MMFSL – 80%; Inclusion Resources Pvt. Ltd. – 20%

\* As per IGAAP



# Awards and Accolades

- Mahindra Finance was recognized as Top 19 Best Employer in **AonBest Employer List 2017** .
- Mahindra Finance is recognized in amongst the **top 50** India's Best Companies to Work for 2017. The study is Conducted by the Great Place to Work Institute and Economic Times .The organization was ranked at **49<sup>th</sup> position** and also was declared as **one of the best in the Financial Services Sector** .
- Mahindra Finance has been appraised and rated at **People CMM® Maturity Level 3**.
- Mahindra Finance was included in 'The Sustainability Yearbook 2017' which was released by RobecoSAM.
- Mahindra Finance listed on **Dow Jones Sustainability Index (DJSI)** –for 5<sup>th</sup> year in a row.
- Mahindra Finance was adjudged Runners up in Business World HR Excellence Award for the category of Excellence in Learning and Development .
- Mahindra & Mahindra Financial Services Ltd. has been recognized in the 2017 Working Mother & Avtar 100 Best Company for Women .

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# Conservative Risk Management Policies

## Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	MMFSL
> 4 and <= 14	10%	> 3 and <= 11 <sup>^</sup>	10%
> 14 and <= 26	20%	> 11 and <= 24	50%
> 26 and <= 50	30%	> 24 months*	100%
> 50 months	50%		

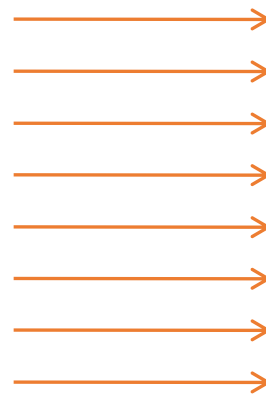
• The Company considered the estimated realisable value of underlying security for loan assets which were 24 months overdue resulting in a lower provision of Rs. 1795.85 million for the nine month ended December 31, 2016 as against an additional provision of Rs. 833.69 million charged to Profit & Loss account during the nine month ended December 31, 2017 with a consequent impact on Profit before tax.

<sup>^</sup> The Company had recognised and provided for NPAs based on 3 months overdue norms as at September 30, 2017 as compared to 4 months overdue norms followed until June 30, 2017. This transition resulted in additional provision of Rs.1300.30 million (including interest income de-recognition) for the nine month ended December 31, 2017 with a consequent impact on the Profit before tax.

## 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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