

Mahindra & Mahindra Financial Services Limited

Analyst Meet – FY 11

26th April 2011

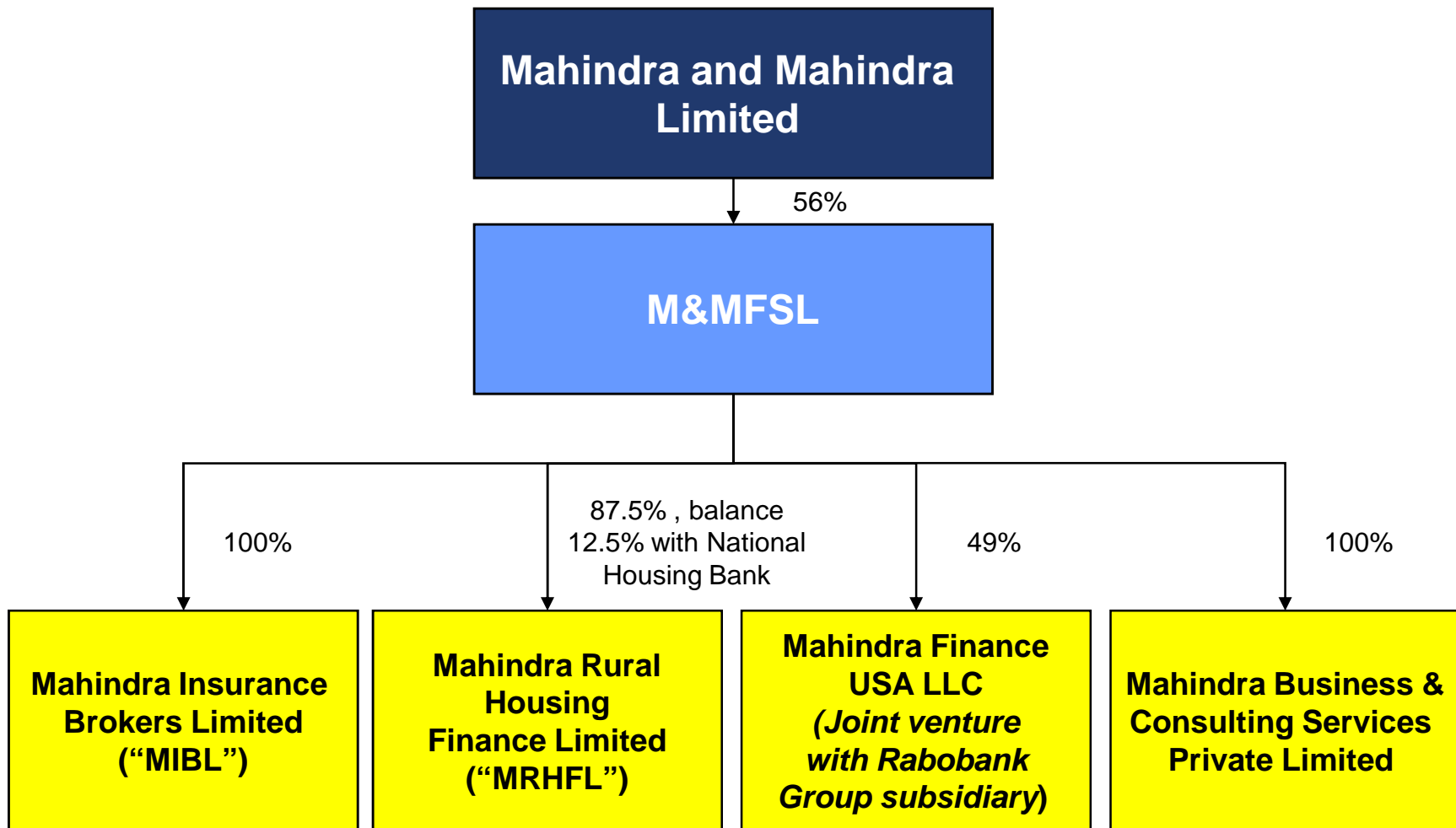
Company overview

Background

- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 471 billion)*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 81 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 and commercial vehicles
- M&MFSL's goal is to be the preferred provider of financing services in the rural and semi-urban areas of India
- Has 547 offices covering 24 states and 4 union territories in India, with over 1.5 million vehicle finance customer contracts since inception, as of March 31, 2011
- CRISIL has assigned AA+/Stable, FITCH has assigned AA(ind)/ Positive and Brickwork has assigned AA+/ Positive rating to the Company's long term and subordinated debt

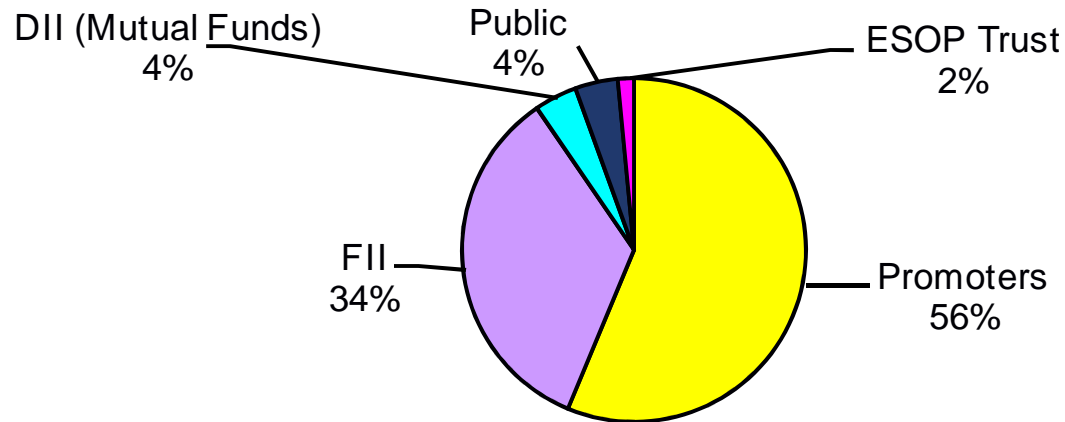
**Source: Market capitalisation as of April 25, 2011
from BSE website*

M&MFSL Group structure



Shareholding pattern

(as on March 31, 2011)

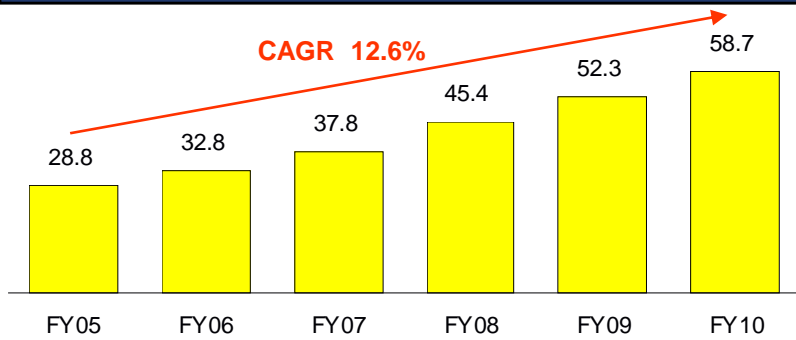


- Incorporated in 1991 and initially provided financing to dealers of Mahindra & Mahindra Limited
- The Company also issued shares to the ESOS trust in December 2005
- The Company came out with its IPO in February 2006
- The Company issued 6.13 million shares to Qualified Institutional Buyers (QIBs) under QIP in February 2011, all at a cash price of Rs. 695/Share.
- Shareholders include Cophall Mauritius Investment Limited, PCA India Equity Open Limited and Fidelity Investment Trust

Industry overview

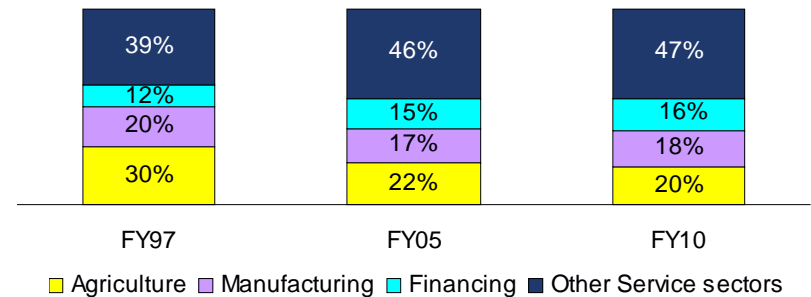
Strong macro growth momentum

Nominal GDP Movement (Rs. trillion)



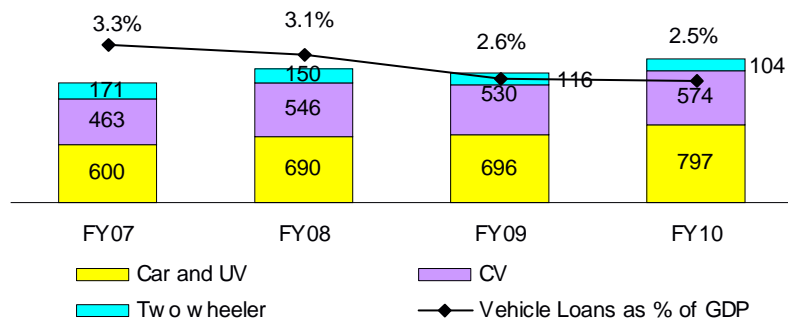
Source: Central Statistical Organisation (CSO)

Share of Financing is increasing in GDP (Financing as % of GDP)



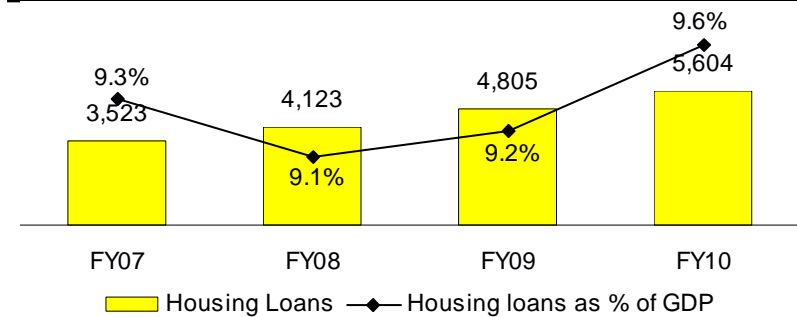
Source: CSO

Vehicle loans and penetration (Rs. billion, %)



Source: CRISIL Research (Update Retail Finance Auto, November 2010) and CSO

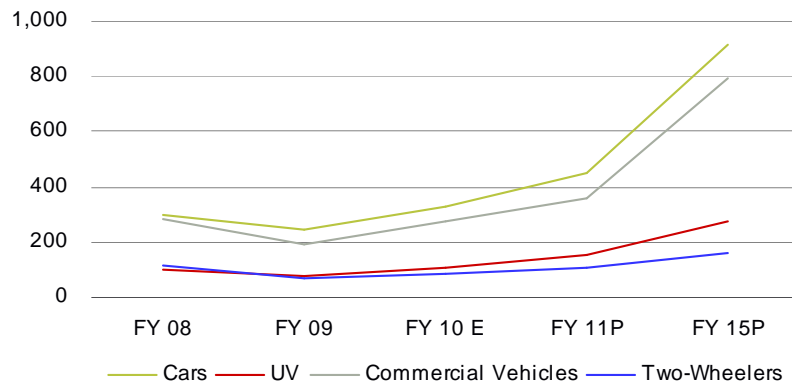
Housing loans and penetration (Rs. billion, %)



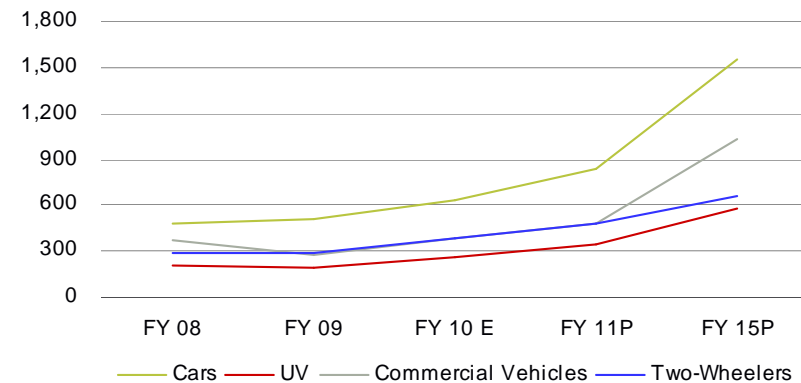
Source: CRISIL Research (Update Retail Finance Housing, September 2010) and CSO

Vehicle finance industry has re-entered a growth phase

**New Vehicle Finance Disbursements
(Rs. billion)**



**New Vehicle Underlying Market
(Rs. billion)**



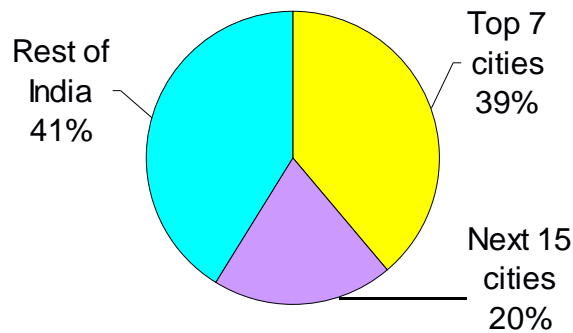
Growth in New Vehicle Finance Disbursements

(Rs. billion)	FY08	FY09	FY10E	FY11P	FY15P	CAGR FY10-FY15P
Cars	294	246	331	454	916	22%
Utility Vehicles	102	78	109	154	275	20%
Commercial Vehicles	286	194	272	360	791	24%
Two-Wheelers	112	72	84	105	157	13%
Total	794	590	796	1,073	2,139	22%

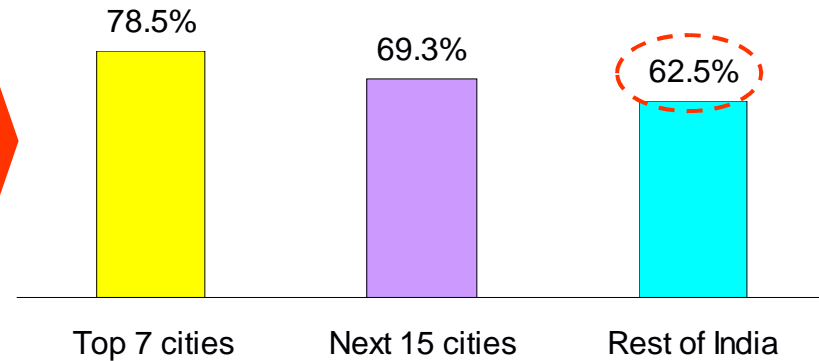
Source: CRISIL Research, Update Retail Finance - Auto, November 2010

Despite containing 41% of the car and UV market, rural India only accounts for 25% of the segment's financial disbursements

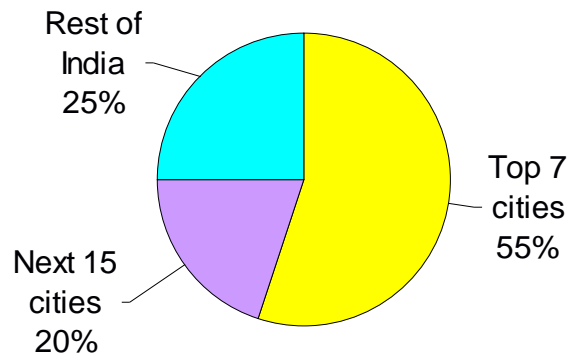
Car & UV Market Sales Regional Breakup (in no.)



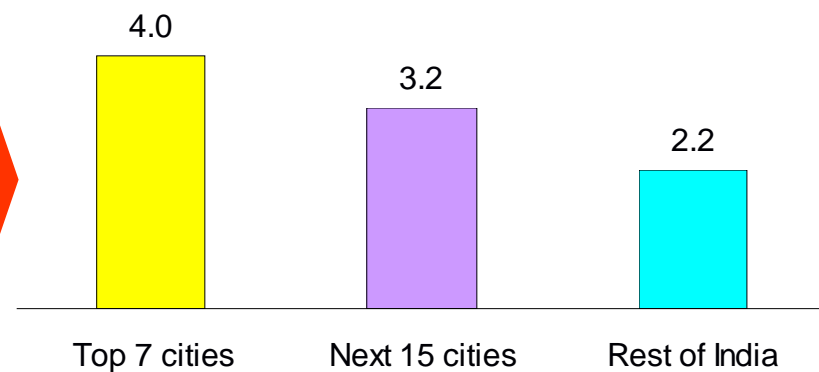
Cars and UVs Financial Penetration (%)



Car & UV Disbursements by Region



Cars and UVs Ticket size (Rs. Lakhs)



Source: CRISIL Research, Annual Review Retail Finance - Auto, January 2010

Competitive strengths

Competitive strengths

#1

Product portfolio and knowledge catering to rural and semi-urban markets

#2

Extensive network of branches

#3

Established track record

#4

Synergies with Mahindra Group and brand recall

#5

Experienced management team and board

#6

History of strong customer and dealer relationships

#7

Access to cost effective funding

Product portfolio and knowledge catering to rural and semi-urban markets

Vehicle Financing	<ul style="list-style-type: none">Loans for auto and utility vehicles, tractors, cars , commercial vehicles and construction equipments
Pre-Owned Vehicles	<ul style="list-style-type: none">Loans for pre-owned cars, two wheelers and multi-utility vehicles
Insurance Broking	<ul style="list-style-type: none">Insurance solutions to retail customers as well as corporations through our subsidiary MIBL
Housing Finance	<ul style="list-style-type: none">Loans for buying, renovating, extending and improving homes in rural and semi-urban India through our subsidiary MRHFL
Mutual Fund Distribution	<ul style="list-style-type: none">Advises clients about investing money through AMFI certified professionals under the brand “MAHINDRA FINANCE FINSMART”
Fixed Deposits	<ul style="list-style-type: none">Offers fixed deposit schemes to clients
Personal Loans	<ul style="list-style-type: none">Offers personal loans typically for wedding, children’s education, medical treatment and working capital

Break down of estimated value of Assets Financed

Segments	Full year ended March-11	Full year ended March-10	Full year ended March-09
Auto/ Utility vehicles (M&M)	29%	35%	40%
Tractors (M&M)	22%	21%	22%
Cars and other (including non M&M vehicles)	33%	29%	25%
Commercial vehicles and Construction equipments	7%	7%	6%
Pre-owned vehicles and others	9%	8%	7%

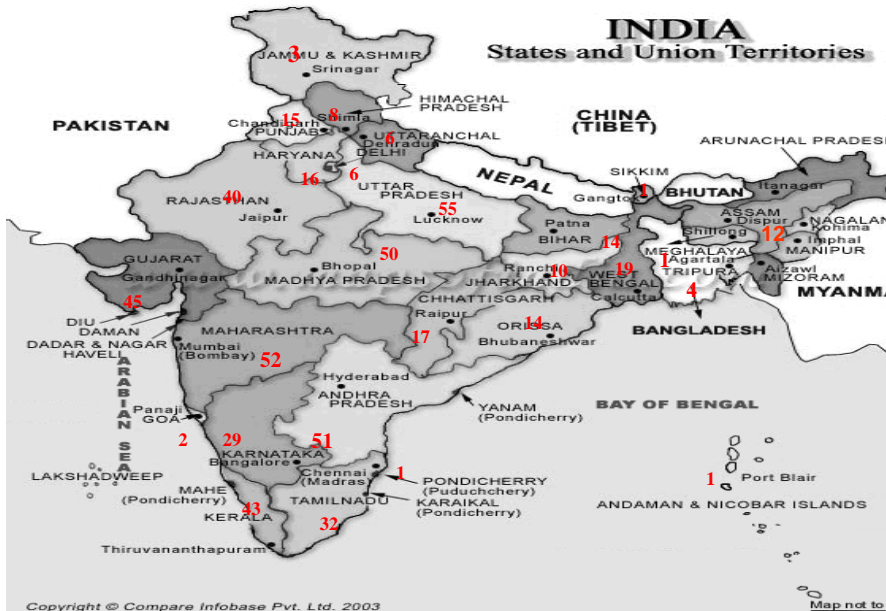
Break down of AUM

Segments	Full year ended March-11	Full year ended March-10	Full year ended March-09
Auto/ Utility vehicles (M&M)	31%	33%	38%
Tractors (M&M)	23%	23%	25%
Cars and other (including non M&M vehicles)	31%	30%	24%
Commercial vehicles and Construction equipments	9%	8%	7%
Pre-owned vehicles and others	6%	6%	6%

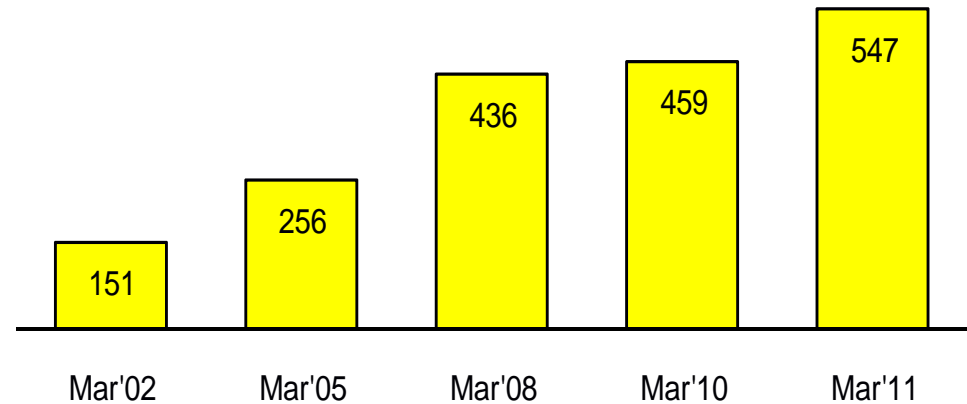
Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 547 offices as of March 31, 2011
 - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of

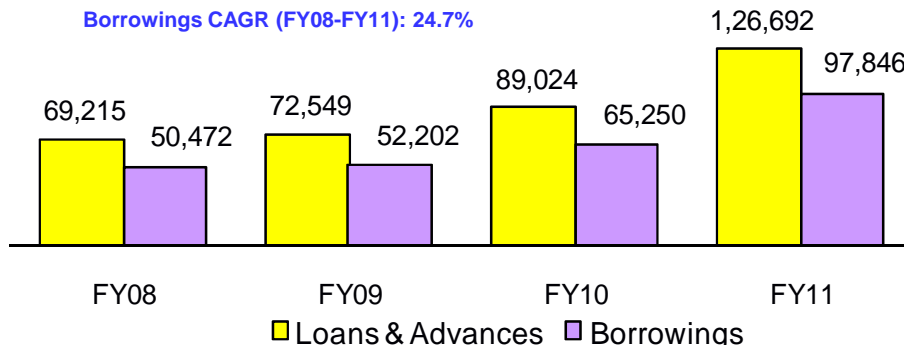


Established track record

Figures on consolidated basis

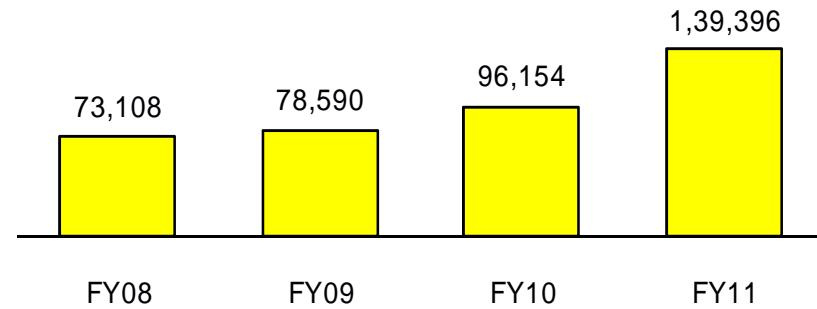
Loans & Advances and Borrowings (Rs. million)

Loans & Advances CAGR (FY08-FY11): 22.3%
Borrowings CAGR (FY08-FY11): 24.7%



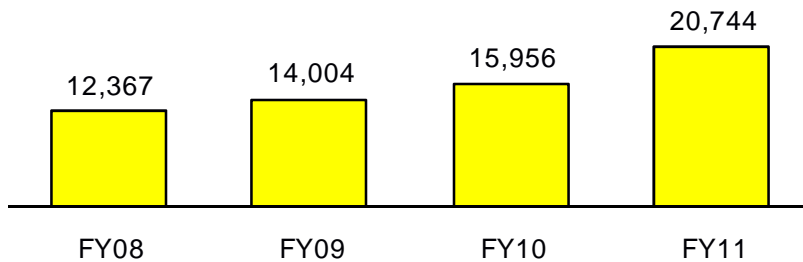
Total Assets (Rs. million)

CAGR(FY08-FY11): 24.0%



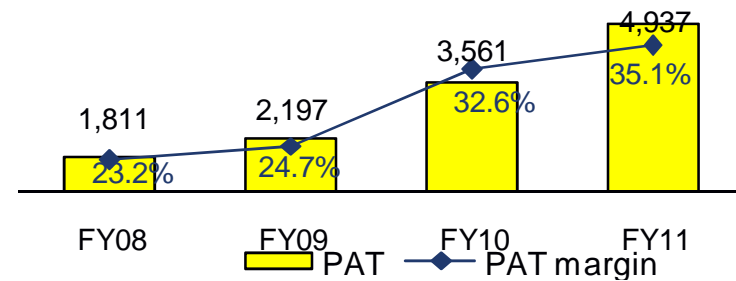
Total Income (Rs. million)

CAGR(FY08-FY11): 18.8%



PAT and PAT margin (Rs. million, %)

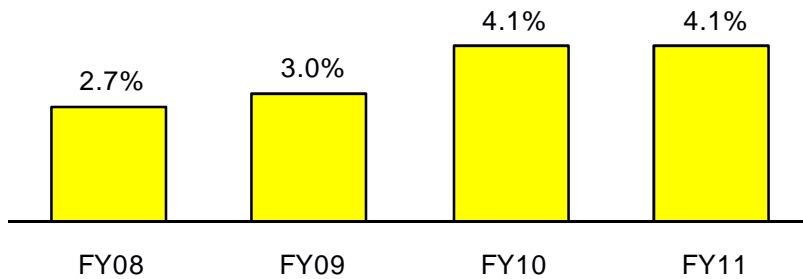
CAGR(FY08-FY11): 39.7%



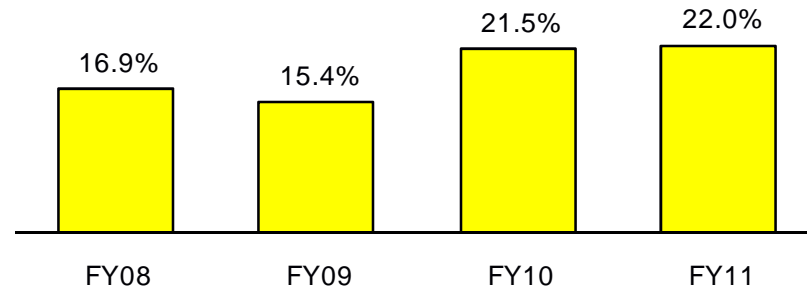
Established track record

Figures on standalone basis

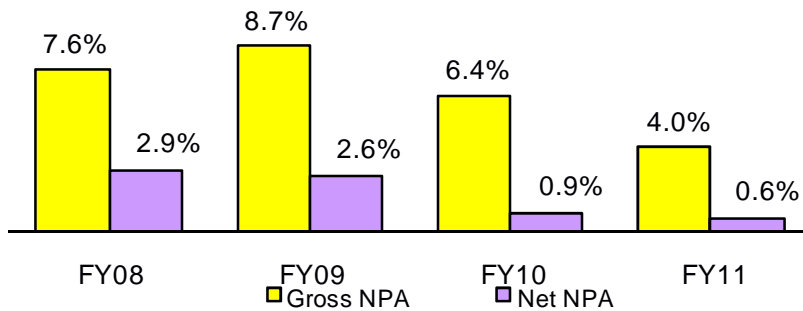
ROA (Avg. Assets) (%)



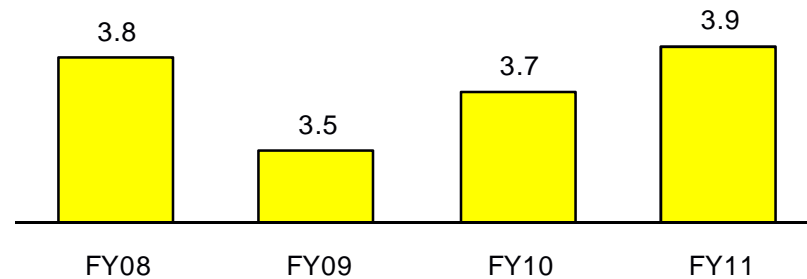
RONW (Avg. Net Worth) (%)



Gross NPA and Net NPA to Total Assets (%)



Leverage ratio



Key Risks & Management Strategies

- | | |
|--------------------------------------|---|
| ■ Volatility in interest rates | Matching of asset and liabilities |
| ■ Rising competition | Increasing branch network |
| ■ Raising funds at competitive rates | Maintaining credit rating & improving asset quality |
| ■ Dependence on M&M | Increasing non-M&M Portfolio |
| ■ Occurrence of natural disasters | Increasing geographical spread |
| ■ Adhering to write-off standards | Diversify the product portfolio |
| ■ Employee retention | Job rotation / ESOP/ Recovery based performance initiatives |
| ■ Physical cash management | Insurance & effective internal control |

Financial Information

Standalone Profit & Loss Statement

Particulars (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Income from operations	19,739	15,308	13,648
Other income	387	380	198
Total income	20,126	15,688	13,846
Interest cost	6,602	5,017	5,099
Administrative cost	6,027	5,366	5,404
Exceptional Item*	314	--	--
Depreciation	158	99	87
Total expenditure	13,101	10,482	10,590
PBT	7,025	5,206	3,256
PAT	4,631	3,427	2,145

*The Reserve Bank of India (RBI) vide its Notification No. DNBS.222/ CGM (US)-2011 dated 17.01.2011 has issued directions to all NBFC's to make a provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made a provision of Rs.314 Mn during the year.

Standalone Balance Sheet

LIABILITIES (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Shareholder's funds	24,901	17,286	14,692
Secured loans	83,006	53,259	44,668
Unsecured loans	13,744	11,318	7,462
Current liabilities & provisions	15,890	13,286	11,527
TOTAL	137,541	95,149	78,349

ASSETS (Rs. million)	Year ended March- 11	Year ended March- 10	Year ended March- 09
Fixed Assets	818	476	375
Investments	6,746	2,159	1,097
Cash & Bank balance	2,976	2,420	2,763
Other Current assets	184	80	102
Loans & Advances	124,650	87,945	72,225
Deferred tax asset	2,167	2,069	1,787
TOTAL	137,541	95,149	78,349

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Income from operations	20,435	15,612	13,817
Other income	309	344	187
Total income	20,744	15,956	14,004
Interest cost	6,662	5,028	5,109
Administrative cost	6,129	5,426	5,463
Exceptional Item*	314	--	--
Depreciation	162	101	88
Total expenditure	13,267	10,555	10,660
PBT	7,477	5,401	3,344
PAT	4,937	3,561	2,197

*The Reserve Bank of India (RBI) vide its Notification No. DNBS.222/ CGM (US)-2011 dated 17.01.2011 has issued directions to all NBFC's to make a provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made a provision of Rs.314 Mn during the year.

Consolidated Balance Sheet

LIABILITIES (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Shareholder's funds	25,450	17,548	14,824
Minority Interest	47	18	15
Secured loans	84,349	54,097	44,818
Unsecured loans	13,497	11,153	7,384
Current liabilities & provisions	16,053	13,338	7,638
TOTAL	139,396	96,154	74,679
ASSETS (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March- 09
Fixed Assets	840	486	381
Investments	6,252	2,034	972
Cash & Bank balance	3,236	2,443	2,792
Other Current assets	200	95	39
Loans & Advances	126,692	89,024	68,707
Deferred tax asset	2,176	2,072	1,788
TOTAL	139,396	96,154	74,679

Funding

- M&MFSL believes that its credit rating and strong brand equity enable it to borrow funds at competitive rates
- Total consortium size of Rs. 10 billion comprising several banks

	CRISIL Rating	Outlook
Fixed Deposit programme	FAAA	Stable
Short term debt	P1+	Stable
Long term and Subordinated debt	AA+	Stable

	Brickwork Rating	Outlook
Long term and Subordinated debt	AA+	Positive

	FITCH Rating	Outlook
Long term and Subordinated debt	AA(ind)	Positive

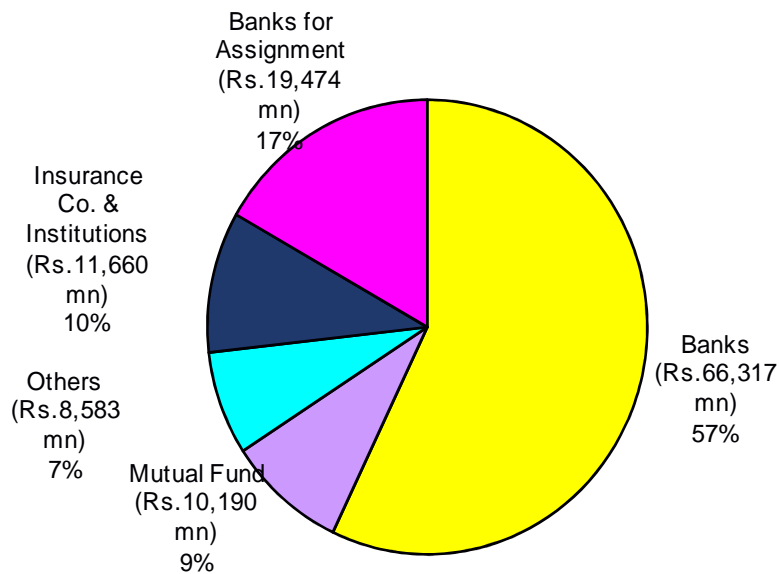
Source of Borrowing

(as on March 31, 2011)

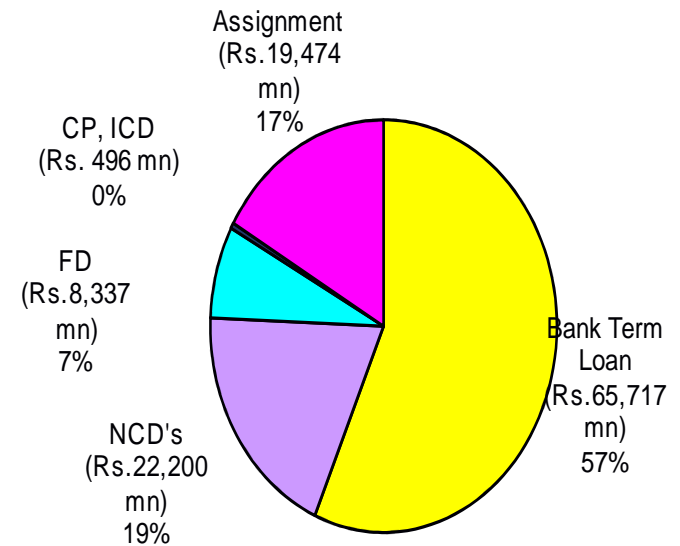
Figures on standalone basis

Fund Mix on the basis of Investor profile

Fund Mix on the basis of Instrument



Total : Rs.116,224 million



Total : Rs.116,224 million









Loan Receivables Assignment

- M&MFSL assigns parts of its loan receivables to third parties to improve its capital adequacy ratio and to increase the efficiency of its loan portfolio.
- M&MFSL has completed 46 securitisation / Assignment transactions as of March 31, 2011.

Particulars (Rs. million)	FY08	FY09	FY10	FY11
Receivables Securitised / Assigned	8,099	10,362	10,446	12,276
Consideration Received	7,303	9,151	9,713	10,893
Net Income from Securitisation/ Assignment	1,074	1,043	1,254	906

Key Variance

Figures on standalone basis

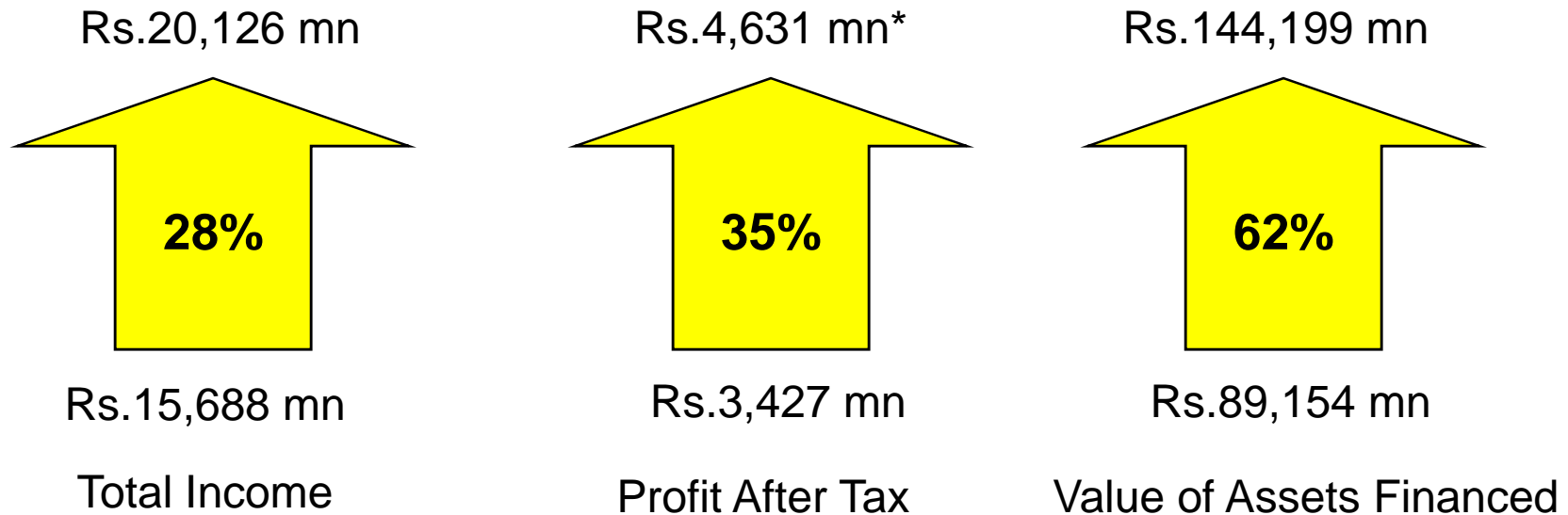
Particulars (Rs. million)	Quarter ended Mar – 11	Quarter ended Mar – 10	% Growth Q4onQ4	Year ended Mar – 11	Year ended Mar – 10	% Growth FY11onFY10
Business Income	5,678	4,107	 38%	18,833	14,054	 34%
Income from Assignment	238	529	 -55%	906	1,254	 -28%
Total Income from Operations	5,916	4,636	 28%	19,739	15,308	 29%
Profit After Tax	1,566	1,402	 12%	4,631*	3,427	 35%

- Income from Operations for the Q4 has increased by 38% on the backdrop of increase in business volume by 45%
- Reduction in Income from assignment for the year by 28% is primarily due to introduction of base rate and deferred collection fees

* After considering additional provision of 0.25% on standard assets amounting to Rs. 314 Mn as required by the Reserve Bank of India (RBI) vide its Notification dated 17.01.2011

Highlights for FY11 Vs FY10

Figures on standalone basis



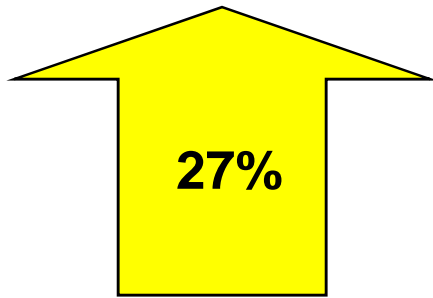
➤ Assets under Management have increased from Rs.107,489 Mn to Rs.151,610 Mn year-on-year basis.

* After considering additional provision of 0.25% on standard assets amounting to Rs. 314 Mn as required by the Reserve Bank of India (RBI) vide its Notification dated 17.01.2011

Highlights for Q4- FY11 Vs Q4- FY10

Figures on standalone basis

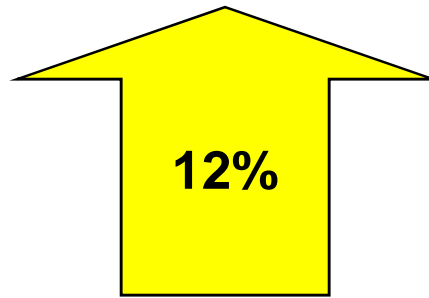
Rs.6,023 mn



Rs.4,750 mn

Total Income

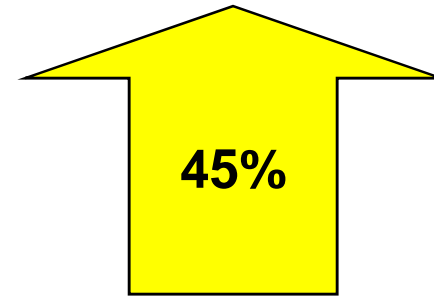
Rs.1,566 mn



Rs.1,402 mn

Profit After Tax

Rs.39,636 mn



Rs.27,382 mn

Value of Assets Financed

Summary of Results

Figures on standalone basis

Particulars (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Total Income	20,126	15,688	13,846
Profit before tax	7,024	5,206	3,256
Profit after tax	4,631	3,427	2,145
Dividend (%)	100	75	55
Net Worth	24,880	17,274	14,679
EPS (Basic)	47.85	35.78	22.46
Market Capitalisation	80,727	36,125	20,252
No. of Branches	547	459	436
New Contracts During the period (Nos)	367,774	216,355	157,828
No. of employees	4,303	4,399	4,959

Ratio Analysis

Figures on standalone basis

	Year ended March – 11	Year ended March – 10	Year ended March – 09
PBT/Total Income	34.9%	33.2%	23.5%
PBT/Total Assets	5.2%	5.7%	4.4%
RONW (Avg. Net Worth)	22.0%	21.5%	15.4%
Overheads/Total Assets	3.6%	3.6%	3.6%
Debt / Equity	3.88:1	3.73:1	3.54:1
Book value multiple	3.2	2.1	1.4
Capital Adequacy	20.3%	18.5%	19.5%
Tier I	17.0%	16.1%	17.4%
Tier II	3.3%	2.4%	2.1%
Book Value (Rs.)	242.8	180.0	153.4

Spread Analysis

Figures on standalone basis

	Year ended March – 11	Year ended March – 10	Year ended March – 09
Total Income / Average Assets	17.9%	19.0%	19.1%
Interest / Average Assets	5.8%	6.0%	6.9%
Gross Spread	12.1%	13.0%	12.2%
Overheads / Average Assets	4.4%	3.9%	3.7%
Write offs & NPA provisions / Average Assets	1.4%*	2.7%	3.9%
Net Spread	6.3%	6.4%	4.6%

* After considering additional provision of 0.25% on standard assets amounting to Rs. 314 Mn as required by the Reserve Bank of India (RBI) vide its Notification dated 17.01.2011

NPA

Figures on standalone basis			
Particulars (Rs. million)	March – 11	March – 10	March – 09
Gross Non - Performing Assets	5,488	6,112	6,909
Less: NPA Provisions	4,744	5,283	4,966
Net Non – Performing Assets	744	829	1,943
Total Assets (Incl. NPA Provision)	138,606	96,233	79,404
Gross NPA to Total Assets(%)	4.0%	6.4%	8.7%
Net NPA to Total Assets(%)	0.6%	0.9%	2.6%
Coverage Ratio(%)	86.4%	86.4%	71.9%

Note: Above workings are excluding securitised/assigned portfolio

Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	M&MFSL
> 5 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%		

At M&MFSL NPA provisioning norms are more stringent than RBI norms

Technology initiatives and Employee management

Technology initiatives

- Approximately 94% of our 547 offices are connected to the centralised data centre in Mumbai
- 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



Employee engagement & training

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

Information about key subsidiaries

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Total income	517	314	231
Net premium	2,891	1,863	1,598
PBT	329	168	101
PAT	218	111	65
No. of Policies for the Period (nos.)	508,877	316,892	288,453
No. of employees (nos.)	379	386	329

Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Year ended March – 11	Year ended March – 10	Year ended March – 09
Loans disbursed	2,036	906	434
No. of Customer Contracts (Nos)	21,981	5,752	2,088
Outstanding loan book	3,152	1,298	453
Total income	493	163	48
PBT	122	25	(7)
PAT	89	22	(8)

- Shareholding pattern: M&MFSL- 87.5%, NHB- 12.5%
- Sanction from NHB for refinancing Rs. 750 million up to 15 years
- Currently operating in 8 States

Business Strategies

Business Strategies

Grow market share in rural and semi urban & vehicle and automobile financing market

Expand nationwide network of branches

Diversify product portfolio

Continue to attract and retain talented employees

Effective use of technology to improve productivity

Disclaimer

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