

Mahindra & Mahindra Financial Services Limited

Analyst Meet – FY12

23rd April 2012

Mahindra Finance

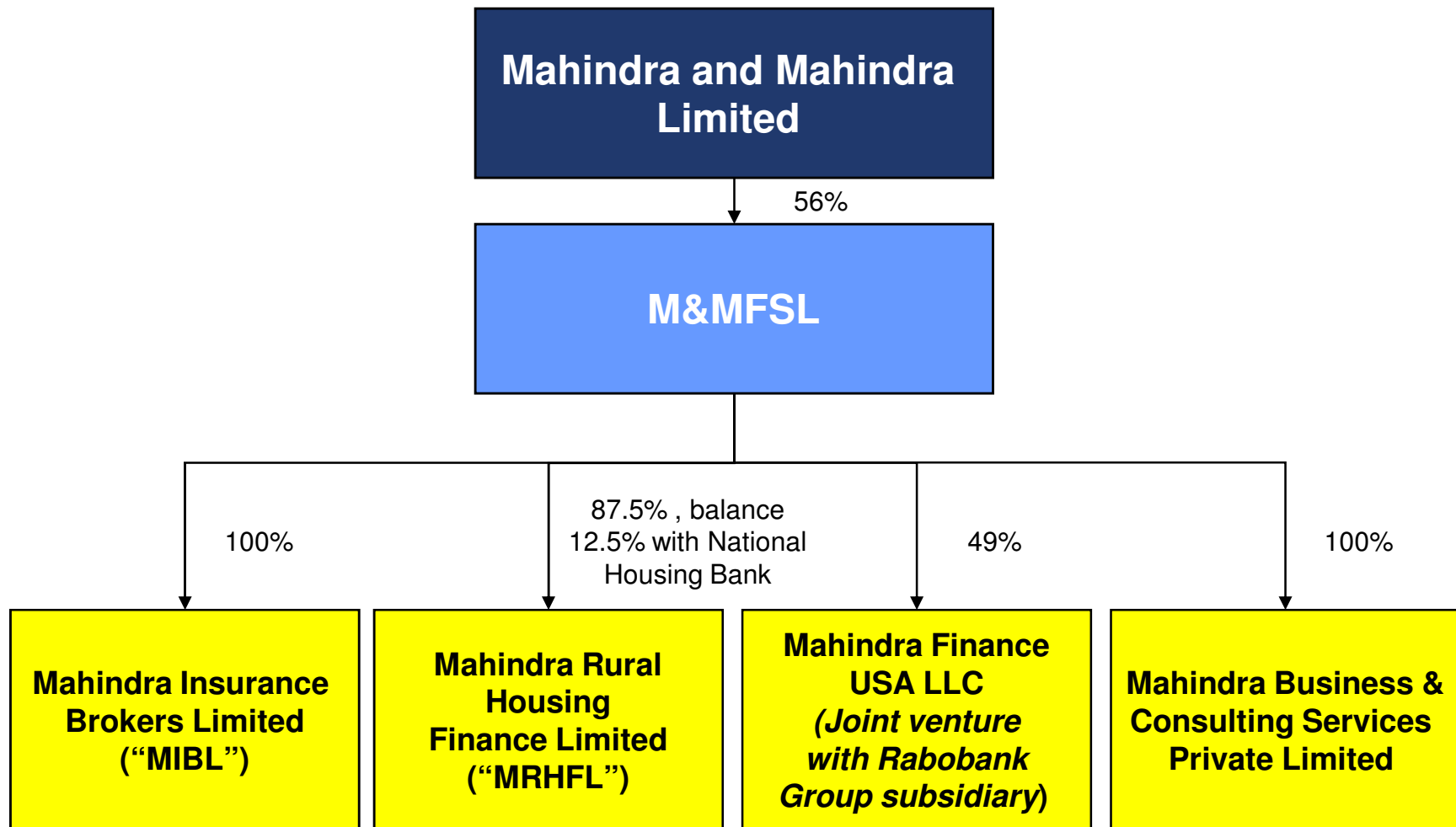
Company overview

Background

- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 446 billion)*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 70 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 607 offices covering 24 states and 4 union territories in India, with over 2.0 million vehicle finance customer contracts since inception, as of March 31, 2012
- CRISIL has assigned AA+/Stable, FITCH has assigned AA+(ind)/ Stable and Brickwork has assigned AA+/ Positive rating to the Company's long term and subordinated debt

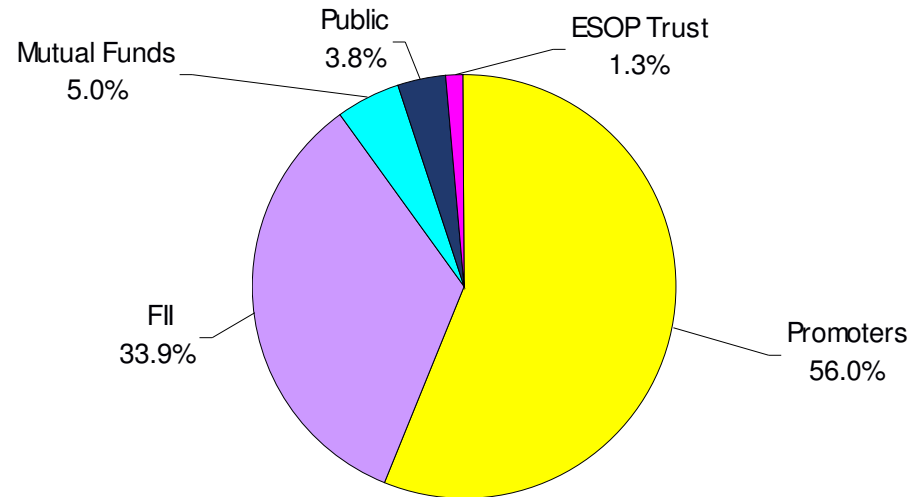
**Source: Market capitalisation as of April 20, 2012
from BSE website*

M&MFSL Group structure



Shareholding pattern

(as on March 31, 2012)



- 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 Ltd, PCA India Equity Open Ltd, Fidelity Investment Trust, Valiant Mauritius Partners Ltd and Cartica Capital Ltd.

Industry overview

Vehicle finance industry continues to shine with rural sales

Growth in New Vehicle Finance Disbursements						
(Rs. billion)	FY09E	FY10E	FY11E	FY12P	FY16P	CAGR FY11-FY16P
Cars	260	349	502	523	1154	18%
Utility Vehicles	80	108	158	183	335	16%
Commercial Vehicles	194	272	402	496	996	20%
Two-Wheelers	72	84	99	117	180	13%
Total	606	813	1161	1319	2,665	18%

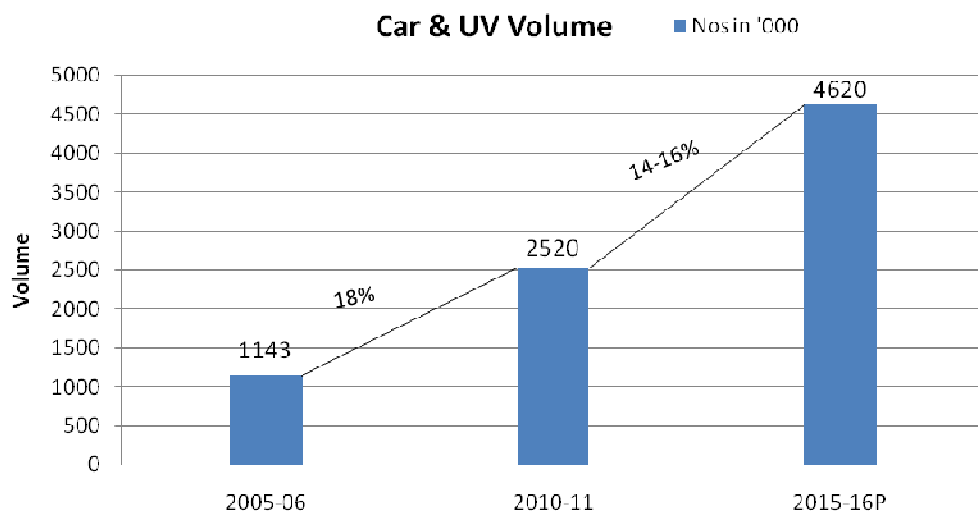
Source: CRISIL Research, Update Retail Finance - Auto, November 2011

Maruti Rural Sales have picked up pace	
Year	Contribution
2007-08	3.5%
2008-09	9%
2009-10	17%
2010-11	20%
2011-12	26%

Source: The Economic Times, dated 18 Apr 2012

- Currently, In India, 9 out of every 1000 people own a car as against 15 in China and 140 in Brazil
- By 2015-16, In India, 19 in every 1000 people are expected to own a car

Domestic Car and UV Industry to grow at a CAGR of 14-16%



- Long term growth to be driven by increase in income of households
- Addressable market is expected to grow at a CAGR of 14% to reach 122 Mn households in 2015-16 from 64 Mn in 2010-11
- Small Cars segment is expected to grow marginally faster than sedan at a CAGR of 15-17%

(Volume in '000)	<u>2005-06</u>		<u>2010-11</u>		<u>2015-16P</u>	
	Volumes	CAGR	Volumes	CAGR	Volume	CAGR
Small Cars	662	9.7%	1546	18.5%	3167	15-17%
Sedan Cars	220	17.7%	437	14.7%	840	13-15%
Total Cars	882	17.6%	1983	17.6%	4007	14-16%

Source: *CRISIL Research, Car & UV Annual Review - February 2012

Overall Demand Drivers

- Increase in affordability
- Growth in Addressable Market
- New 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

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

Leveraging existing customers base through Direct Marketing Initiatives

Continue to attract and retain talented employees

Effective use of technology to improve productivity

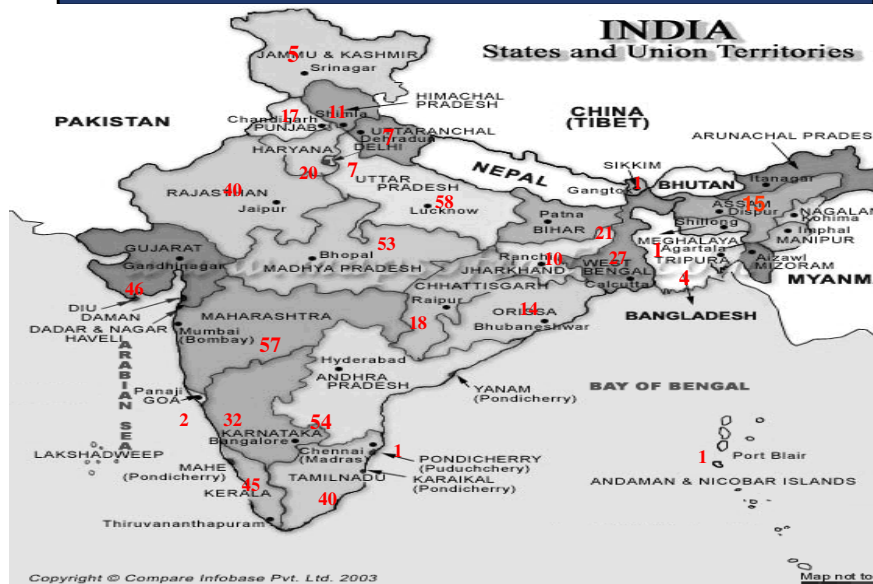
Product portfolio and knowledge catering to rural and semi-urban markets

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

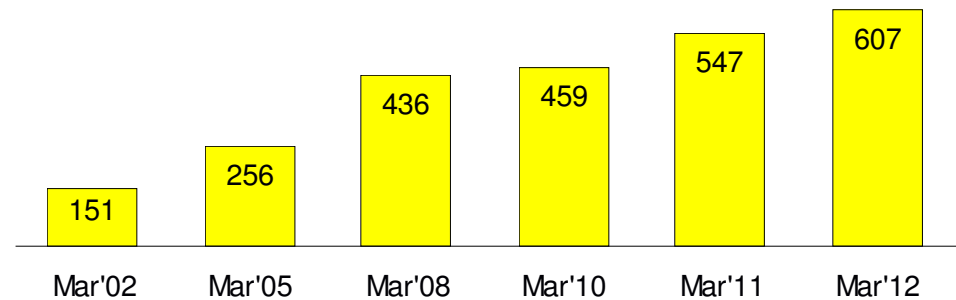
Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 607 offices as of March 31, 2012
 - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of



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	A1+	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)	Stable

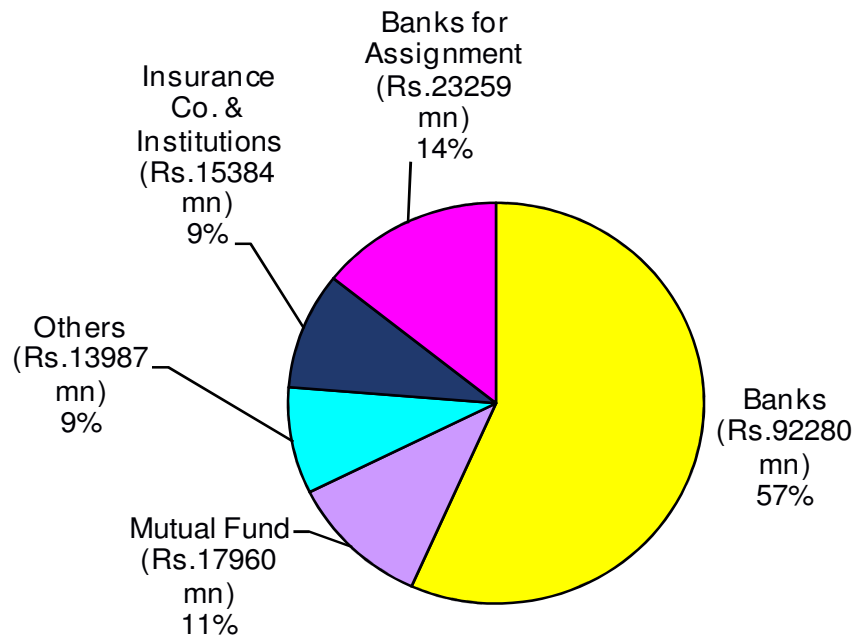
Source of Borrowing

(as on March 31, 2012)

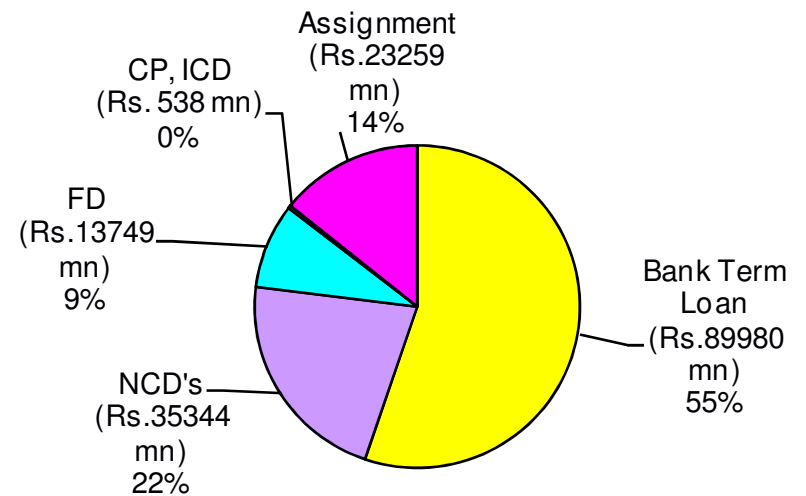
Figures on standalone basis

Fund Mix on the basis of Investor profile

Fund Mix on the basis of Instrument



Total : Rs.162870 million



Total : Rs.162870 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 50 securitisation / Assignment transactions as of March 31, 2012.

Particulars (Rs. million)	FY09	FY10	FY11	FY12*
Receivables Securitised / Assigned	10,362	10,446	12,276	14,874
Consideration Received	9,151	9,713	10,893	14,874

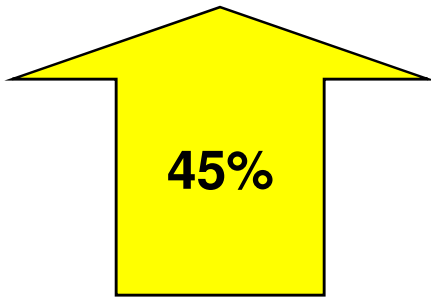
Note: Transactions for FY12 are at "at Par" structure.

Financial Information

Highlights for Q4- FY12 Vs Q4- FY11

Figures on standalone basis

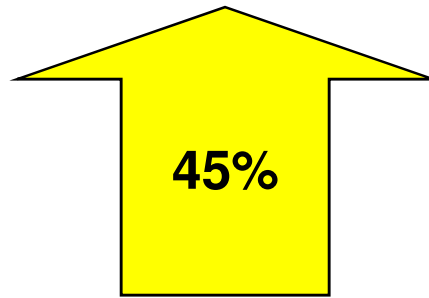
Rs.8,470 mn



Rs.5,857 mn

Total Income

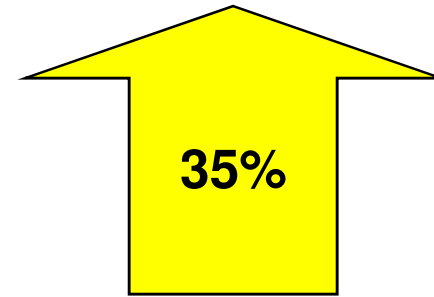
Rs.2,277 mn



Rs.1,566 mn

Profit After Tax

Rs.53,323 mn

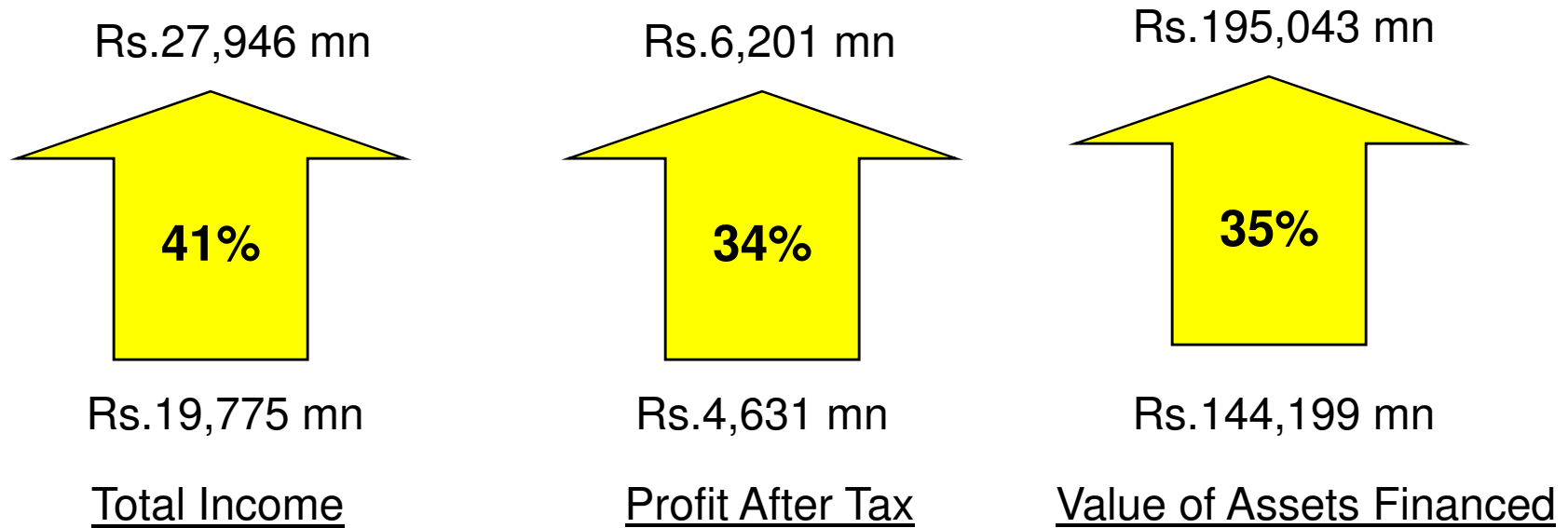


Rs.39,636 mn

Value of Assets Financed

Highlights for FY12 Vs FY11

Figures on standalone basis



- Assets under Management have increased from Rs.150,900 Mn to Rs.206,429 Mn year-on-year basis.

Standalone Profit & Loss Statement

Particulars (Rs. million)	Year ended March – 12	Year ended March – 11
Income from operations	27,677	19,644
Other income	269	131
Total income	27,946	19,775
Interest cost	11,203	6,602
Administrative cost	7,173	5,677
Provision on Standard Assets	121	314
Depreciation	196	158
Total expenditure	18,693	12,751
PBT	9,253	7,024
PAT	6,201	4,631

Standalone Balance Sheet

LIABILITIES (Rs. million)	As on March – 12	As on March – 11
Shareholder's funds	29,510	24,901
Secured loans	117,660	83,006
Unsecured loans	21,951	13,744
Current liabilities & provisions	16,495	15,179
TOTAL	185,616	136,830

ASSETS (Rs. million)	As on March – 12	As on March – 11
Fixed Assets	1,000	818
Investments	5,025	6,746
Cash & Bank balance	2,452	2,976
Other Current assets	164	166
Loans & Advances	174,963	123,957
Deferred tax asset	2,012	2,167
TOTAL	185,616	136,830

Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Year ended March – 12	Year ended March – 11
Loans disbursed	2,668	2,029
No. of Customer Contracts (Nos)	33,172	21,981
Outstanding loan book	5,352	3,152
Total income	857	486
PBT	161	122
PAT	119	89

- Shareholding pattern: M&MFSL- 87.5%, NHB- 12.5%
- Currently operating in 8 States

An additional provision of Rs. 26 mn has been charged to P&L, in line with notification No. NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank. The company has made (a) provision @ 0.40 % on Standard Assets outstanding as on 31st March 2012 (b) provision at higher percentage on substandard, doubtful and loss assets.

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Year ended March – 12	Year ended March – 11
Total income	465	517
Net premium	4,138	2,891
PBT	201	329
PAT	135	218
No. of Policies for the Period (nos.)	703,730	508,877
No. of employees (nos.)	451	379

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Year ended March – 12	Year ended March – 11
Income from operations	28,849	20,256
Other income	255	130
Total income	29,104	20,386
Interest cost	11,399	6,662
Administrative cost	7,755	5,763
Provision on Standard Assets	134	322
Depreciation	203	162
Total expenditure	19,491	12,909
PBT	9,613	7,477
PAT	6,445	4,937

Consolidated Balance Sheet

LIABILITIES (Rs. million)	As on March – 12	As on March – 11
Shareholder's funds	30,311	25,450
Minority Interest	77	47
Secured loans	124,650	84,349
Unsecured loans	21,814	13,497
Current liabilities & provisions	17,356	15,342
TOTAL	194,208	138,685
ASSETS (Rs. million)	As on March – 12	As on March – 11
Fixed Assets	1,045	840
Investments	4,366	6,252
Cash & Bank balance	2,718	3,236
Other Current assets	206	181
Loans & Advances	183,840	126,000
Deferred tax asset	2,033	2,176
TOTAL	194,208	138,685

Break up of estimated value of Assets Financed

Segments	Full year ended March-12	Full year ended March-11	Full year ended March-10
Auto/ Utility vehicles (M&M)	27%	29%	35%
Tractors (M&M)	19%	22%	21%
Cars and Non M&M UVs & SCVs	33%	33%	29%
Commercial vehicles and Construction equipments	11%	7%	7%
Pre-owned vehicles and others	10%	9%	8%

Break up of AUM

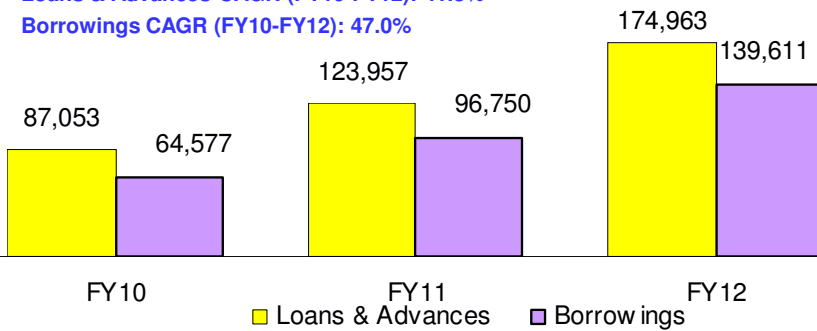
Segments	As on March – 12	As on March – 11	As on March – 10
Auto/ Utility vehicles (M&M)	30%	31%	33%
Tractors (M&M)	20%	23%	23%
Cars and Non M&M UVs & SCVs	31%	31%	30%
Commercial vehicles and Construction equipments	12%	9%	8%
Pre-owned vehicles and others	7%	6%	6%

Established track record

Figures on standalone basis

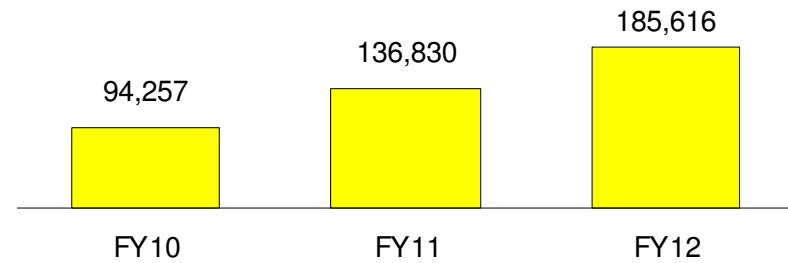
Loans & Advances and Borrowings (Rs. million)

Loans & Advances CAGR (FY10-FY12): 41.8%
Borrowings CAGR (FY10-FY12): 47.0%



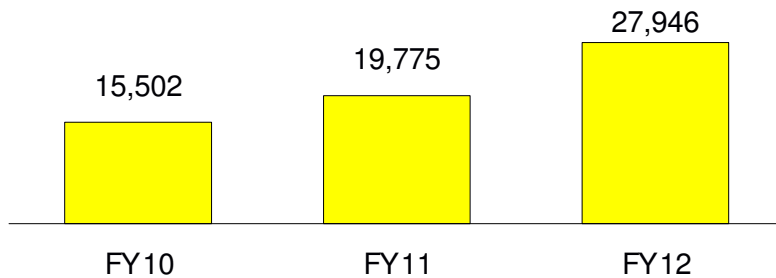
Total Assets (Rs. million)

CAGR(FY10-FY12): 40.3%



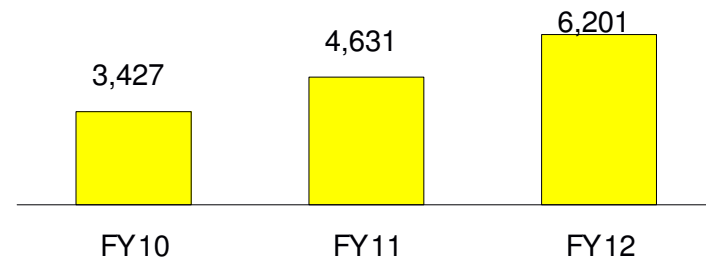
Total Income (Rs. million)

CAGR(FY10-FY12): 34.3%



Profit After Tax (Rs. million)

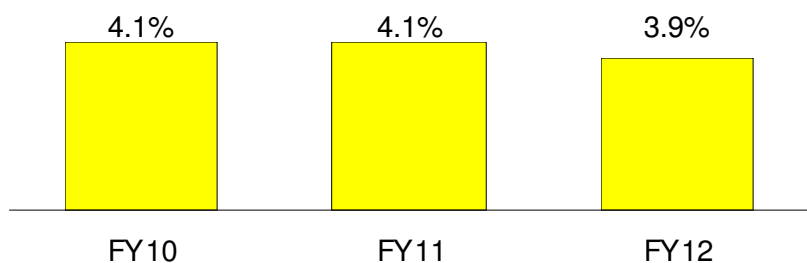
CAGR(FY10-FY12): 34.5%



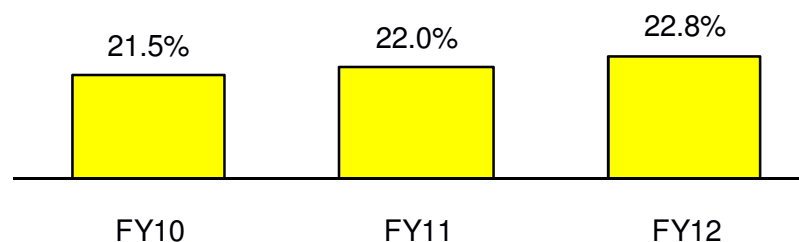
Established track record

Figures on standalone basis

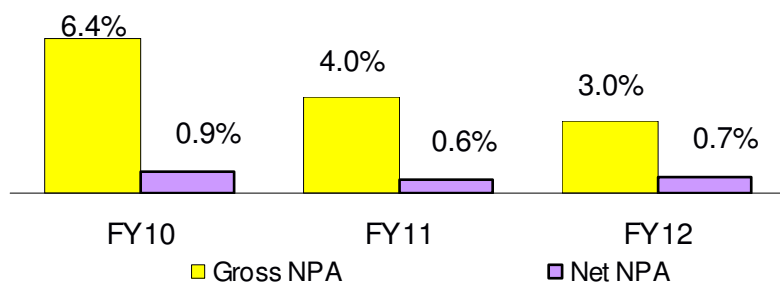
ROA (Avg. Assets) (%)



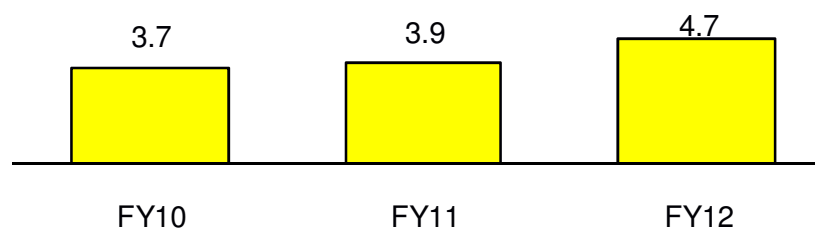
RONW (Avg. Net Worth) (%)



Gross NPA and Net NPA to Total Assets (%)



Leverage ratio



Summary of Results

Figures on standalone basis			
Particulars (Rs. million)	Year ended March – 12	Year ended March – 11	Year ended March – 10
Total Income	27,946	19,775	15,502
Profit before tax	9,253	7,024	5,206
Profit after tax	6,201	4,631	3,427
Dividend (%)	140	100	75
Net Worth	29,440	24,880	17,274
EPS (Basic)	60.46	47.85	35.78
Market Capitalisation	69,723	80,727	36,125
Value of Assets Financed	195,043	144,199	89,154
No. of Branches	607	547	459
New Contracts During the period (Nos)	466,416	367,774	216,355
No. of employees (on rolls)	4,258	4,303	4,399
No. of employees (outsourced from MBSCPL)	5,457	4,420	2,539

Ratio Analysis

Figures on standalone basis

	Year ended March – 12	Year ended March – 11	Year ended March – 10
PBT/Total Income	33.1%	35.5%	33.6%
PBT/Total Assets	5.1%	5.3%	5.8%
RONW (Avg. Net Worth)	22.8%	22.0%	21.5%
Overheads/Total Assets	3.2%	3.5%	3.5%
Debt / Equity	4.74:1	3.88:1	3.73:1
Capital Adequacy	18.0%	20.3%	18.5%
Tier I	15.1%	17.0%	16.1%
Tier II	2.9%	3.3%	2.4%
Book Value (Rs.)	286.7	242.8	180.0

Spread Analysis

Figures on standalone basis

	Year ended March – 12	Year ended March – 11	Year ended March – 10
Total Income / Average Assets	17.7%	17.7%	18.9%
Interest / Average Assets	7.0%	5.8%	6.0%
Gross Spread	10.7%	11.9%	12.9%
Overheads / Average Assets	3.8%	4.4%	3.9%
Write offs & NPA provisions / Average Assets	0.9%	0.9%	2.6%
Standard Asset Provisions / Average Assets	0.1%	0.3%	0.0%
Net Spread	5.9%	6.3%	6.4%

NPA

Figures on standalone basis			
Particulars (Rs. million)	March – 12	March – 11	March – 10
Gross Non - Performing Assets	5,543	5,488	6,112
Less: NPA Provisions	4,324	4,744	5,283
Net Non – Performing Assets	1,219	744	829
Total Assets (Incl. NPA Provision)	186,644	137,914	95,342
Gross NPA to Total Assets(%)	3.0%	4.0%	6.4%
Net NPA to Total Assets(%)	0.7%	0.6%	0.9%
Coverage Ratio(%)	78.0%	86.4%	86.4%

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 92% of our 607 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.

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 |

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.

Thank you

Mahindra Finance