

Mahindra & Mahindra Financial Services Limited

Quarter Result Update
JUNE - 2014

Corporate Office:
Mahindra Towers, 4th Floor,
Dr. G. M. Bhosale Marg, Worli,
Mumbai 400 018 India

Tel: +91 22 66526000
Fax: +91 22 24953608
Email: 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
CIN - L65921MH1991PLC059642

Company overview



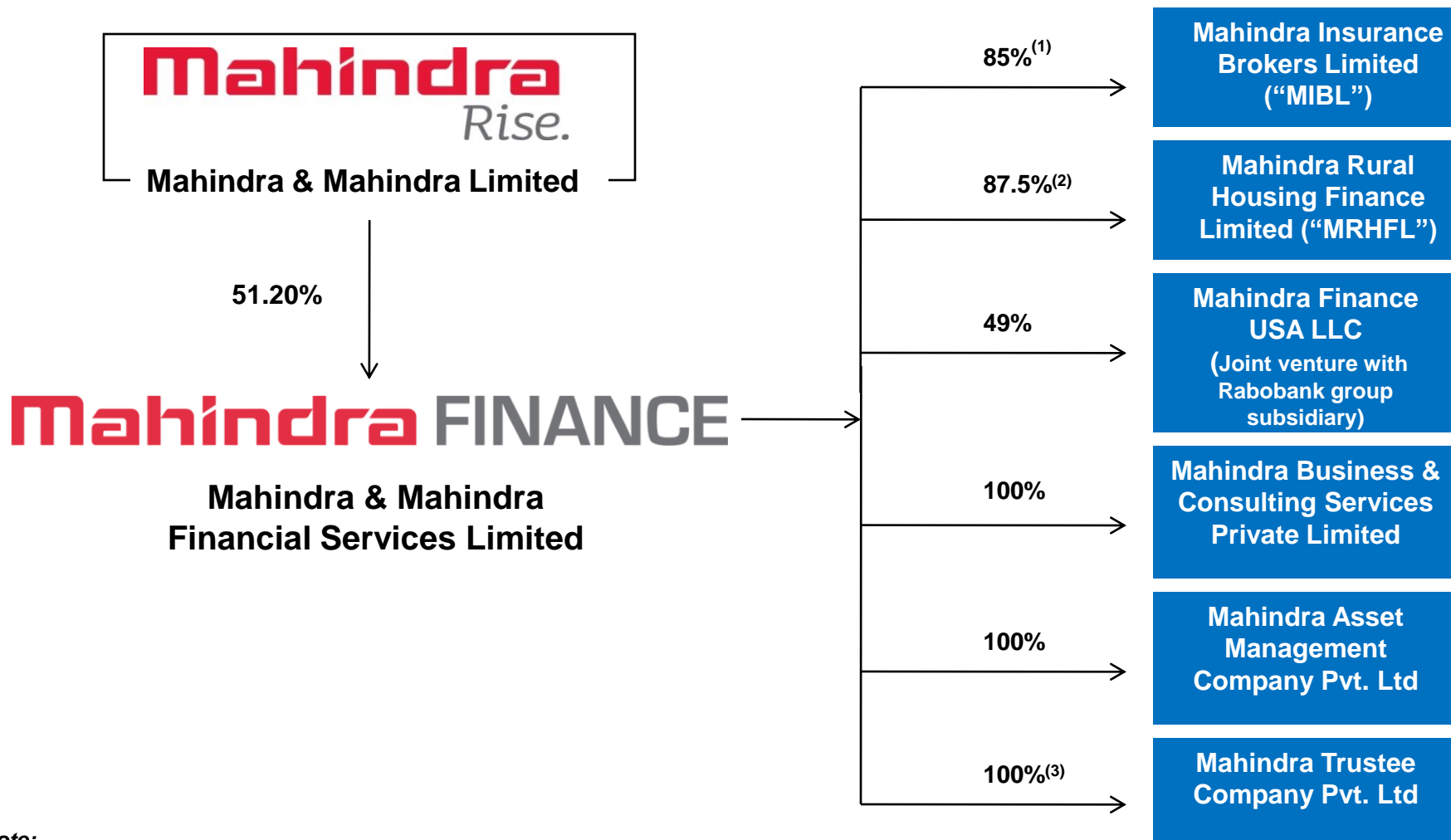
*Transforming rural lives
across the country*

Background

- Mahindra & Mahindra Financial Services Limited (“MMFSL”) is a subsidiary of Mahindra and Mahindra Limited (*Mcap: Rs 735 billion*)*, one of India’s leading tractor and utility vehicle manufacturers
- MMFSL (*Mcap: Rs 146 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 998 offices covering 25 states and 5 union territories in India, with over 3.2 million vehicle finance customer contracts since inception, as of June 30, 2014
- India Ratings has assigned AAA(ind)/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 July 23, 2014 from BSE website*

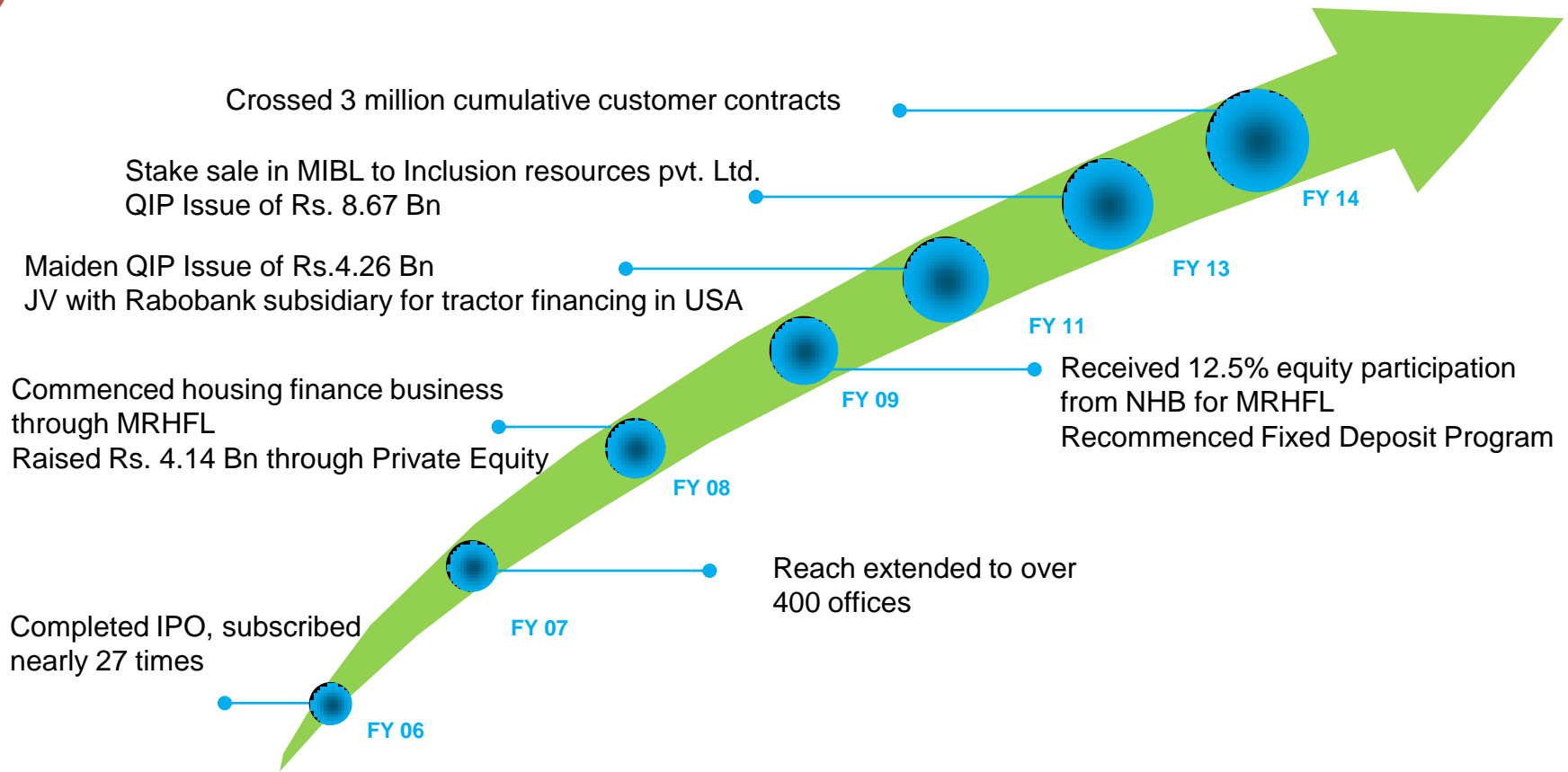
MMFSL Group structure



Note:

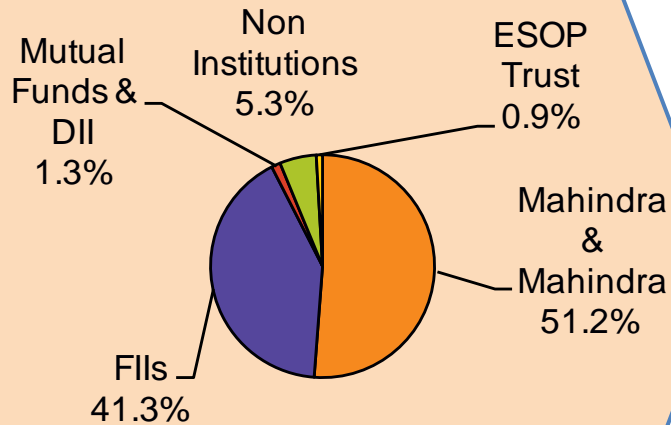
1. Balance 15% with Inclusion resources pvt. Ltd., a subsidiary of Leapfrog Financial Inclusion Fund, incorporated in Singapore.
2. Balance 12.5% with National Housing Bank (NHB)
3. As on 23rd July 2014

Our Journey Thus Far



Shareholding pattern

(as on June 30, 2014)



Key Shareholders

- Cartica Capital Ltd
- Government of Singapore
- Wasatch Emerging Markets Small Cap Fund
- JP Morgan SICAV Investment Company
- Morgan Stanley Mauritius Company Ltd.
- Morgan Stanley Asia (Singapore) Pte
- JP Morgan Funds – Emerging Markets Equity Fund
- Equinox Partners LP
- JP Morgan India Fund
- Abu Dhabi Investment Authority
- Eastspring Investments India Equity Open Ltd

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						
(Rs. billion)	FY11E	FY12E	FY13E	FY14P	FY18P	CAGR FY13-FY18P
Cars	466	503	508	471	1007	14-16%
Utility Vehicles	155	180	251	239	605	18-20%
Commercial Vehicles	402	471	414	309	900	16-18%
Two-Wheelers	77	97	106	123	243	17-19%
Total	1,100	1,251	1,279	1,142	2,755	16-18%

Source: CRISIL Research, Retail Finance - Auto, December 2013

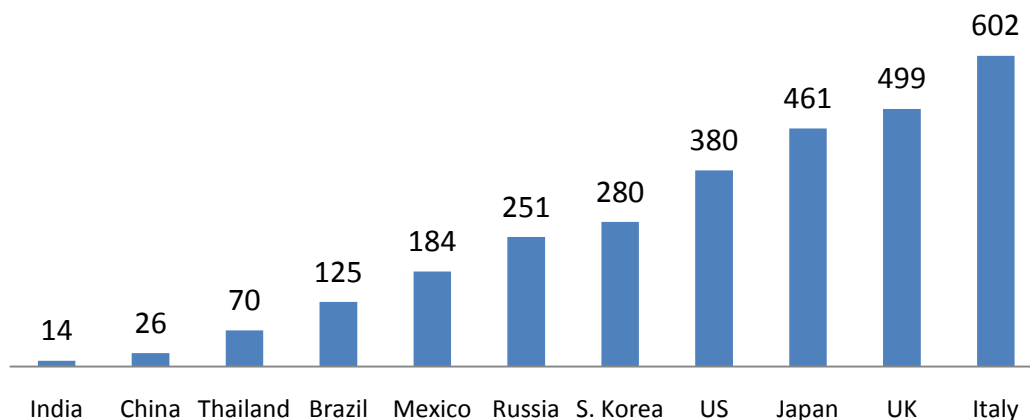
- By the fiscal year 2018, penetration levels are expected to increase to 76% for cars and 70% for utility vehicles from 75% and 66% respectively as a result of a moderation in interest rates and alleviation of credit risk
- Loan-to-value (LTVs) expected to increase marginally to 75% for cars and 71% for UVs from 74% and 70% respectively over the next 5 years

Auto Industry

Long term growth potential

	<u>FY03-08</u>	<u>FY08-13</u>	<u>FY14P</u>	<u>FY13-18P</u>
	CAGR (%)	CAGR (%)	(%)	CAGR (%)
Cars and Uvs	17	12	(6-8)	12-14
Tractors	12	12	16-18	7-9
CVs	21	10	(19-21)	12-14
2 wheelers	5	14	5-7	9-11

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 are expected to recover in 2014-15, led by economy recovery and lower petrol prices
- With 14 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, Auto presentation - Dec 2013

Note : (1) Data is for CY2011 for all countries except India. India estimates are for FY13.

Overall Demand Drivers

- 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

Auto Industry Volume

Domestic Sales (Volume in '000)	1QFY15 (Nos.)	1QFY14 (Nos.)	Y-o-Y Growth (%)	FY14 (Nos.)
Passenger Vehicles (PVs)				
Passenger Cars / Vans	444	434	2%	1,785
UVs	171	173	(1%)	716
Commercial Vehicles (CVs)				
M&HCVs	50	56	(11%)	201
LCVs	91	112	(19%)	432
Three Wheelers	121	109	11%	480

Source: Crisil

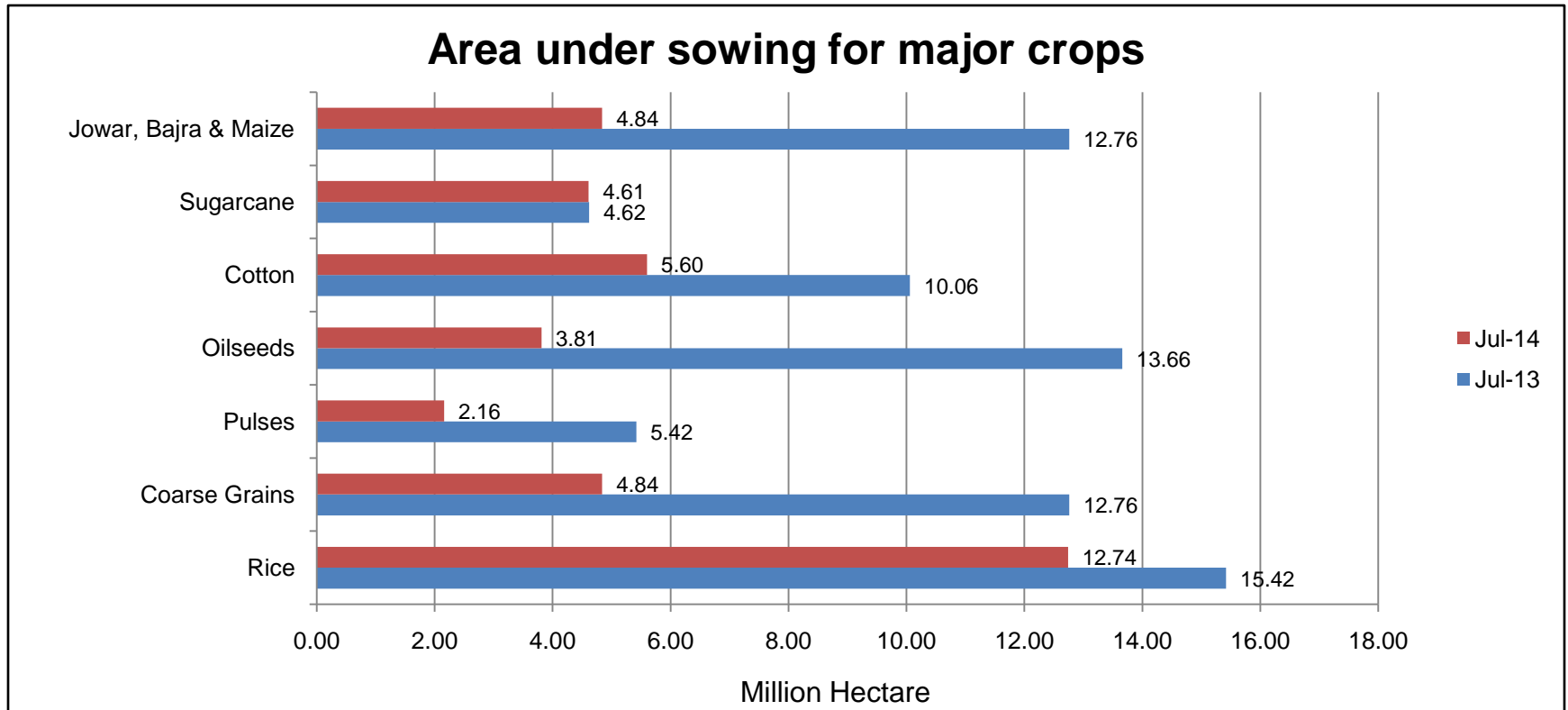
Monsoon Update

(till 23 Jul, 2014)

- Latest Monsoon data is not encouraging and showing a dismal picture
- Rainfall was normal in 14, deficient in 19 and scanty in 3 out of 36 meteorological sub-divisions
- The monsoon is deficient by about 26% in the southern Peninsula, 47% in Central India, 49% in North West India and 22% in East & Northeast India*.
- The country as a whole, Monsoon has been deficient by about 25%
- Late rainfall forces farmers to shift to short-duration crops resulting in lower yields and lower returns
- Weaker monsoons will also have a spill over impact on industry and services sector growth
- Private consumption demand (especially that led by farm incomes) could dampen to some extent

*Source: IMD website, *updated upto 16 Jul as per IMD weekly press release dated 18th July 2014*

Crop Sowing under Stress



- Rain deficit shrinks but Kharif cover below normal
- Water level in all 85 major reservoirs lower than the 10-year average
- Water level in 59 out of 85 major reservoirs below 40% of capacity

Business Strategy



*Transforming rural lives
across the country*

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

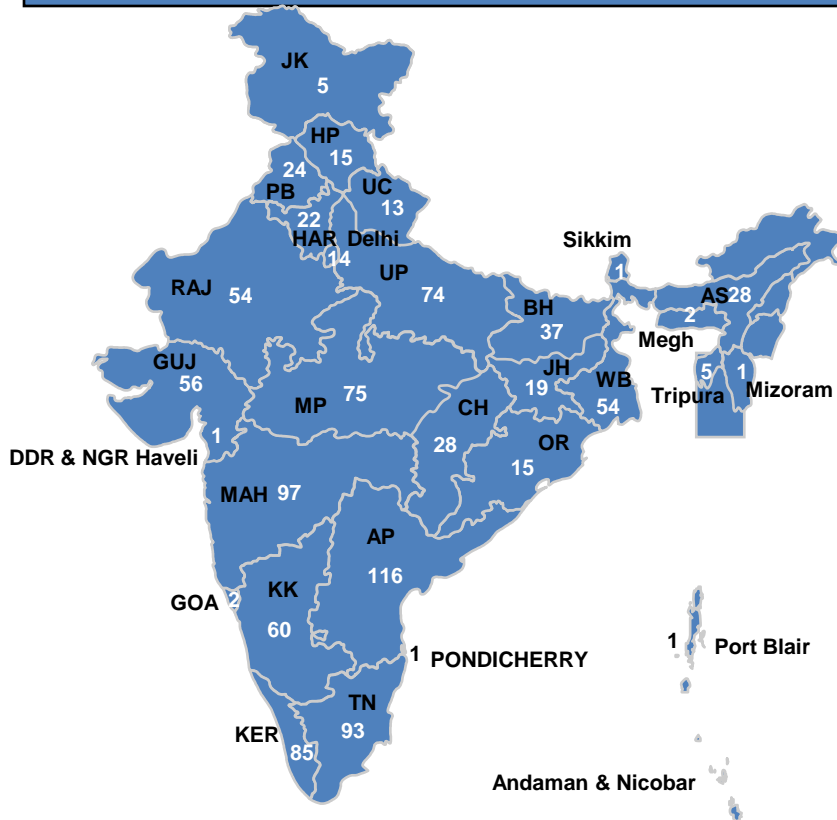
Effective use of technology to improve productivity

Leverage the “Mahindra” Ecosystem

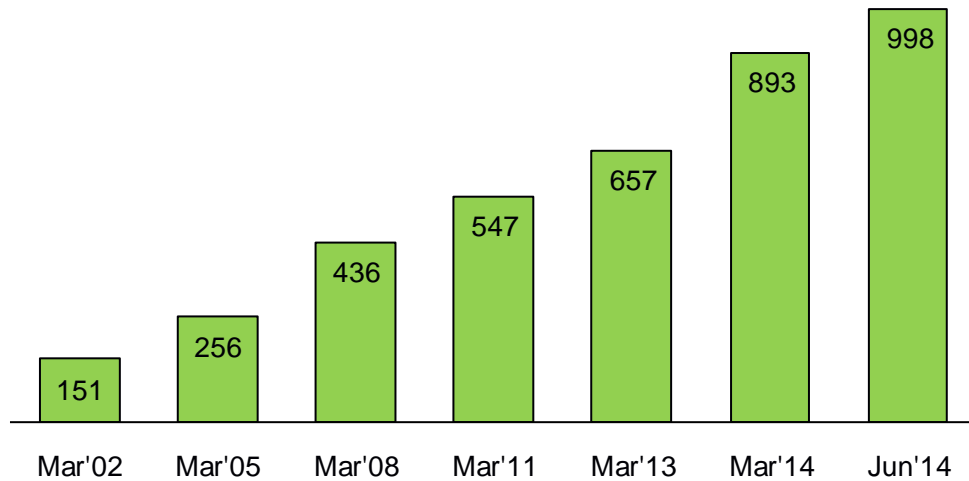
Extensive branch network

- MMFSL has an extensive branch network with presence in 25 states and 5 union territories in India through 998 offices as of June 30, 2014
 - 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	Quarter ended June – 14	Quarter ended June – 13	Year ended March – 14
Auto/ Utility vehicles	33%	30%	32%
Tractors	20%	21%	20%
Cars	22%	23%	22%
Commercial vehicles and Construction equipments	9%	13%	11%
Pre-owned vehicles and others	16%	13%	15%

Break up of AUM

Asset Class	As on June – 14	As on June – 13	As on March – 14
Auto/ Utility vehicles	30%	28%	29%
Tractors	19%	19%	19%
Cars	23%	24%	24%
Commercial vehicles and Construction equipments	14%	17%	15%
Pre-owned vehicles and others	14%	12%	13%

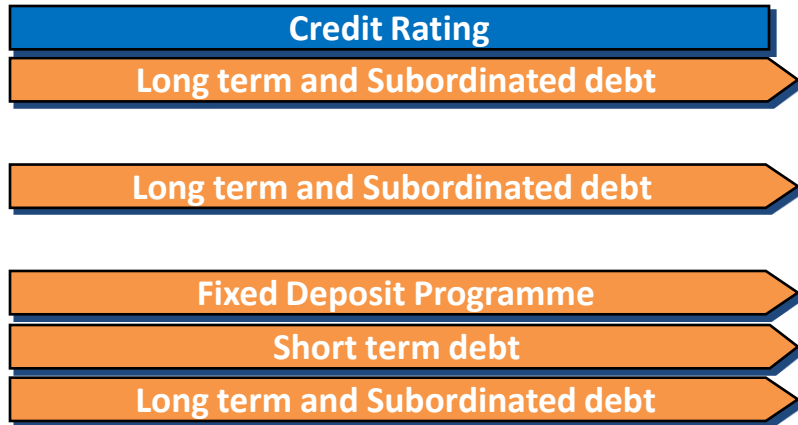
1. Approximate percentages

2. Dealer Advance/Trade Advance regrouped in Preowned vehicles and others, earlier included in respective Asset Class

3. As on 30th June 14, ~49% of the AUM was from M&M assets

Broad based Liability Mix

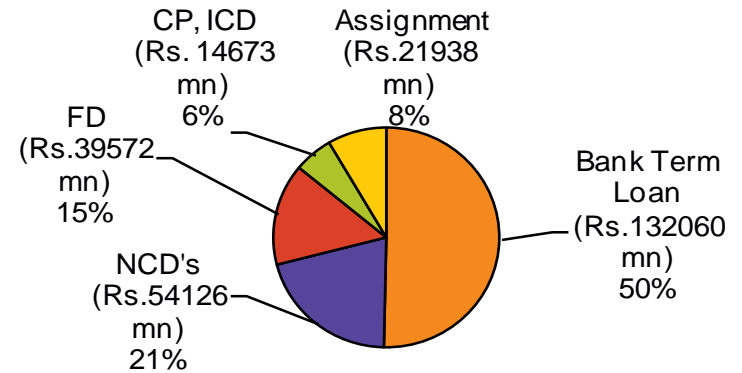
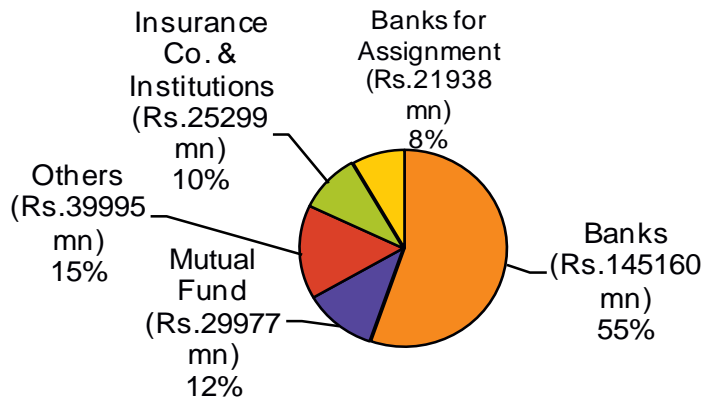
- MMFSL believes that its credit rating and strong brand equity enable it to borrow funds at competitive rates
- Total consortium size of Rs.15.3 Bn comprising several banks



India Ratings	Outlook
AAA (ind)	Stable
Brickwork	Outlook
AAA	Stable
CRISIL	Outlook
FAAA	Stable
A1+	--
AA+	Stable

Funding Mix by Investor profile (Jun' 14)

Funding Mix by type of Instrument (Jun' 14)



Total : Rs262.369 Bn

Total : Rs.262.369 Bn

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

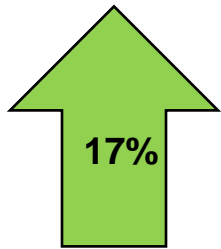


Key Financials

Q1FY15 Vs Q1FY14 (Figures on standalone basis)

Total income

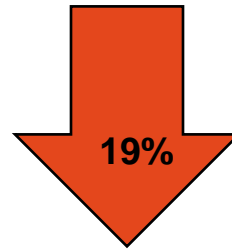
Rs 12,830 mn



Rs 10,985 mn

Profit after Tax

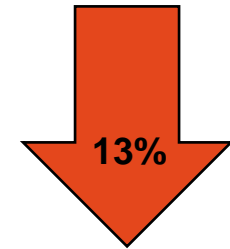
Rs 1,549 mn



Rs 1,912 mn

Value of Asset Financed

Rs 55,381 mn

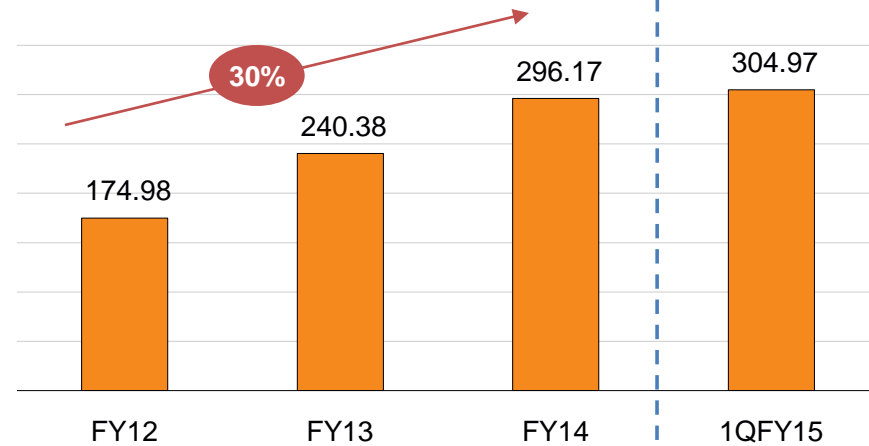


Rs 63,861 mn

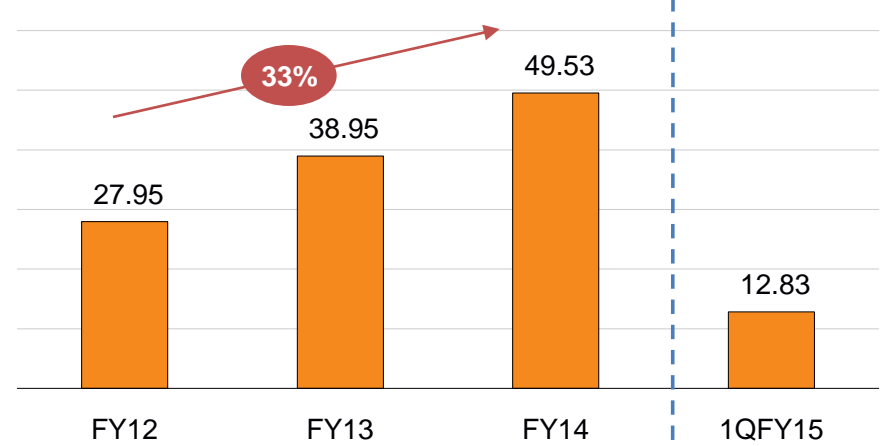
Growth Trajectory

Figures on standalone basis

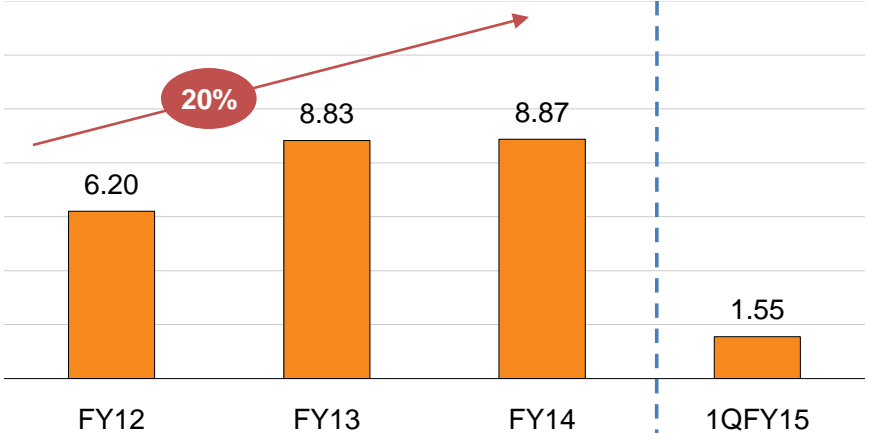
Loan Book (Rs. Bn)



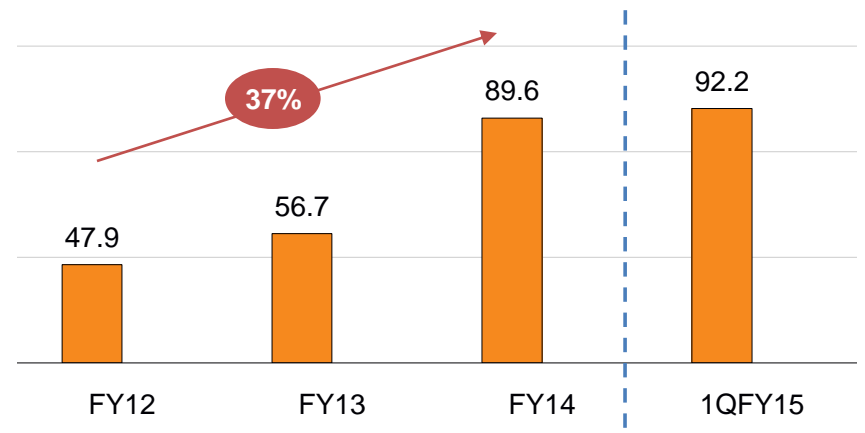
Revenues (Rs. Bn)



Profit after Tax ⁽¹⁾ (Rs. Bn)



Book Value Per Share ⁽²⁾ (Rs.)

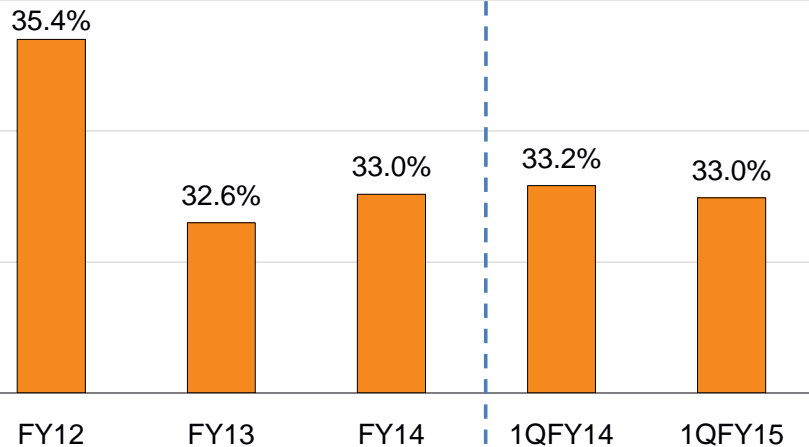


Note : 1 PAT post exceptional items 2. Calculated as Shareholders funds / Number of shares

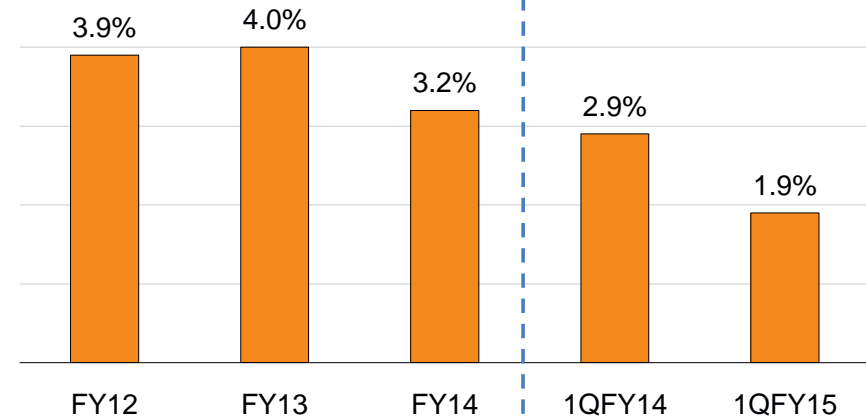
Financial Performance

Figures on standalone basis

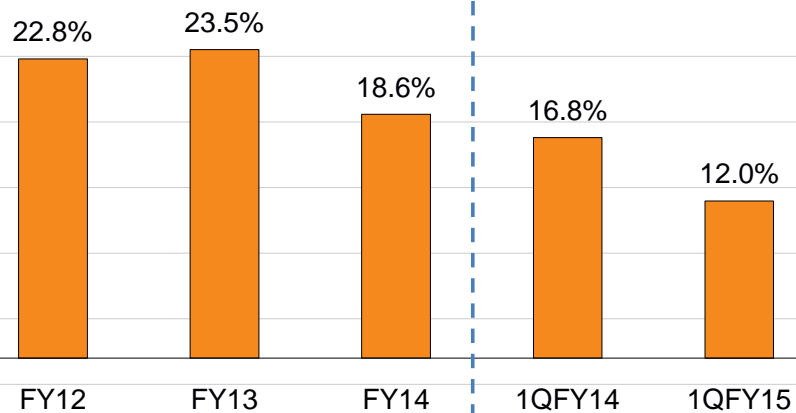
Cost to income ratio ⁽¹⁾ (%)



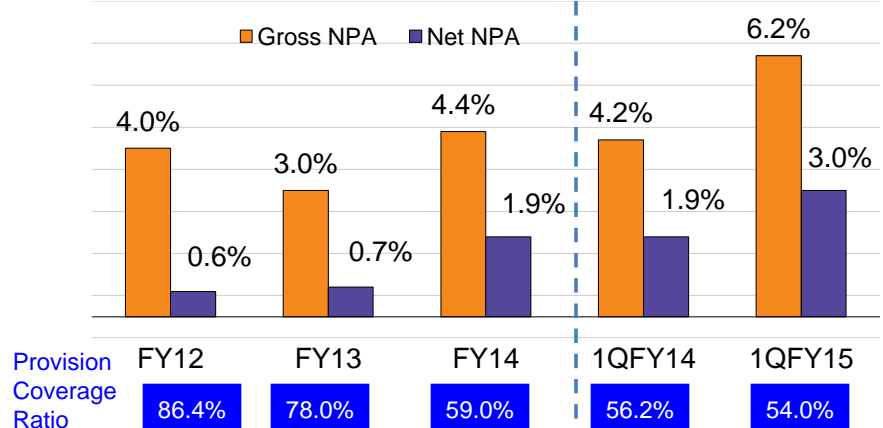
Return on Assets (ROA) ⁽²⁾ (%)



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 Calculated based on average networth

Standalone Profit & Loss Statement

Particulars (Rs. in Million)	Quarter ended June – 14	Quarter ended June – 13	Year ended March - 14
Revenue from operations	12,751	10,925	49,216
Other income	79	60	314
Total Revenue	12,830	10,985	49,530
Expenses:			
Employee benefits expense*	1,084	593	2,973
Finance costs	5,949	4,761	21,880
Depreciation and amortization expense	112	63	243
Provisions and write Offs	2,249	1,252	5,058
Other expenses*	1,074	1,409	5,918
Total Expenses	10,468	8,078	36,072
Profit before tax	2,362	2,907	13,458
Tax expense	813	995	4,586
Net Profit after Taxes for the year	1,549	1,912	8,872

Note : * Other expenses for the qtr ended 30 Jun14 includes Rs.23 mn (qtr ended 30 Jun13 : Rs.418 mn and year ended 31 Mar14: Rs.1501 mn) incurred towards professional fees for manpower services provided by MBCSPL.

Standalone Balance Sheet

Particulars (Rs. in Million)	As on Jun 30 2014	As on Jun 30 2013	As on Mar 31 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
a) Share Capital	1,127	1,126	1,127
b) Reserves and Surplus	51,340	45,340	49,815
Shareholders' funds	52,467	46,466	50,942
Non-current liabilities			
a) Long-term borrowings	158,306	137,162	169,032
b) Other Long-term liabilities	2,832	3,188	2,764
c) Long term provisions	3,533	3,500	3,180
Non-current liabilities	164,671	143,850	174,976
Current liabilities			
a) Short Term Borrowings	24,884	25,302	12,443
b) Trade payables	5,105	4,471	4,379
c) Other current liabilities	64,953	47,954	64,911
d) Short term provisions	10,538	7,215	9,006
Current liabilities	105,480	84,942	90,739
Total Equities and Liabilities	322,618	275,258	316,657

Standalone Balance Sheet (Cont'd)

Particulars (Rs. in Million)	As on Jun 30 2014	As on Jun 30 2013	As on Mar 31 2014
ASSETS			
Non-current assets			
a) Fixed Assets	1,109	1,081	1,195
b) Non-current investments	5,590	4,117	5,263
c) Deferred tax assets (Net)	3,317	2,411	3,151
d) Long-term loans and advances	158,418	139,129	157,795
e) Other non-current assets	95	1,271	1,359
Non-current assets	168,529	148,009	168,763
Current assets			
a) Current investments	459	691	3,429
b) Trade receivables	121	58	143
c) Cash and cash equivalents	6,403	3,541	5,533
d) Short-term loans and advances	146,556	122,397	138,375
e) Other current assets	550	562	414
Current assets	154,089	127,249	147,894
Total Assets	322,618	275,258	316,657

Mahindra Rural Housing Finance

Particulars (Rs. million)	Quarter ended June – 14	Quarter ended June – 13	Year ended March – 14
Loans disbursed	2,115	1,131	6,306
No. of Customer Contracts (Nos)	15,257	9,478	56,868
Outstanding loan book	15,190	9,645	13,550
Total income	674	422	2,125
PBT	79	35	368
PAT	52	26	271

- 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 9 States

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Quarter ended June – 14	Quarter ended June – 13	Year ended March – 14
Total income	266	247	1,112
Net premium	1,738	1,626	7,384
PBT	129	120	638
PAT	85	79	420
No. of Policies for the Period (nos.)	254,743	223,204	1,068,577
No. of employees (nos.)	665	493	613

- 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)	Quarter ended June – 14	Quarter ended June – 13	Year ended March - 14
Revenue from operations	13,768	11,647	52,753
Other income	76	60	253
Total Revenue	13,844	11,707	53,006
Expenses:			
Employee benefits expense	1,327	1,129	4,945
Finance costs	6,261	4,948	22,810
Depreciation and amortization expense	123	66	261
Provisions and write Offs	2,325	1,302	5,190
Other expenses	1,191	1,156	5,185
Total Expenses	11,227	8,601	38,391
Profit before tax	2,617	3,106	14,615
Tax expense	903	1,060	4,967
Profit for the year	1,714	2,046	9,648
Minority Interest	19	15	104
Net Profit after Taxes and Minority Interest	1,695	2,031	9,544

Consolidated Balance Sheet

Particulars (Rs. in Million)	As on Jun 30 2014	As on Jun 30 2013	As on Mar 31 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
a) Share Capital	1,127	1,126	1,127
b) Reserves and Surplus	53,416	46,787	51,810
Shareholders' funds	54,543	47,913	52,937
Minority Interest	375	283	365
Non-current liabilities			
a) Long-term borrowings	172,514	146,432	182,538
b) Other Long-term liabilities	2,838	3,188	2,770
c) Long term provisions	3,724	3,624	3,331
Non-current liabilities	179,076	153,244	188,639
Current liabilities			
a) Short Term Borrowings	29,305	28,373	15,103
b) Trade payables	5,260	4,551	4,507
c) Other current liabilities	69,799	51,443	69,812
d) Short term provisions	10,810	7,364	9,212
Current liabilities	115,174	91,731	98,634
Total Equities and Liabilities	349,168	293,171	340,575

Consolidated Balance Sheet (Cont'd)

Particulars (Rs. in Million)	As on Jun 30 2014	As on Jun 30 2013	As on Mar 31 2014
ASSETS			
Non-current assets			
a) Fixed Assets	1,189	1,152	1,287
b) Non-current investments	4,071	2,752	3,790
c) Deferred tax assets (Net)	3,351	2,455	3,254
d) Long-term loans and advances	179,512	153,369	177,299
e) Other non current assets	101	1,277	1,364
Non-current assets	188,224	161,005	186,994
Current assets			
a) Current investments	459	692	3,429
b) Trade receivables	185	117	229
c) Cash and cash equivalents	6,568	3,772	5,704
d) Short-term loans and advances	153,183	127,022	143,806
e) Other current assets	549	563	413
Current assets	160,944	132,166	153,581
Total Assets	349,168	293,171	340,575

Summary & Key Ratios

Figures on standalone basis

Particulars	Quarter ended June – 14	Quarter ended June – 13	Year ended March – 14
RONW (Avg. Net Worth)	12.0%	16.8%	18.6%
Debt / Equity	4.59:1	4.42:1	4.70:1
Capital Adequacy	18.1%	19.6%	18.0%
Tier I	15.6%	16.4%	15.5%
Tier II	2.5%	3.2%	2.5%
EPS (Basic) (Rs.)	2.75	3.40	15.75
Book Value (Rs.)	92.2	81.7	89.6
Dividend	--	--	190%
Assets Under Management (Rs. Mn)	342,707	295,394	341,331
New Contracts During the period (Nos)	119,524	138,477	561,862
No. of employees (on rolls)	12,741	4,229	9,349
No. of employees (outsourced from MBSCPL)	55	7,498	3,467

Spread Analysis

Figures on standalone basis

	Quarter ended June – 14	Quarter ended June – 13	Year ended March – 14
Total Income / Average Assets	16.3%	16.9%	17.7%
Interest / Average Assets	7.6%	7.2%	7.8%
Gross Spread	8.7%	9.7%	9.9%
Overheads / Average Assets	2.9%	3.3%	3.3%
Write offs & NPA provisions / Average Assets	2.9%	1.9%	1.8%
Net Spread	2.9%	4.5%	4.8%
Net Spread after Tax	1.9%	2.9%	3.2%

NPA Analysis

Figures on standalone basis

Particulars (Rs. million)	June – 14	June – 13	March – 14
Gross Non - Performing Assets	20,278	11,555	14,057
Less: NPA Provisions	10,954	6,493	8,301
Net Non – Performing Assets	9,324	5,062	5,756
Total Assets (Incl. NPA Provision)	325,318	276,810	318,622
Gross NPA to Total Assets(%)	6.2%	4.2%	4.4%
Net NPA to Total Assets(%)	3.0%	1.9%	1.9%
Coverage Ratio(%)	54.0%	56.2%	59.0%

Note: Above workings are excluding securitised/assigned portfolio



Key Risk Management Practices

*Transforming rural lives
across the country*

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

Disclaimer

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

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

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

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

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

