

# Mahindra & Mahindra Financial Services Limited

Quarter Result Update  
June - 2016

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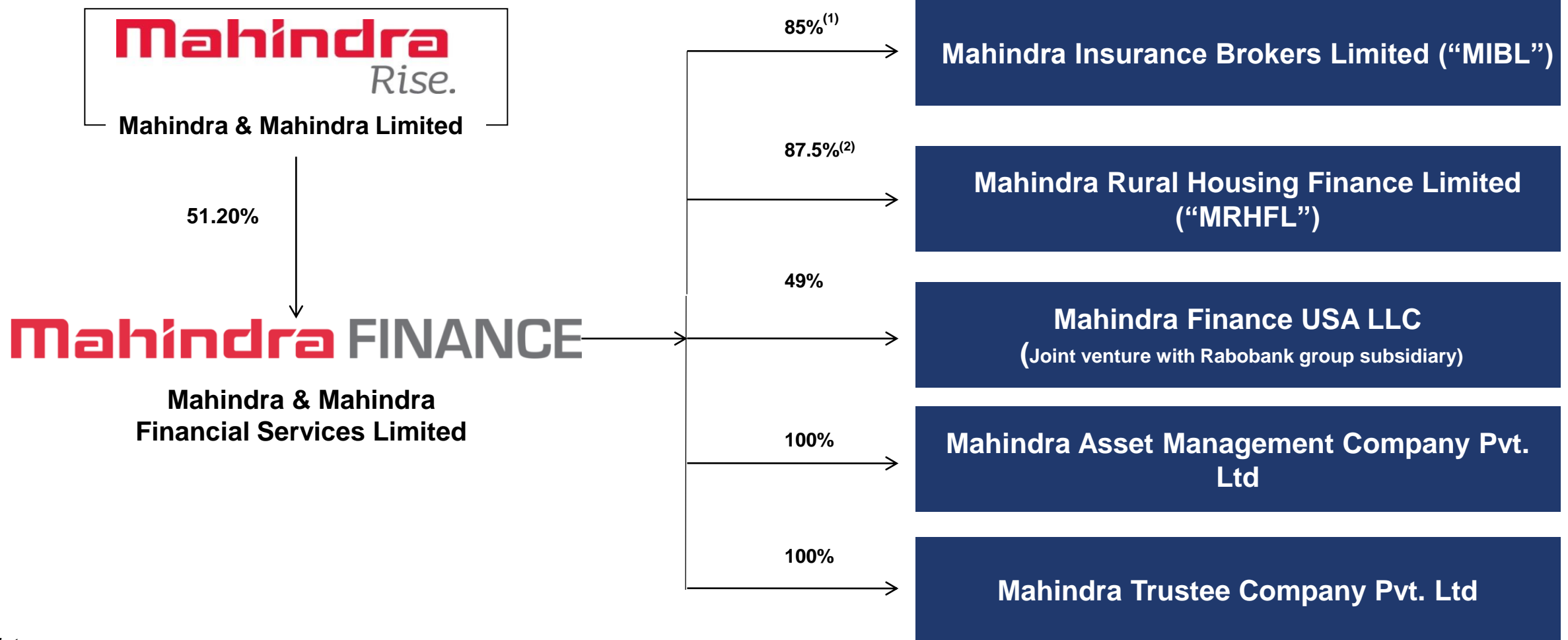


# Company Background

- Parentage:** Mahindra & Mahindra Financial Services Limited (“MMFSL”) is a subsidiary of Mahindra and Mahindra Limited (*Mcap: Rs 891 billion*)\*, India’s largest tractor and utility vehicle manufacturer
- About MMFSL:** MMFSL (*Mcap: Rs 180 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 1172 offices covering 26 states and 3 union territories in India, with over 4.25 million vehicle finance customer contracts since inception
- Credit Ratings:** 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 July 21, 2016 from BSE website*

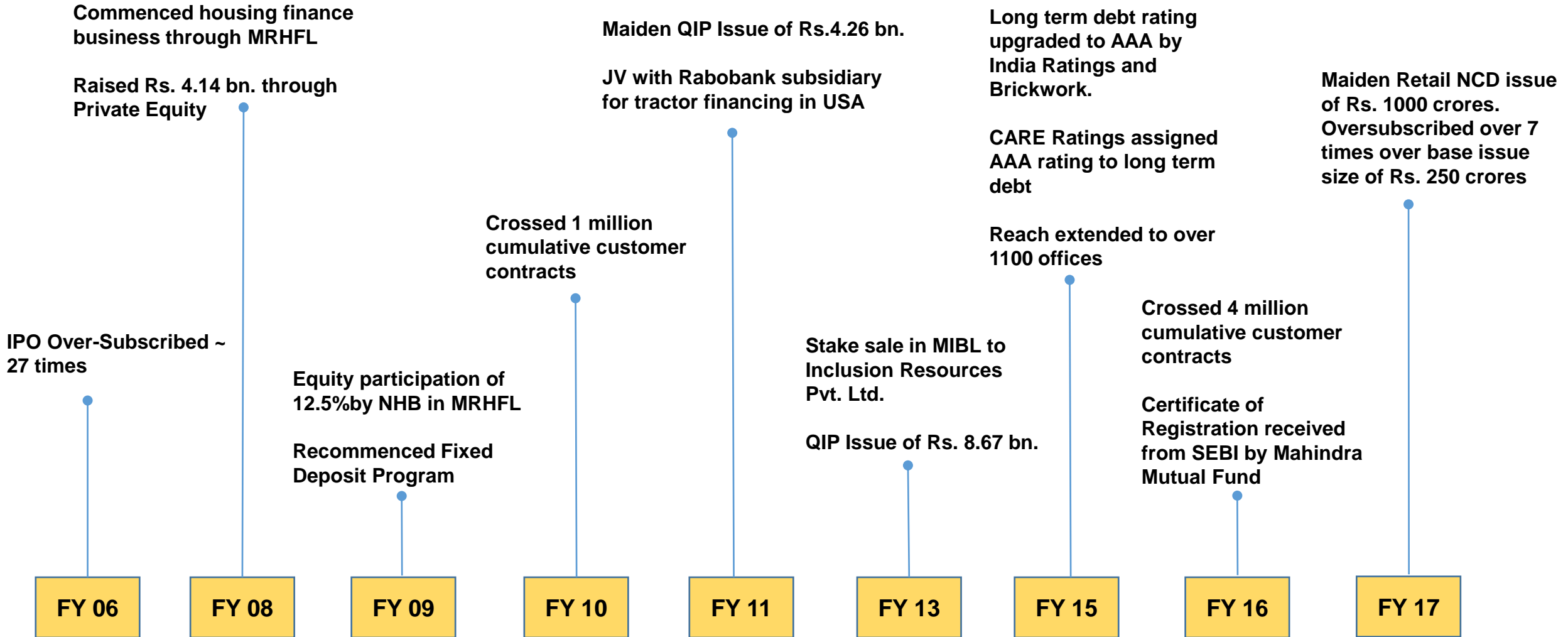
# MMFSL Group structure



**Note:**

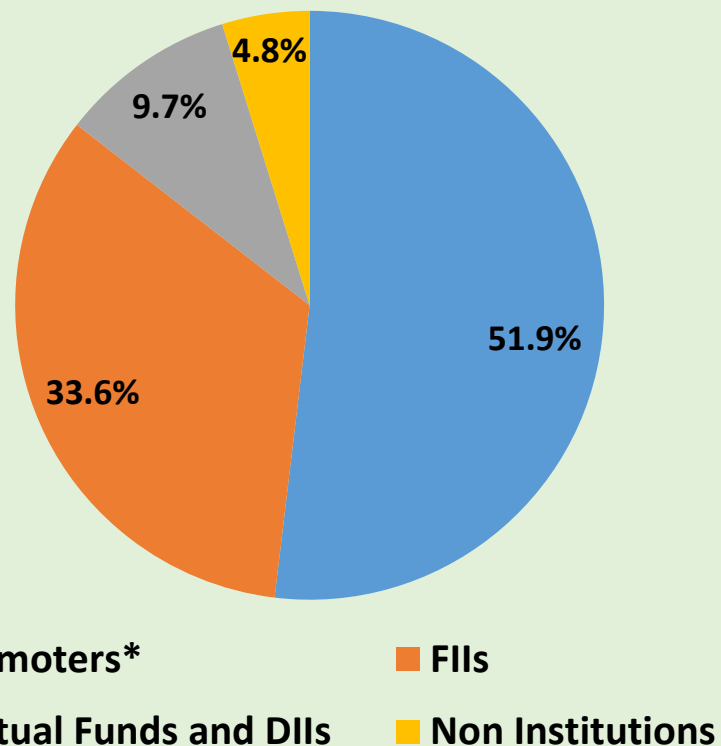
- 1. Balance 15% with Inclusion Resources Pvt. Ltd., a subsidiary of Leapfrog Financial Inclusion Fund, incorporated in Singapore.
- 2. Balance 12.5% with National Housing Bank (NHB)

# Our Journey



# Shareholding Pattern (as on 30<sup>th</sup> June 2016)

## Shareholding Pattern Chart



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

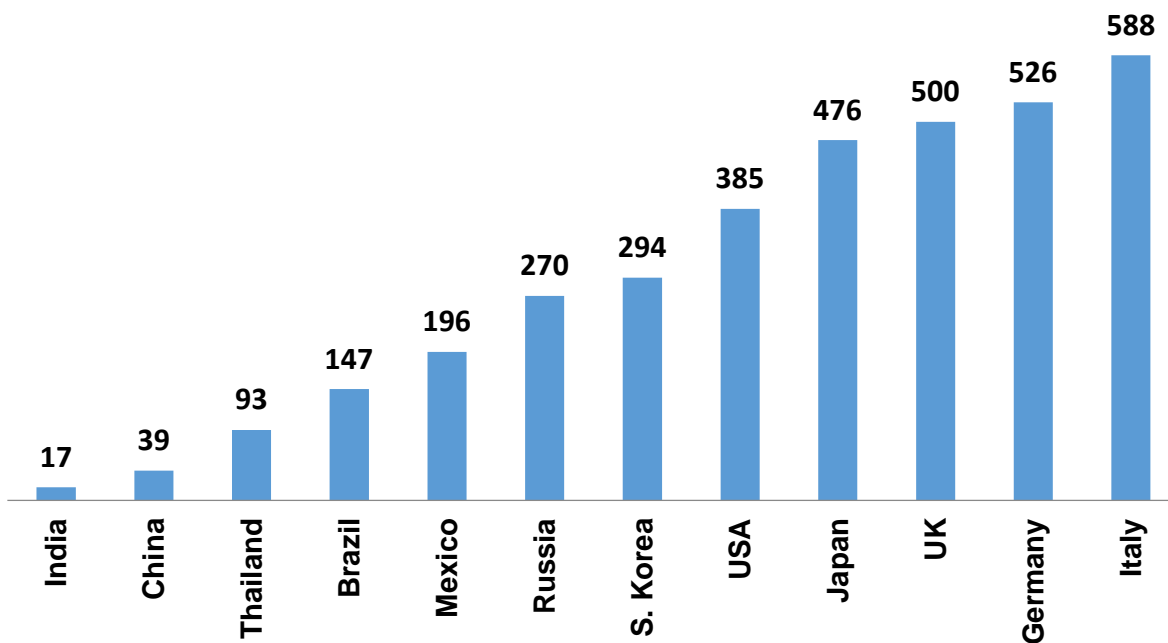
## Top 10 Public Shareholders

- Amansa Holdings Private Limited
- Aranda Investments (Mauritius) Pte Ltd
- Franklin Templeton Investment Funds
- Life Insurance Corporation Of India
- Government Of Singapore
- Bank Muscat S A O G A/C Bankmuscat India Fund
- Stichting Depository Apg Emerging Markets Equity
- UTI - Mid Cap Fund
- Morgan Stanley Mauritius Company Limited
- Vanguard Emerging Markets Stock Index Fund, Aserie

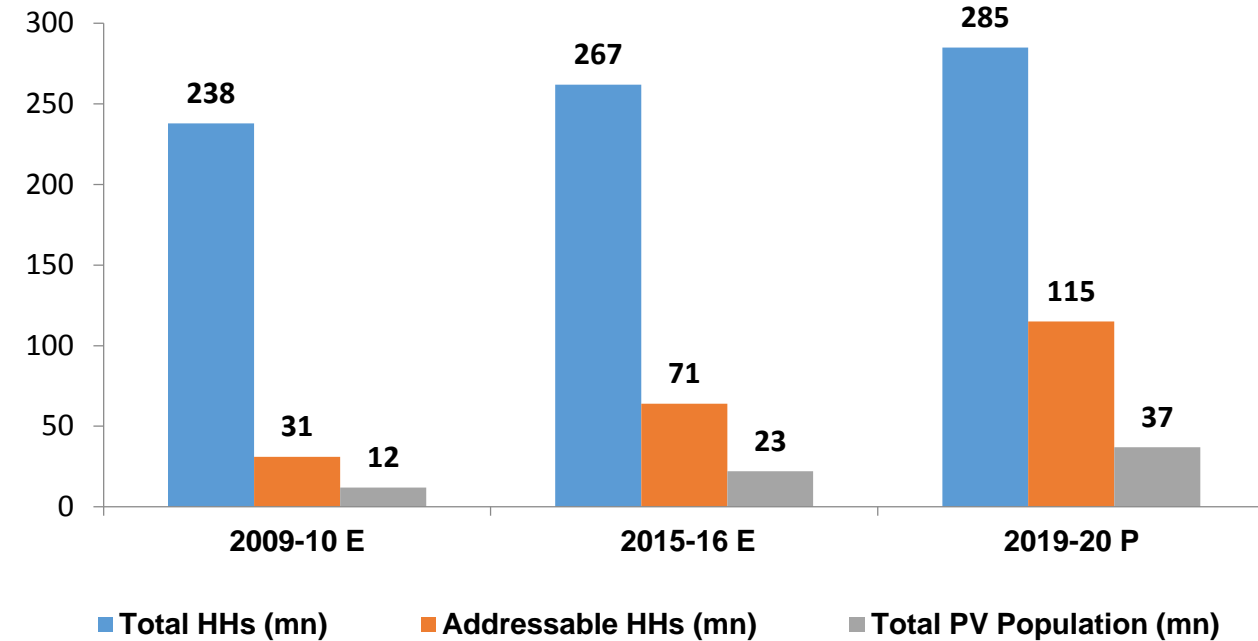


# Auto Industry: Long term growth potential

Global Comparison in terms of PV per thousand people <sup>(1)</sup>



Addressable HHs to increase over the next 5 years



- With 17 cars per 1000 people, India has strong long term growth prospects
- Growth to be driven by increase in income of households and higher passenger vehicle penetration, rising rural penetration to increase small car sales

Source: \*CRISIL Research

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



# Passenger Vehicles Industry: Overall Demand Drivers

	FY 06 – FY11	FY 11 – FY 16	FY 16 – FY 20
Small Cars	14%	2%	11% - 13%
Sedans	10%	-9%	8% - 10%
UV + Vans	12%	5%	12% - 14%
<b>Total (Cars + UVs)</b>	<b>13%</b>	<b>1%</b>	<b>11% - 13%</b>

- Small Cars to drive growth in the long term due to higher aspiration levels led by economy recovery and lower cost of ownership

	FY 2015		FY 2016		FY 2017 (E)
	Volume	Growth	Volume	Growth	Growth
Small Cars	1,854,882	5%	2,008,010	8%	9% - 10%
Sedans	22,279	5%	17,429	-22%	5% - 7%
UV + Vans	722,848	1%	764,208	6%	9% - 11%
<b>Total (Cars + UVs)</b>	<b>2,600,009</b>	<b>4%</b>	<b>2,789,969</b>	<b>7%</b>	<b>8% - 10%</b>

- Low single digit growth expected in larger vehicles - Impact of infrastructure cess and ban on diesel vehicles (over 2000 cc) in Delhi
- Implementation of 7<sup>th</sup> pay commission to support sale of small cars

# Commercial Vehicles Industry: Overall Demand Drivers

	FY 11 – FY 16	FY 16 – FY 20
LCV (goods)	6%	11% - 14%
MHCV (goods)	0%	10% - 12%
Buses	1%	8% - 10%
<b>Total (CV)</b>	<b>3%</b>	<b>10% - 13%</b>

- MHCV goods vehicle sales supported by growth in economic activity, export-import and freight traffic, construction activities etc.
- 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
HCV	231,838	16%	302,373	30%	16% - 18%
LCV	382,265	-12%	383,331	0.3%	7% - 9%
<b>Total (CV)</b>	<b>614,103</b>	<b>-3%</b>	<b>685,704</b>	<b>12%</b>	<b>10% - 12%</b>

- Rate of growth in CV vehicles has seen some slowdown.
- 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 20 (P)
	Volume	Growth	Volume	Growth	Growth	Growth
Tractors	551,463	-13%	493,764	-11%	10% - 12%	8% - 10%

Accumulated Rainfall	Period: 01-06-2016 - 19-07-2016		
MET Regions (Sub-divisions)	Actual (mm)	Normal (mm)	% Dep.
East & North East (7)	520	627	-17%
North West (9)	214	196	10%
Central India (10)	411	360	14%
South Peninsula (10)	302	291	4%
<b>India (36)</b>	<b>346</b>	<b>338</b>	<b>2%</b>

- Strong growth of upwards of 10% expected in the current year, after 2 years of below – average rainfall
- East & North-East is still below their normal rainfall levels.
- Out of the total of 36 sub-divisions, no sub-division is suffering from scanty or no-rainfall (6 sub-divisions still has deficient rainfall).

- Tractor Financing Market has improved significantly on the back of expectation of good monsoon and improvement of farmers sentiment

# Auto Industry Volume

Domestic Sales (Volume in '000)	1QFY17 (Nos.)	1QFY16 (Nos.)	Y-o-Y Growth (%)	FY16 (Nos.)	FY15 (Nos.)	Y-o-Y Growth (%)
<b>Passenger Vehicles (PVs)</b>						
Passenger Cars / Vans	476	482	(1.4%)	2,025	1,877	7.9%
UVs	221	171	29.5%	764	723	5.7%
<b>Commercial Vehicles (CVs)</b>						
M&HCVs	71	62	14.5%	302	232	30.2%
LCVs	96	86	11.9%	382	382	0%
<b>Three Wheelers</b>	<b>140</b>	<b>113</b>	<b>23.4%</b>	<b>538</b>	<b>532</b>	<b>1.1%</b>
<b>Tractors</b>	<b>164</b>	<b>143</b>	<b>14.8%</b>	<b>494</b>	<b>551</b>	<b>(10.3%)</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%	15%	15% - 17%	17% - 19%
Utility Vehicles	16%	39%	-6%	1%	16%	16% - 18%	20% - 22%
Commercial Vehicles	17%	-14%	-24%	10%	28%	20% - 22%	14% - 16%
Two Wheelers	27%	10%	16%	4%	7%	15% - 17%	17% - 19%

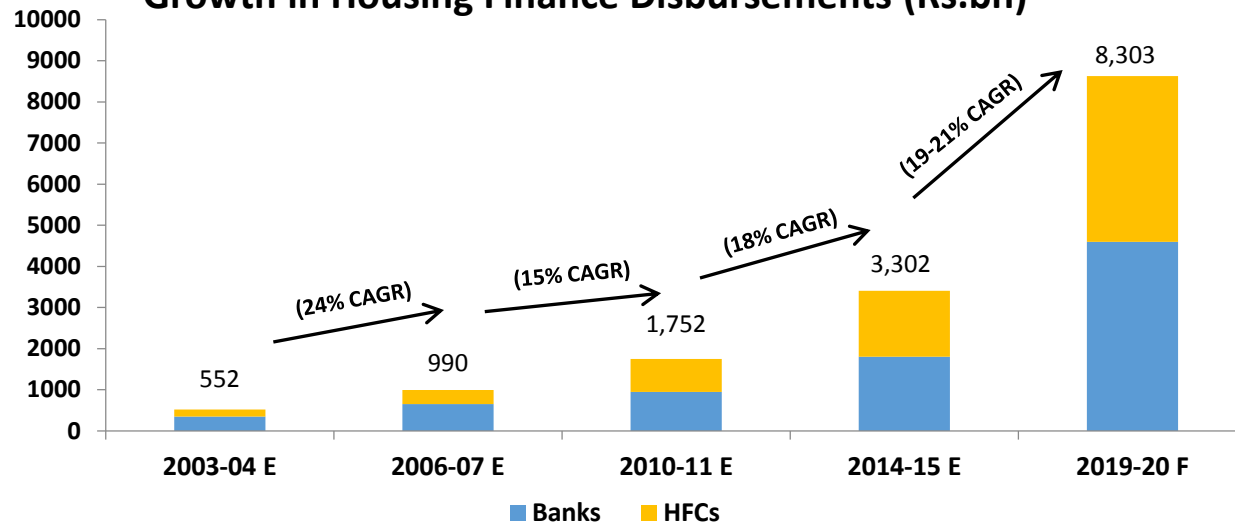
Source: CRISIL Research, Retail Finance – Auto - July 2016

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

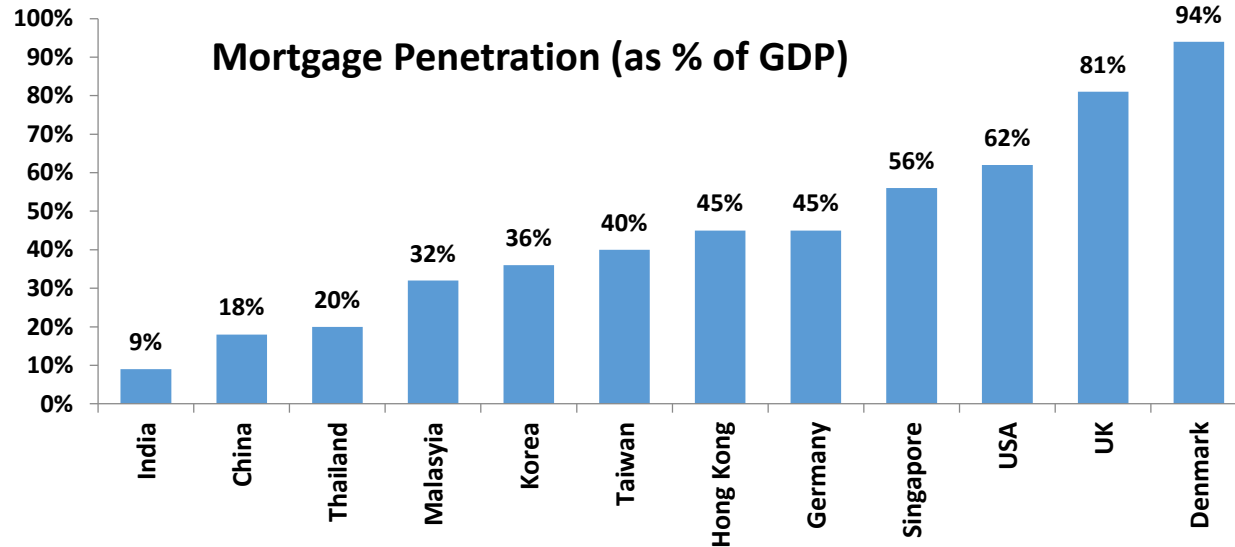
- By FY 2020, penetration levels are expected to increase to 78% for cars and 75% for utility vehicles from 76% and 70% respectively as a result of a moderation in interest rates and alleviation of credit risk
- Increase of finance penetration in cities (excluding top 20) are going to contribute in the overall growth
- Loan-to-value (LTVs) expected to increase marginally to 77% for cars and 74% for UVs from 75% and 72% respectively over the next 5 years

# 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



- 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



**Company Overview**

**Industry Overview**

**Business Strategy**

**Financial Information**

**Key Subsidiaries**

**Awards & Accolades**

**Risk Management Policies**

***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**

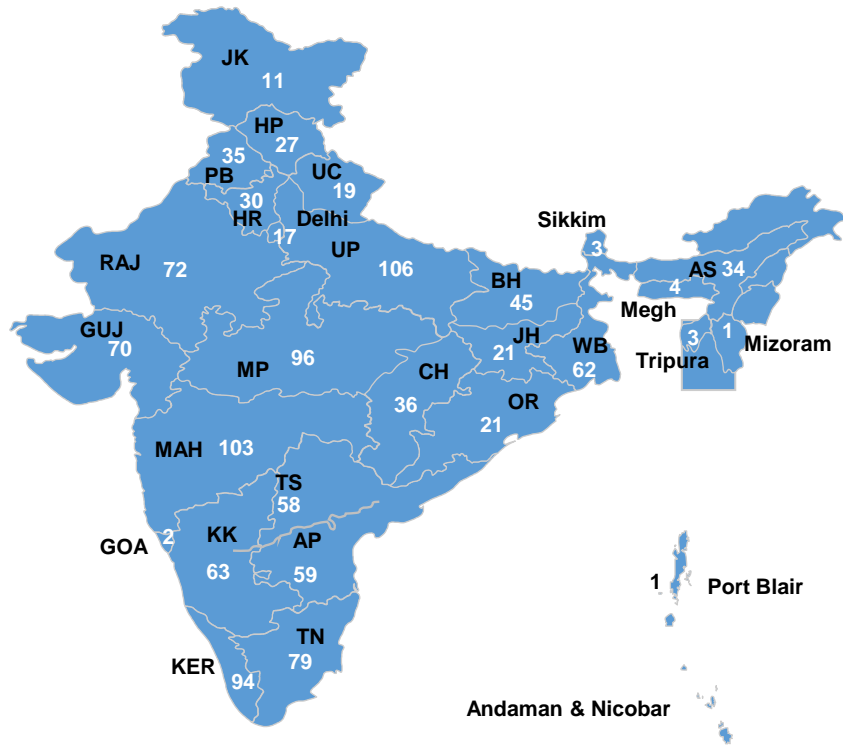
**Leverage the “Mahindra” Ecosystem**



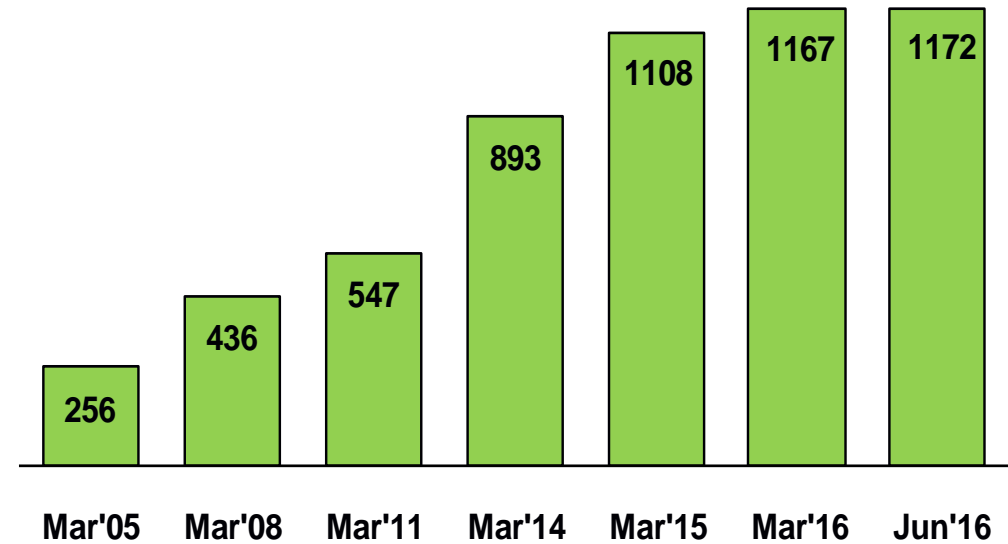
# Extensive Branch Network

- Extensive branch network with presence in 26 states and 3 union territories in India through 1172 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	Quarter ended June – 16	Quarter ended June – 15	Year ended March – 16
Auto/ Utility vehicles	29%	31%	30%
Tractors	17%	16%	15%
Cars	22%	24%	22%
Commercial vehicles and Construction equipments	13%	10%	11%
Pre-owned vehicles	14%	16%	16%
Others*	5%	3%	6%

\* Others include SME assets

# Break up of AUM

Asset Class	As on June – 16	As on June – 15	As on March – 16
Auto/ Utility vehicles	31%	31%	31%
Tractors	17%	18%	17%
Cars	24%	23%	24%
Commercial vehicles and Construction equipments	13%	13%	12%
Pre-owned vehicles	9%	10%	10%
Others*	6%	5%	6%

1. Approximate percentages

2. As on 30<sup>th</sup> June 16, ~48% of the AUM was from M&M assets

\* Others include SME 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.15,300 mn. comprising several banks

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

Investor Type	Amount (INR mn.)	% Share
Mutual Fund	57,884	19%
Banks	125,861	40%
Insurance Companies	67,325	22%
Securitization/ Assignment to Banks	12,603	4%
Others	48,279	15%
<b>Total</b>	<b>311,952</b>	<b>100%</b>

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

Instrument Type	Amount (INR mn.)	% Share
NCDs	113,156	36%
Retail NCDs	10,000	3%
Bank Term Loan	103,314	33%
Fixed Deposit	46,686	15%
Securitization/ Assignment	12,603	4%
CP, ICD	26,193	9%
<b>Total</b>	<b>311,952</b>	<b>100%</b>

Successfully placed Retail NCD worth Rs. 1000 crores. The issue was over-subscribed 7.4x on the base issue size of Rs. 250 crores

# 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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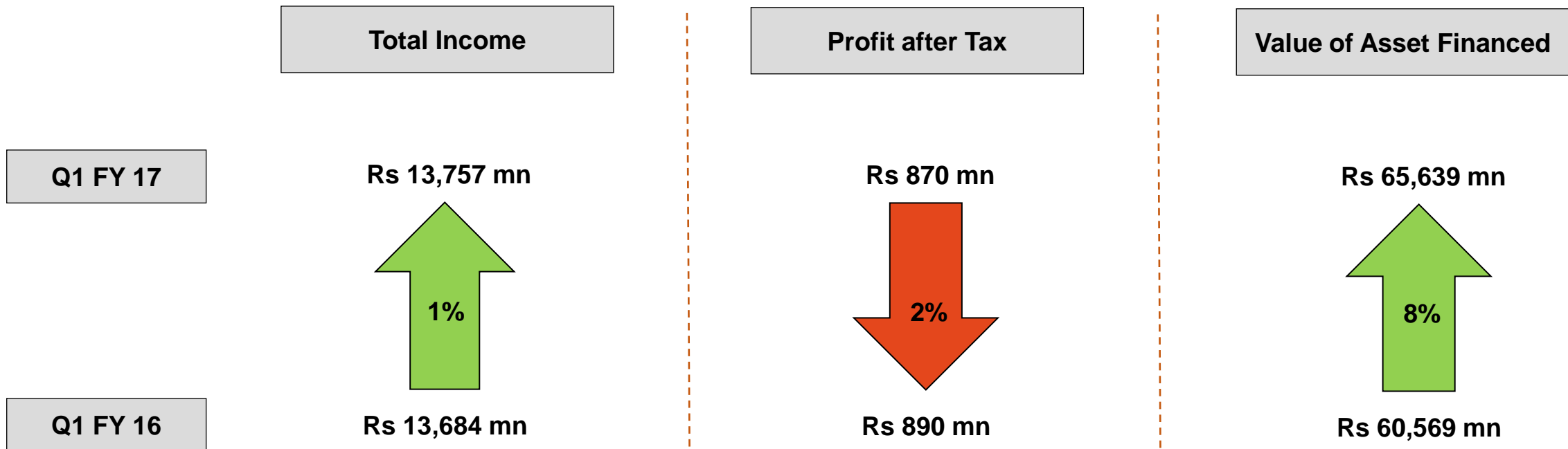
**Risk Management Policies**

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



# Key Financials

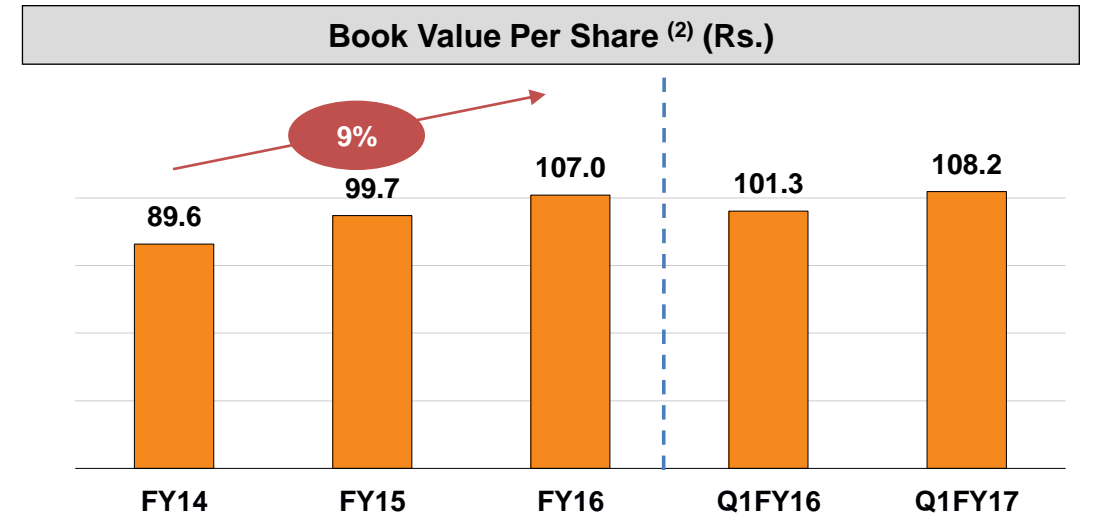
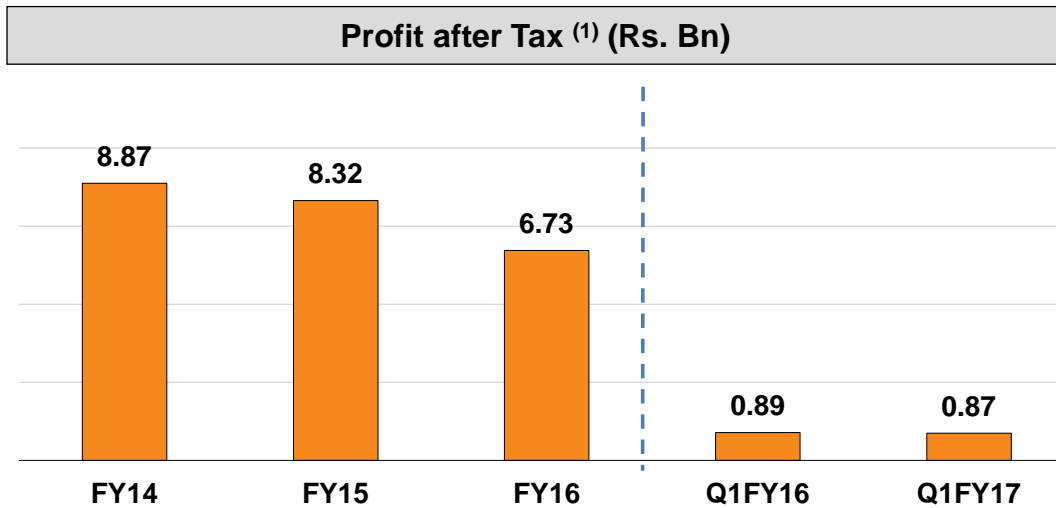
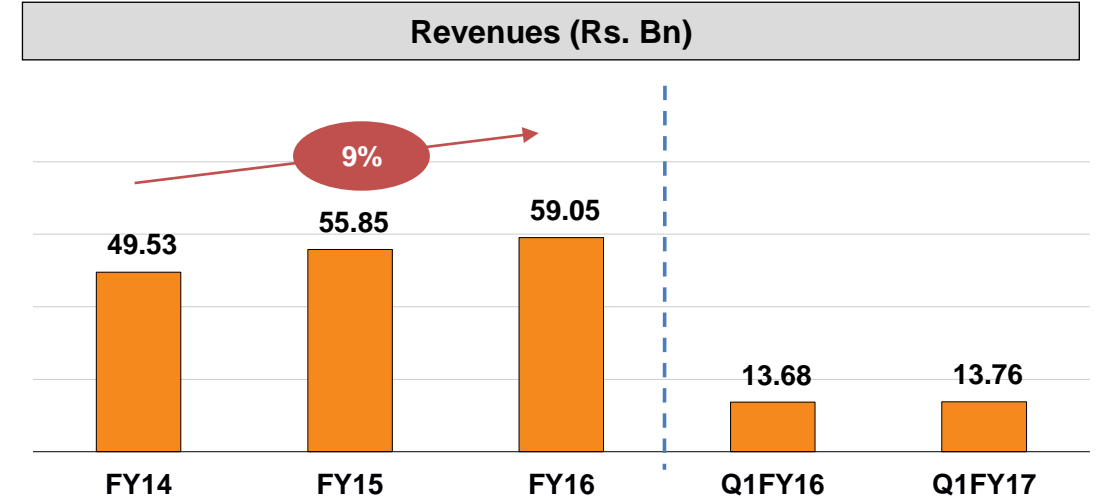
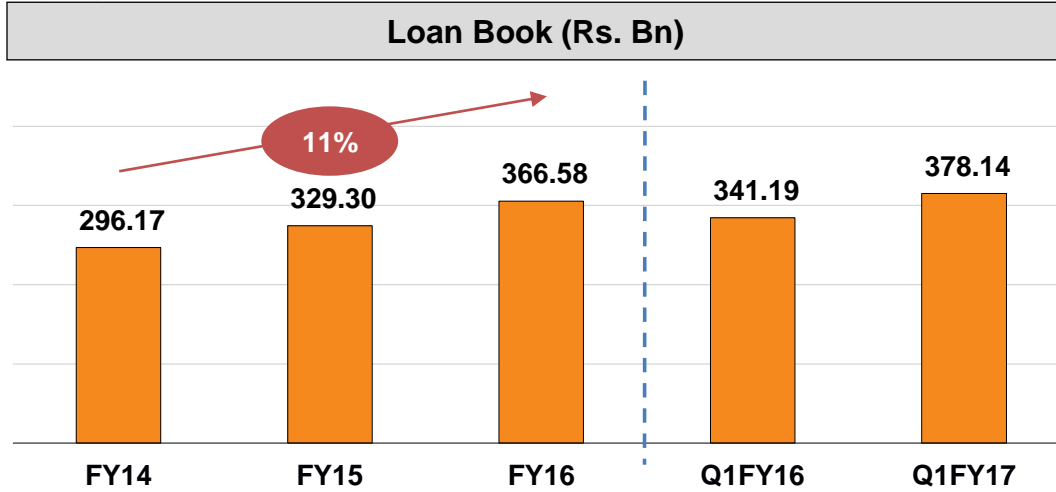
Figures on standalone basis



\* Note: The Company is required to recognise NPA based on four months overdue by end of FY 2017, which the Company has been following w.e.f. quarter ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 918 mn in the current quarter (including income de-recognition) as compared to quarter ended June 30, 2015 (NPA recognised on a 5 months basis)

# Growth Trajectory

Figures on standalone basis



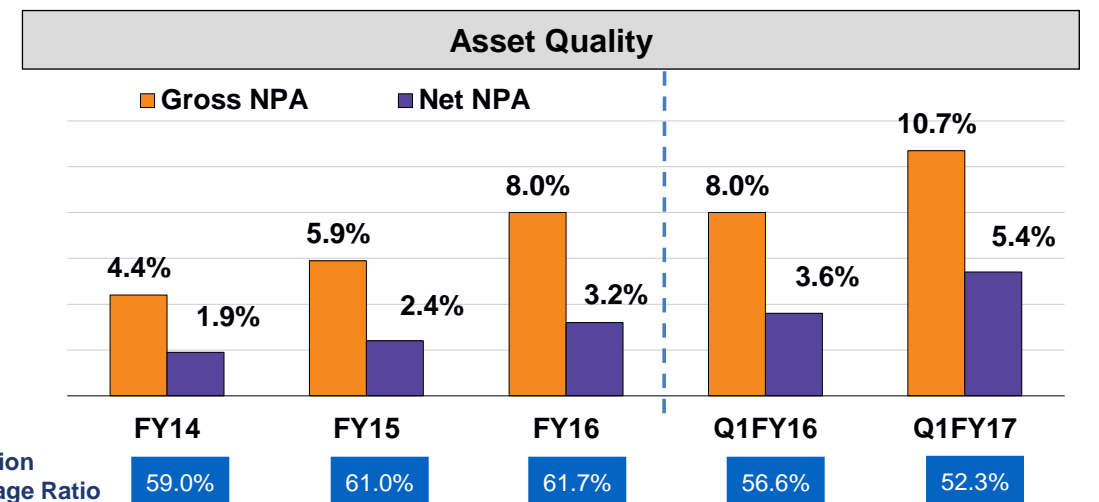
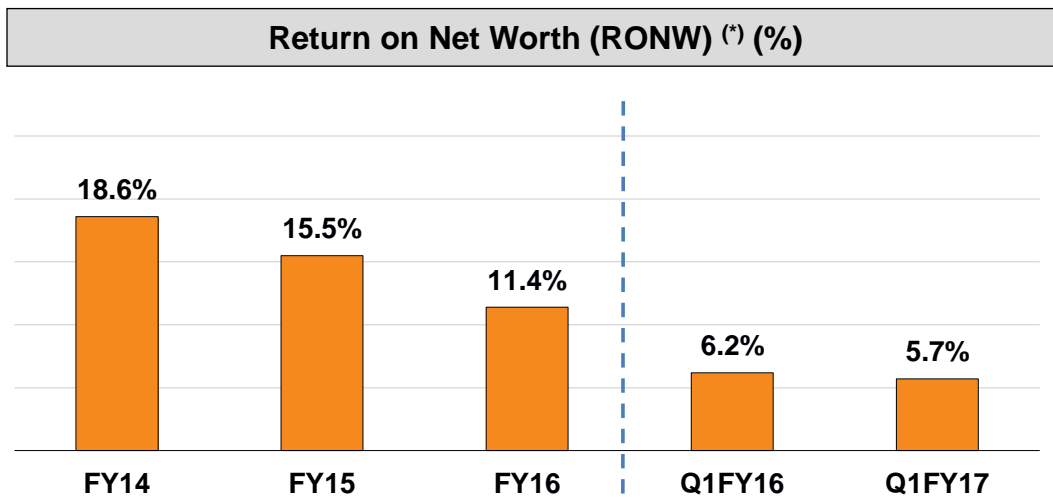
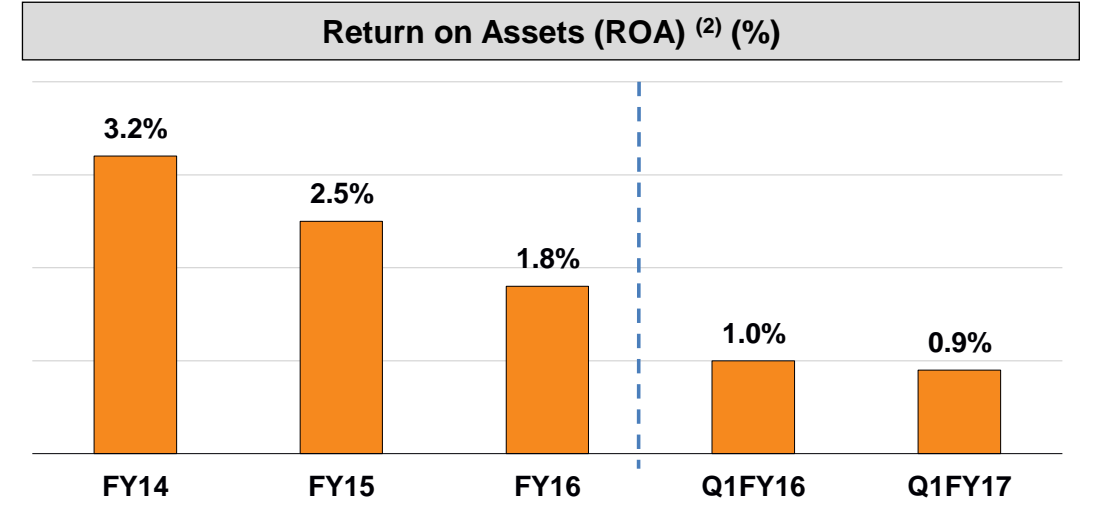
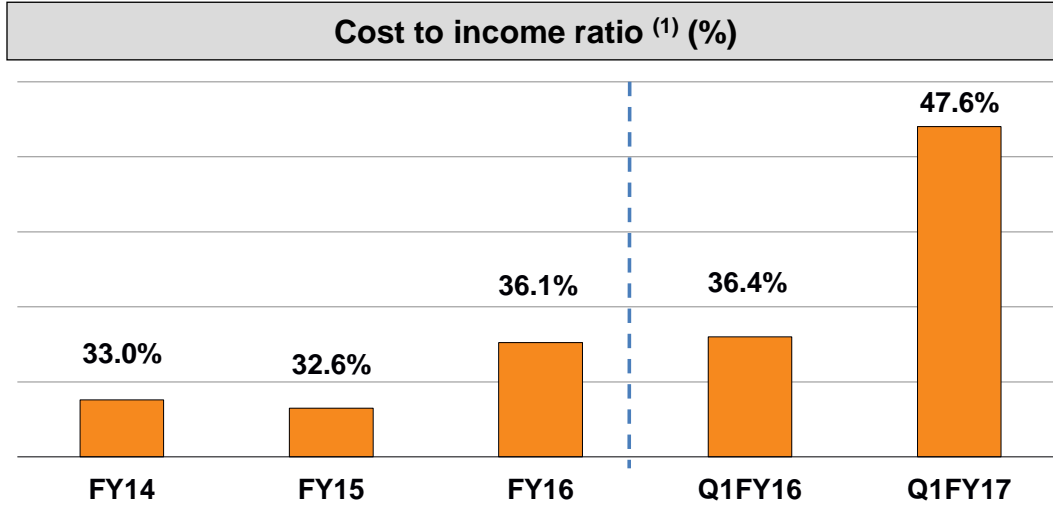
Note : <sup>(1)</sup> PAT post exceptional items.

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

\* All figures and ratios are post additional provision of Rs. 918 mn (including income de-recognition). Please refer to detailed note on Slide 25.

# Financial Performance

Figures on standalone basis



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

\* All figures and ratios are post additional provision of Rs. 918 mn (including income de-recognition). Please refer to detailed note on Slide 25.

# Standalone Profit & Loss Account

Particulars (Rs. in Million)	Q1FY17	Q4FY16	Q-o-Q	Q1FY16	Y-o-Y	FY16
Revenue from operations	13,603	15,995	(15.0%)	13,163	3.3%	56,468
Securitisation Income (net)	61	726	(91.6%)	445	(86.3%)	2,064
Less: Finance cost	6,910	6,711	3.0%	6,445	7.2%	26,393
<b>NII</b>	<b>6,754</b>	<b>10,010</b>	<b>(32.5%)</b>	<b>7,163</b>	<b>(5.7%)</b>	<b>32,139</b>
Other Income	93	176	(47.4%)	76	21.8%	519
<b>Total Income</b>	<b>6,847</b>	<b>10,186</b>	<b>(32.8%)</b>	<b>7,239</b>	<b>(5.4%)</b>	<b>32,658</b>
Employee benefits expense*	1,675	1,556	7.7%	1,294	29.5%	5,588
Provisions and write Offs	2,245	1,089	106.2%	3,228	(30.4%)	10,495
Other expenses*	1,479	1,730	(14.5%)	1,243	19.0%	5,784
Depreciation and amortization	106	105	1.4%	98	8.6%	409
<b>Total Expenses</b>	<b>5,506</b>	<b>4,480</b>	<b>22.9%</b>	<b>5,863</b>	<b>(6.1%)</b>	<b>22,276</b>
<b>Profit before tax</b>	<b>1,341</b>	<b>5,706</b>	<b>(76.5%)</b>	<b>1,376</b>	<b>(2.5%)</b>	<b>10,382</b>
Tax expense	472	2,003	(76.5%)	486	(3.0%)	3,656
<b>Net Profit after Taxes for the year</b>	<b>870</b>	<b>3,703</b>	<b>(76.5%)</b>	<b>890</b>	<b>(2.3%)</b>	<b>6,726</b>

\* All figures and ratios are post additional provision of Rs. 918 mn (including income de-recognition). Please refer to detailed note on Slide 25.

# Standalone Balance Sheet

Particulars (Rs. in Million)	As on Jun 30, 2016	As on Jun 30, 2015	As on Mar 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share Capital	1,129	1,128	1,129
b) Reserves and Surplus	60,417	56,498	59,752
<b>Shareholders' funds</b>	<b>61,546</b>	<b>57,626</b>	<b>60,881</b>
<b>Non-current liabilities</b>			
a) Long-term borrowings	1,80,286	1,68,287	1,73,317
b) Other Long-term liabilities	4,603	3,511	4,326
c) Long term provisions	5,074	4,077	4,482
<b>Non-current liabilities</b>	<b>1,89,963</b>	<b>1,75,875</b>	<b>1,82,125</b>
<b>Current liabilities</b>			
a) Short Term Borrowings	37,157	42,366	43,469
b) Trade payables	5,894	5,017	4,789
c) Other current liabilities	94,148	68,344	89,462
d) Short term provisions	16,343	13,262	15,069
<b>Current liabilities</b>	<b>1,53,542</b>	<b>1,28,989</b>	<b>1,52,789</b>
<b>Total Equities and Liabilities</b>	<b>4,05,051</b>	<b>3,62,490</b>	<b>3,95,795</b>

# Standalone Balance Sheet (Contd.)

Particulars (Rs. in Million)	As on Jun 30, 2016	As on Jun 30, 2015	As on Mar 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed Assets	1,161	1,106	1,135
b) Non-current investments	9,916	7,914	9,923
c) Deferred tax assets (Net)	6,133	4,280	5,853
d) Long-term loans and advances	1,86,384	1,71,388	1,84,172
e) Other non-current assets	547	2,848	518
<b>Non-current assets</b>	<b>2,04,141</b>	<b>1,87,536</b>	<b>2,01,601</b>
<b>Current assets</b>			
a) Current investments	2,612	937	4,910
b) Trade receivables	49	49	51
c) Cash and cash equivalents	5,475	3,748	5,890
d) Short-term loans and advances	1,91,752	1,69,805	1,82,406
e) Other current assets	1,022	415	937
<b>Current assets</b>	<b>2,00,910</b>	<b>1,74,954</b>	<b>1,94,194</b>
<b>Total Assets</b>	<b>4,05,051</b>	<b>3,62,490</b>	<b>3,95,795</b>

# Consolidated Profit & Loss Account

Particulars (Rs. in Million)	Quarter ended June – 16	Quarter ended June 15	Year ended March - 16
Revenue from operations	15,679	15,046	65,539
Other income	107	80	436
<b>Total Revenue</b>	<b>15,786</b>	<b>15,126</b>	<b>65,975</b>
<b>Expenses:</b>			
Employee benefits expense	2,104	1,593	7,041
Finance costs	7,639	6,927	28,683
Depreciation and amortization expense	122	109	457
Provisions and write Offs	2,475	3,375	10,982
Other expenses	1,732	1,424	6,571
<b>Total Expenses</b>	<b>14,072</b>	<b>13,428</b>	<b>53,734</b>
<b>Profit before tax</b>	<b>1,713</b>	<b>1,698</b>	<b>12,241</b>
Tax expense	612	601	4,367
<b>Profit for the year</b>	<b>1101</b>	<b>1,097</b>	<b>7,874</b>
Minority Interest	25	23	151
<b>Net Profit after Taxes and Minority Interest</b>	<b>1076</b>	<b>1,074</b>	<b>7,723</b>

\* All figures and ratios are post additional provision of Rs. 918 mn (including income de-recognition). Please refer to detailed note on Slide 25.

# Consolidated Balance Sheet

Particulars (Rs. in Million)	As on Jun 30, 2016	As on Jun 30, 2015	As on Mar 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share Capital	1,129	1,128	1,129
b) Reserves and Surplus	64,481	59,444	63,565
<b>Shareholders' funds</b>	<b>65,610</b>	<b>60,572</b>	<b>64,694</b>
<b>Minority Interest</b>	<b>700</b>	<b>516</b>	<b>675</b>
<b>Non-current liabilities</b>			
a) Long-term borrowings	2,12,604	1,90,267	2,03,412
b) Other Long-term liabilities	4,604	3,511	4,326
c) Long term provisions	5,635	4,400	4,919
<b>Non-current liabilities</b>	<b>2,22,843</b>	<b>1,98,178</b>	<b>2,12,657</b>
<b>Current liabilities</b>			
a) Short Term Borrowings	47,252	49,209	52,175
b) Trade payables	6,206	5,199	5,073
c) Other current liabilities	105,008	75,722	99,103
d) Short term provisions	16,954	13,686	15,691
<b>Current liabilities</b>	<b>1,75,420</b>	<b>1,43,816</b>	<b>1,72,042</b>
<b>Total Equities and Liabilities</b>	<b>4,64,575</b>	<b>4,03,082</b>	<b>4,50,068</b>



# Consolidated Balance Sheet (Contd.)

Particulars (Rs. in Million)	As on Jun 30, 2016	As on Jun 30, 2015	As on Mar 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed Assets	1,332	1,199	1,291
b) Non-current investments	6,399	5,807	6,522
c) Deferred tax assets (Net)	6,282	4,349	5,992
d) Long-term loans and advances	2,33,484	2,03,672	2,28,420
e) Other non current assets	553	2,854	524
<b>Non-current assets</b>	<b>2,48,050</b>	<b>2,17,881</b>	<b>2,42,749</b>
<b>Current assets</b>			
a) Current investments	2,819	938	5,467
b) Trade receivables	159	109	200
c) Cash and cash equivalents	5,738	3,919	6,098
d) Short-term loans and advances	2,06,852	1,79,841	1,94,669
e) Other current assets	957	394	885
<b>Current assets</b>	<b>2,16,525</b>	<b>1,85,201</b>	<b>2,07,319</b>
<b>Total Assets</b>	<b>4,64,575</b>	<b>4,03,082</b>	<b>4,50,068</b>

# Summary & Key Ratios

Figures on standalone basis

Particulars	Quarter ended June – 16	Quarter ended June – 15	Year ended March – 16
RONW (Avg. Net Worth)	5.7%	6.2%	11.4%
Debt / Equity	4.87:1	4.68:1	4.84:1
<b>Capital Adequacy</b>	<b>19.5%</b>	18.1%	17.3%
Tier I	14.3%	15.3%	14.6%
Tier II	5.2%	2.7%	2.7%
EPS (Basic) (Rs.)	1.54	1.58	11.92
Book Value (Rs.)	108.2	101.3	107.0
Dividend	-	-	200%
Assets Under Management (Rs. Mn)	416,622	375,544	409,333
New Contracts During the period (Nos)	118,843	122,415	522,256
No. of employees	15,610	14,250	15,821

\* Note: The Company is required to recognise NPA based on four months overdue by end of FY 2017, which the Company has been following w.e.f. quarter ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 918 mn in the current quarter (including income de-recognition) as compared to quarter ended June 30, 2015 (NPA recognised on a 5 months basis)

# Spread Analysis

Figures on standalone basis

	Quarter ended June – 16	Quarter ended June – 15	Year ended March – 16
Total Income / Average Assets	<b>14.3%</b>	15.8%	16.3%
Interest / Average Assets	<b>7.2%</b>	7.4%	7.3%
Gross Spread	<b>7.1%</b>	8.4%	9.0%
Overheads / Average Assets	<b>3.4%</b>	3.1%	3.2%
Write offs & NPA provisions / Average Assets	<b>2.3%</b>	3.7%	2.9%
Net Spread	<b>1.4%</b>	1.6%	2.9%
Net Spread after Tax	<b>0.9%</b>	1.0%	1.8%

\* Note: The Company is required to recognise NPA based on four months overdue by end of FY 2017, which the Company has been following w.e.f. quarter ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 918 mn in the current quarter (including income de-recognition) as compared to quarter ended June 30, 2015 (NPA recognised on a 5 months basis)

# NPA Analysis

Figures on standalone basis

Particulars (Rs. million)	June – 16	June – 15	March – 16
Gross Non - Performing Assets	<b>44,147*</b>	29,411	32,242*
Less: NPA Provisions	<b>23,087</b>	16,644	19,891
Net Non – Performing Assets	<b>21,060</b>	12,767	12,351
Total Assets (Incl. NPA Provision)	<b>411,337</b>	366,656	400,764
Gross NPA to Total Assets(%)	<b>10.7%</b>	8.0%	8.0%
Net NPA to Total Assets(%)	<b>5.4%</b>	3.6%	3.2%
Coverage Ratio(%)	<b>52.3%</b>	56.6%	61.7%

**Note:** \*includes additional assets of Rs. 2486 mn and Rs. 4496 mn for March 2016 and June 2016 respectively identified due to accelerated recognition.

\* The Company is required to recognise NPA based on four months overdue by end of FY 2017, which the Company has been following w.e.f. quarter ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 918 mn in the current quarter (including income de-recognition) as compared to quarter ended June 30, 2015 (NPA recognised on a 5 months basis)

Above workings are excluding securitised/assigned portfolio



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# Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Quarter ended June – 16	Quarter ended June – 15	Year ended March – 16
Loans disbursed	4,050	3,392	15,525
No. of Customer Contracts (Nos)	28,654	25,048	125,074
Outstanding loan book	35,576	23,646	32,645
Total income	1,437	996	4,954
PBT	124	105	967
PAT	81	68	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 11 States

# Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Quarter ended June – 16	Quarter ended June – 15	Year ended March – 16
Total income	365	317	1,492
Net premium	2,680	2,499	10,870
PBT	154	146	752
PAT	101	96	485
No. of Policies for the Period (nos.)	360,128	300,483	1,330,929
No. of employees (nos.)	825	733	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.**

The FSS sector has also topped the sectors for the below 2 categories:

- Ranked 1<sup>st</sup> at **Best Place to Work.**
- Ranked 2<sup>nd</sup> in **Loyalty.**

- 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 3<sup>rd</sup> year in a row. We also got featured in **RobecoSAM Sustainability Yearbook 2015**
- Mahindra Finance made it to the list of **Carbon Disclosure Leadership Index (CDLI)** for 2<sup>nd</sup> consecutive year in 2015





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# Conservative Risk Management Policies

## Provisioning Norms

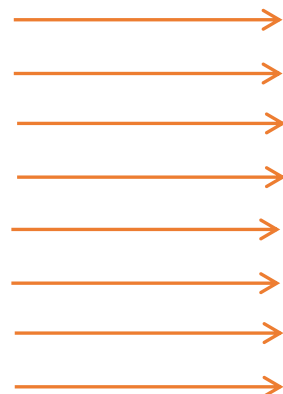
Duration (months)	RBI Norms	Duration (months)	MMFSL
5 and <= 16	10%	> 4* and <= 11	10%
> 16 and <= 28	20%	> 11 and <= 24	50%
> 28 and <= 52	30%	> 24 months	100%
> 52 months	50%		

**Note:** During the current quarter, the Company has reviewed the basis of estimating provision for non-performing assets and has considered estimated realisable value of underlying security (which conforms to the RBI norms) for loan assets to determine 100% provisioning for assets which are 24 months overdue. As a result, provision for the quarter ended 30 June 2016 is lower by Rs.19275.18 lacs 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**

\* **Note:** The Company is required to recognise NPA based on four months overdue by end of FY 2017, which the Company has been following w.e.f. quarter ended 31<sup>st</sup> March 2016. This has resulted in additional provision of Rs. 918 mn in the current quarter (including income de-recognition) as compared to quarter ended June 30, 2015 (NPA recognised on a 5 months basis)

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