

Mahindra & Mahindra Financial Services Limited

Analyst Meet
September - 2010

Overview

- MMFSL is a subsidiary of Mahindra and Mahindra Ltd., one of India's leading tractor and utility vehicle manufacturer
- The Company is one of India's leading non-bank finance companies focused on the rural and semi-urban sector
- MMFSL finances purchase of utility vehicles, tractors, cars, commercial vehicles and used vehicles
- The Company's goal is to be the preferred provider of financing services in the rural and semi-urban areas of India
- The Company has 506 branches covering 25 states and 2 union territories in India
- Since inception the Company has entered into over 1,352,000 customers contracts
- FITCH has assigned AA(ind), CRISIL has assigned AA and Brickwork has assigned AA+ rating (all with positive outlook) to the Company's long term debt reflecting a high degree of safety

Business Strengths

Knowledge of the rural and semi-urban markets

Extensive branch network

Relationship with M&M

Quick approval and simple administration procedures

Client Relationship

Dealer relationships

Business Strategy

Continue to maintain market position in rural and semi urban automobile financing

Significant experience of the local characteristics of the rural and semi-urban markets across India

Simple documentation and prompt loan approval procedures

Nationwide network of branches and locally recruited employees help develop and maintain customer relationships

A recognisable brand in the rural and semi-urban markets of India

Business Strategy

Diversify Product Portfolio

Started financing non-M&M vehicles in 2002

Commenced insurance broking business in MIBL in Fiscal 2005

Commenced financing Commercial Vehicles in 2006

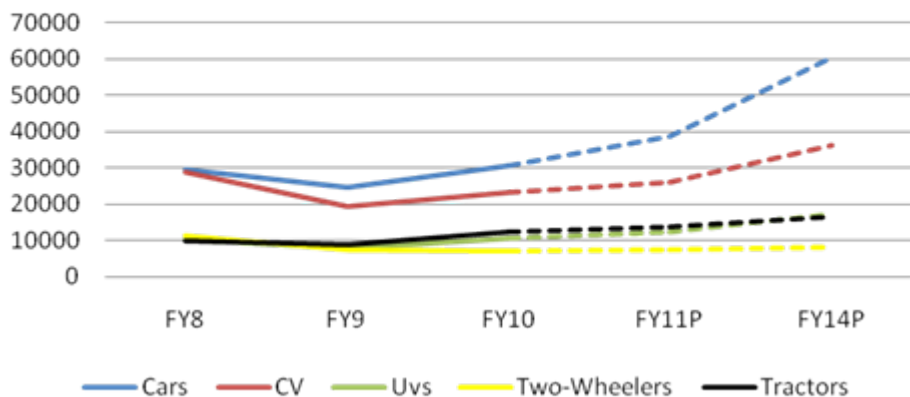
Commenced mutual fund distribution business

Commenced housing loans business in MRHFL in Oct 2007

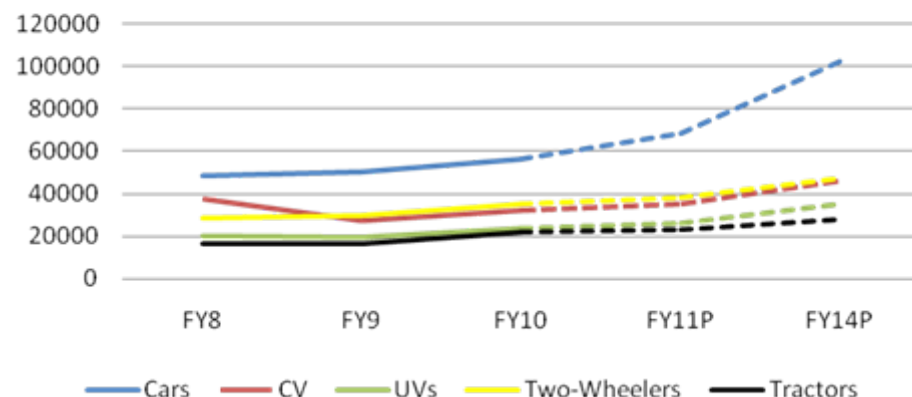
Commenced Invoice discounting for M&M and other auto Suppliers

Vehicle finance industry has re-entered a growth phase after a contraction through FY09

New Vehicle Finance Disbursements (Rs. Crores)



New Vehicle Underlying Market (Rs. Cr)

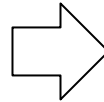
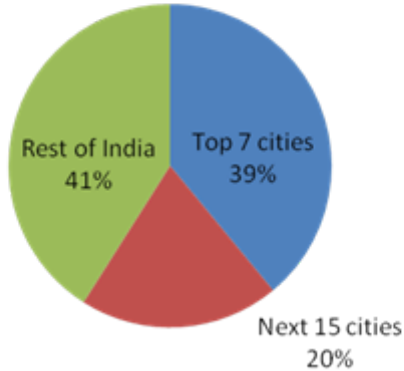


Growth in New Vehicle Finance Disbursements

(Rs. Crores)	FY8	FY9	FY10	FY11P	FY14P	CAGR F10-F14P
Cars	29400	24500	30400	38500	60500	19%
Utility Vehicles	10200	7800	10500	12300	17400	13%
Commercial Vehicles	28600	19400	23200	26100	36000	12%
Two-Wheelers	11200	7600	7100	7300	8300	4%
Tractors	9900	8800	12300	13900	16500	8%
Total	89300	68100	83500	98100	138700	14%

Despite containing 41% of the car and UV market, rural India only accounts for 25% of the segment's financial disbursements (expected to grow to 33% by F14)

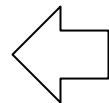
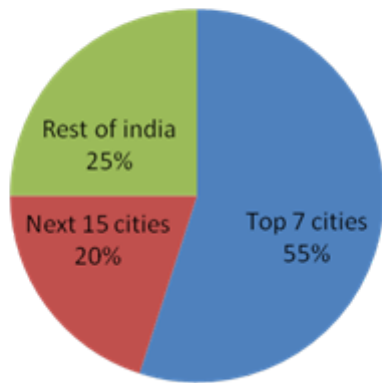
Car & UV Market Sales Regional Breakup (in no.)



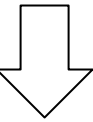
Cars and UVs Financial Penetration (%)



Car & UV Disbursements by Region



Cars and UVs Ticket size (Rs. lakhs)



Extensive Distribution Network

- MMFSL has an extensive distribution network with presence in 25 states and 2 union territories in India through 506 branches
 - Our market categorised into five zones and 16 regions with branches reporting into their respective regional office
 - Branches provided authority to approve loans within prescribed guidelines

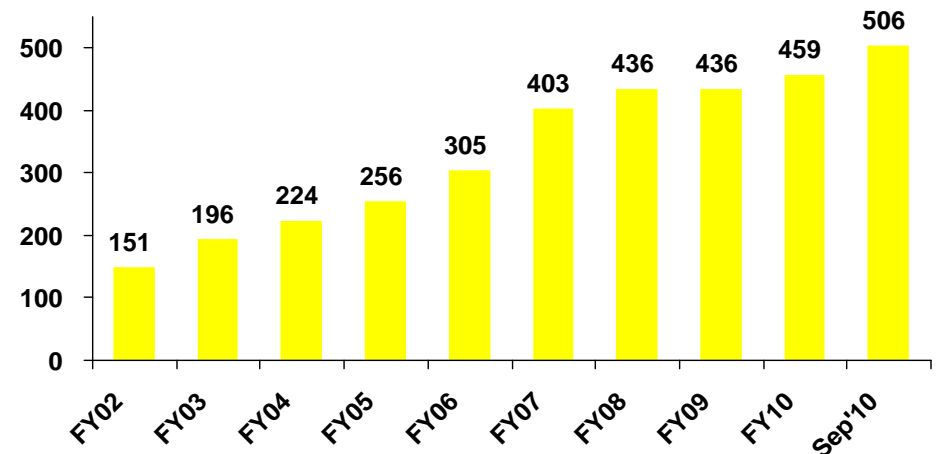
Coverage



Branch Network

Total Branches (as on 30.09.10): 506

Metro	:	7
Urban/Semi Urban	:	93
Rural	:	406



Funding

- MMFSL has consistently enjoyed a good credit rating enabling it to borrow funds at competitive rates
- Total Consortium Size of Rs. 10,000 Million comprising of 19 Bankers

	CRISIL Rating	Outlook
Fixed Deposit Programme	FAA+	Positive
Short Term	P1+	Positive
Long Term / Subordinated debt	AA	Positive

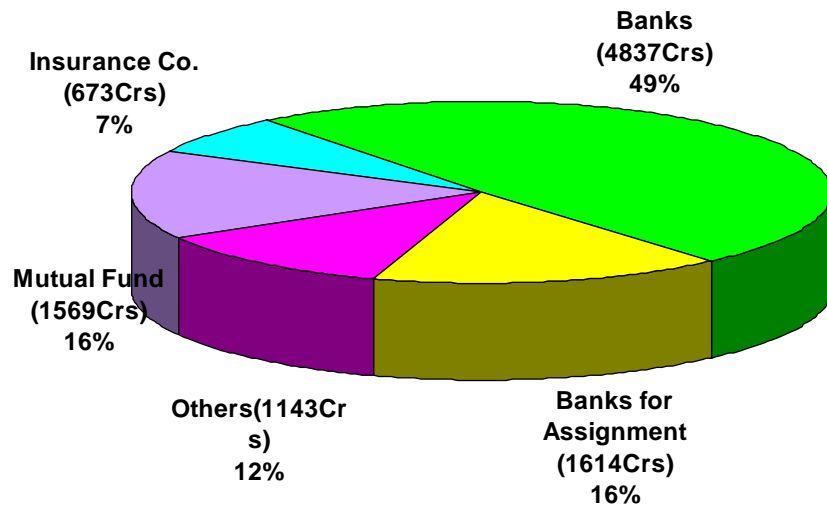
	FITCH Rating	Outlook
Long Term / Subordinated debt	AA(ind)	Positive

	Brickwork Rating	Outlook
Long Term / Subordinated debt	AA+	Positive

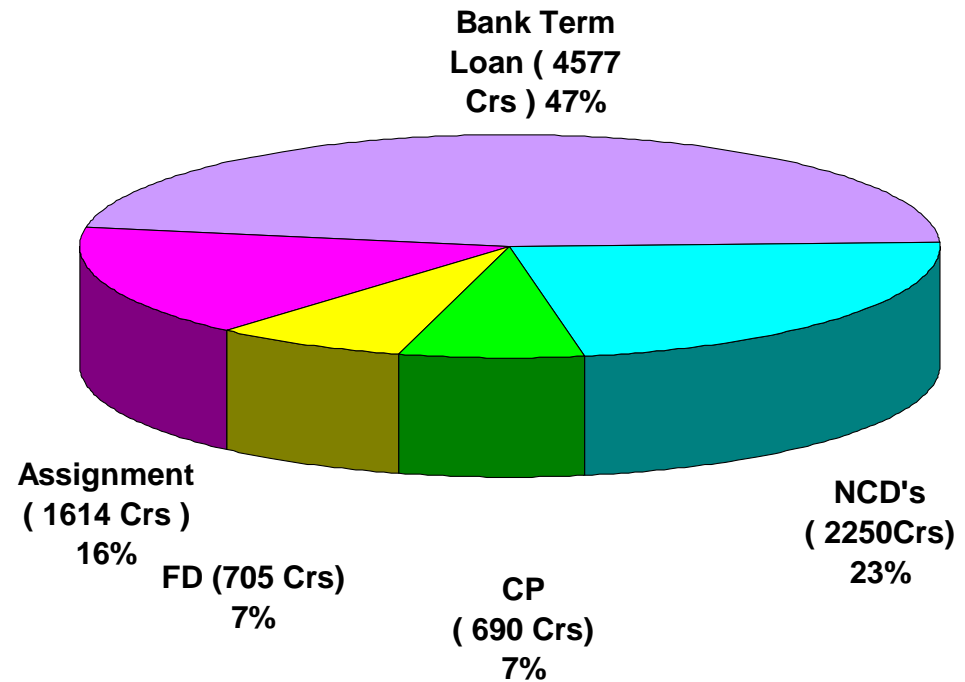
Source of Borrowing

(as on 30th September 2010)

Fund Mix on the basis of Investor profile



Fund Mix on the basis of Instrument.



Asset Assignment

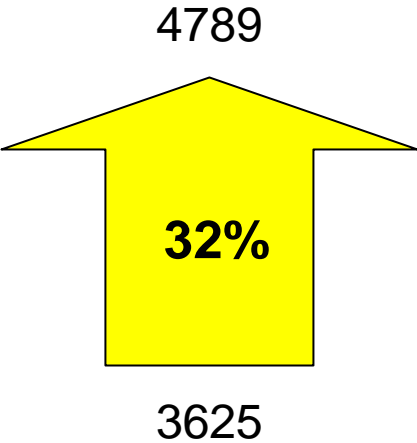
- MMFSL Assigns parts of its loan portfolio to improve its cash flows and reduce borrowings
- The company did its first securitisation / Assignment transaction in FY02 and has done 44 securitisation / Assignment transactions

Rs. Million	FY06	FY07	FY08	FY09	FY10
Receivables Securitised / Assigned	5,563	6,100	8,099	10,362	10,446
Consideration Received	5,147	5,608	7,303	9,151	9,713
Net Income from Securitisation	489	538	1,074	1,043	1,254

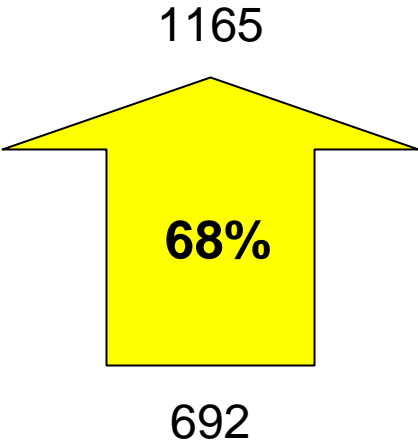
Challenges

- Average cash collection/day - Rs. 177 mn
- Banks unwilling to accept cash
- More than one Bank A/c per location
- Small denomination notes/ mutilated notes
- Employee acquisition & retention

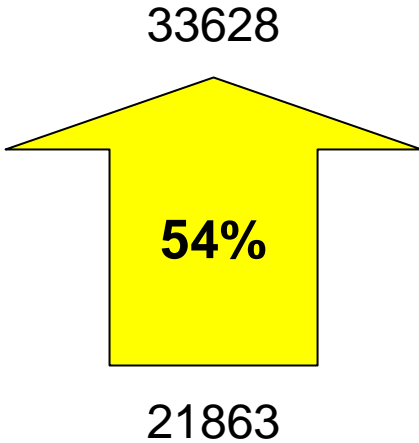
Highlights for Q2 - FY11 Vs Q2- FY10



Total Income
(Rs. In Mn)

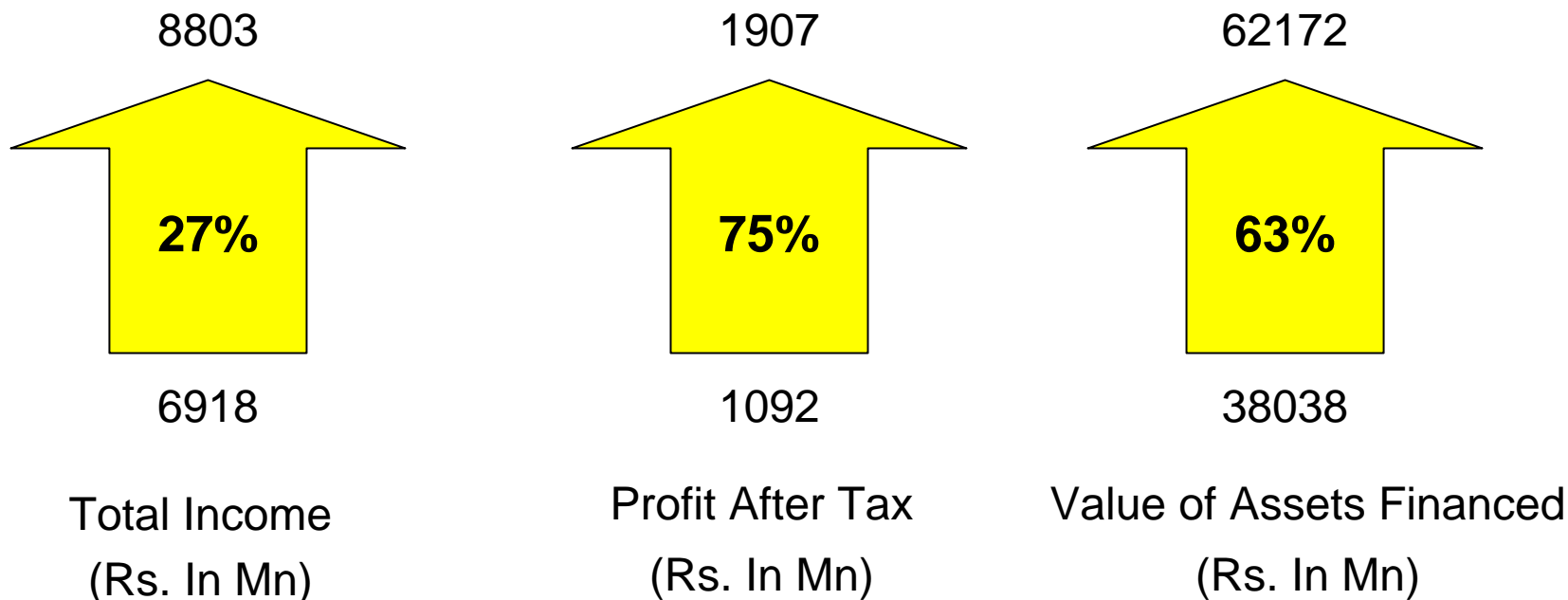


Profit After Tax
(Rs. In Mn)



Value of Assets Financed
(Rs. In Mn)

Highlights for H1- FY11 Vs H1- FY10



➤ Assets under Management have increased from Rs.92896 Mn to Rs.122457 Mn year-on-year basis.

Profit & Loss Statement

(Rs.million)	Sep- 10	Sep- 09	March- 10
Income from Operations	8620	6732	15308
Other Income	183	186	380
Total Income	8803	6918	15688
Interest Cost	2833	2415	5017
Administrative Cost	3056	2822	5366
Depreciation	62	45	99
Total Expenditure	5951	5282	10482
PBT	2852	1636	5206
PAT	1907	1092	3427

Balance Sheet: Liabilities

(Rs.million)	Sep- 10	Sep- 09	March- 10
Net Worth (A+B)	19191	15774	17274
Equity Share Capital (A)	961	958	960
Reserves & Surplus (B)	18230	14816	16314
Employee Stock Option O/S	10	14	12
Secured Loans	62832	47613	53259
Unsecured Loans	19383	10560	11318
Current Liabilities & Provs.	9571	8729	9087
TOTAL	110987	82690	90950

Balance Sheet: Assets

(Rs.million)	Sep- 10	Sep- 09	March- 10
Fixed Assets	611	418	476
Investments	2400	261	2159
Sundry Debtors	--	--	--
Other Current Assets	68	77	38
Cash & Bank Balance	2751	2700	2420
Loans & Advances & others	102965	77206	83788
Deferred Tax Asset	2192	2028	2069
TOTAL	110987	82690	90950

Disbursements Mix

Segments	Sep- 10	Sep- 09	March- 10
Auto/ Utility vehicles	30%	35%	35%
Tractors	21%	19%	21%
Cars/ Others*	33%	29%	29%
Commercial Vehicles	7%	9%	7%
Used vehicles & Others	9%	8%	8%

*Include Non-M&M utility vehicles

•Tentative Percentages

Segment Wise: Break up of AUM

Segments	Sep- 10	Sep- 09	March- 10
Auto/ Utility vehicles	34%	35%	33%
Tractors	22%	23%	23%
Cars/ Others*	30%	28%	30%
Commercial Vehicles	8%	9%	8%
Used Vehicles & Others	6%	5%	6%

*Include Non-M&M utility vehicles

•Tentative Percentages

Highlights of Mahindra Insurance Brokers Ltd

(Rs.million)	Sep- 10	Sep- 09	March- 10
Total Income	234	145	314
Net Premium	1333	944	1863
PBT	146	79	168
PAT	94	52	111
No. of Customers for the Period (Nos.)	205,715	143,722	316,892
No. of Employees (Nos.)	368	346	386

Highlights of Mahindra Rural Housing Finance Ltd.

(Rs.million)	Sep- 10	Sep- 09	March- 10
Loans Disbursed	829	296	1072
Outstanding Loan Book	2110	725	1298
Profit After Tax	36	4	22

- Shareholding Pattern: MMFSL- 87.5%, NHB- 12.5%
- Sanction from NHB for Refinancing Rs. 750 Mn for 7 years
- Currently Operating from 8 States

Consolidated Profit & Loss Statement

(Rs.million)	Sep- 10	Sep- 09	March- 10
Income from Operations	8902	6868	15612
Other Income	156	172	344
Total Income	9058	7040	15956
Interest Cost	2859	2418	5028
Administrative Cost	3089	2855	5426
Depreciation	64	46	101
Total Expenditure	6012	5319	10555
PBT	3046	1720	5401
PAT	2035	1149	3561

Consolidated Balance Sheet: Liabilities

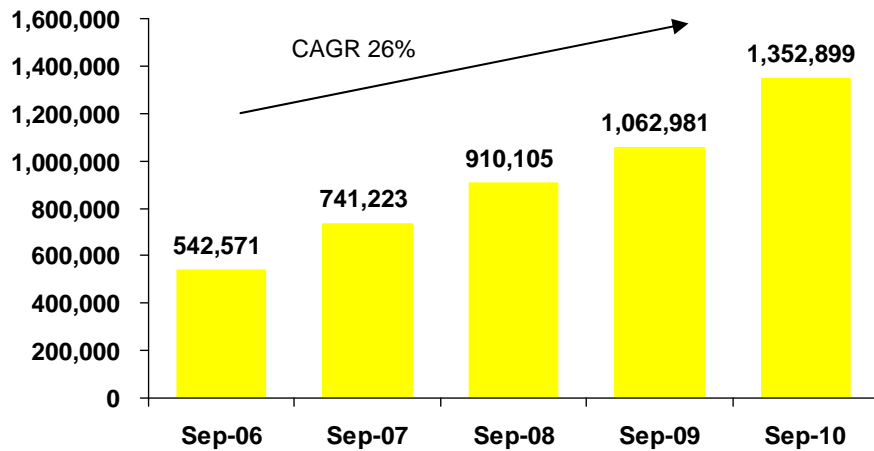
(Rs.million)	Sep- 10	Sep- 09	March- 10
Net Worth (A+B)	19575	15962	17536
Equity Share Capital (A)	961	958	960
Reserves & Surplus (B)	18614	15004	16576
Employee Stock Option O/S	10	14	12
Minority Interest	42	16	18
Secured Loans	63753	47744	54097
Unsecured Loans	19182	10435	11153
Current Liabilities & Provs.	9817	8761	9136
TOTAL	112379	82932	91952

Consolidated Balance Sheet: Assets

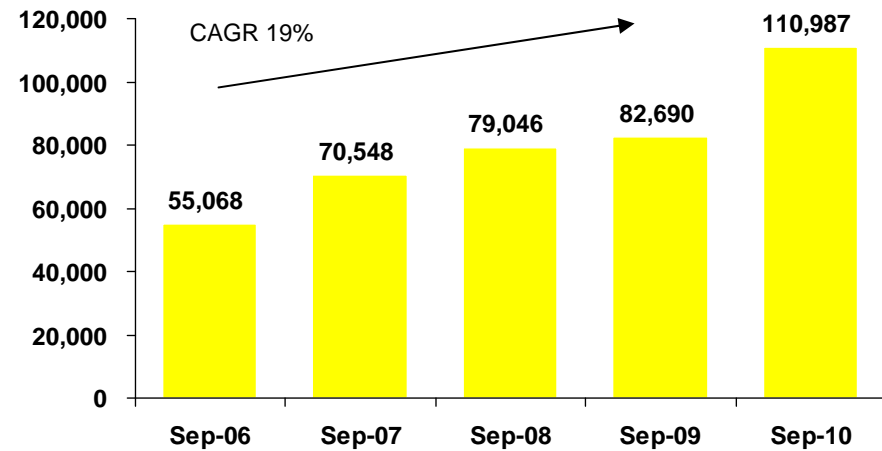
(Rs.million)	Sep- 10	Sep- 09	March- 10
Fixed Assets	629	427	486
Investments	2134	135	2034
Sundry Debtors	18	12	13
Other Current Assets	64	68	39
Cash & Bank Balance	2773	2723	2443
Loans & Advances & others	104565	77539	84865
Deferred Tax Asset	2196	2028	2072
TOTAL	112379	82932	91952

Robust Growth

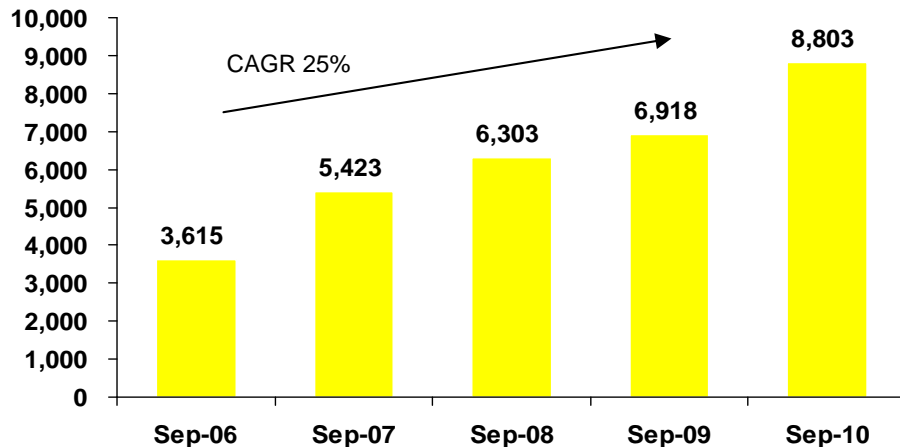
Cumulative no. of Customer Contracts (Nos.)



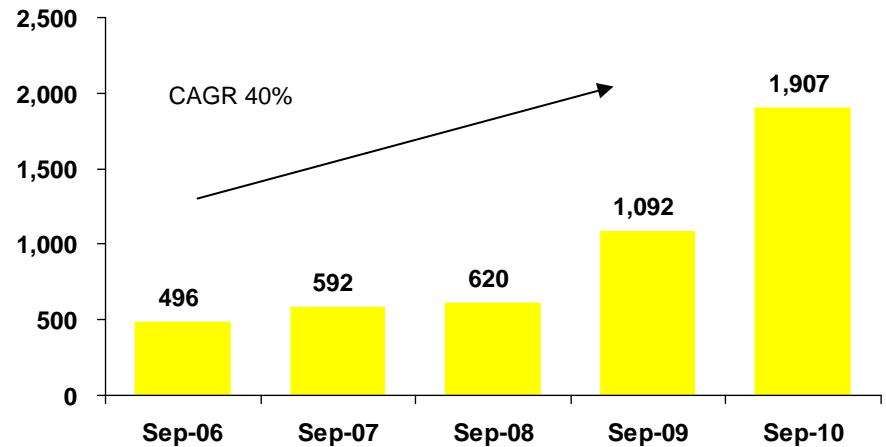
Total Assets (INR million)



Total Income (INR million)



Profit after Tax (INR million)



Summary of Results

(Rs.million)	Sep- 10	Sep- 09	March- 10
Total Income	8803	6918	15688
Profit before tax	2852	1636	5206
Profit after tax	1907	1092	3427
Dividend (%)	--	--	75
Net Worth	19191	15774	17274
EPS (Basic)	19.86	11.40	35.78
Market Capitalisation	62641	22326	36125
No. of Branches	506	439	459
New Contracts During the period (Net) (Nos)	163,051	89488	216,355
No. of employees	4425	4597	4399

Ratio Analysis

	Sep- 10	Sep- 09	March- 10
PBT/Total Income	32.4%	23.6%	33.2%
PBT/Total Assets	4.8%	3.5%	5.7%
RONW (Avg. Net Worth)	19.4%	12.7%	21.6%
Overheads/Total Assets	4.0%	3.6%	3.6%
Debt / Equity	4.28:1	3.67:1	3.73:1
Book value multiple	3.3	1.4	2.1
Capital Adequacy	16.5%	17.7%	18.5%
Tier I	14.7%	16.2%	16.1%
Tier II	1.8%	1.5%	2.4%
Book Value (Rs.)	200	165	180

Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	MMFSL
> 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 MMFSL NPA provisioning norms are more stringent than RBI norms for loan.			

NPA*

(Rs.million.)	Sep- 10	Sep- 09	March- 10
Gross Non - Performing Assets	6,744	7,933	6,112
Less: NPA Provisions	5,562	5,648	5,283
Net Non – Performing Assets	1,182	2,285	829
Total Assets (Incl. NPA Provision)	116,550	88,338	96,233
Gross NPA to Total Assets(%)	5.8%	9.0%	6.4%
Net NPA to Total Assets(%)	1.1%	2.8%	0.9%
Coverage Ratio(%)	82.5%	71.2%	86.4%

* Excluding Securitised portfolio

Spread Analysis

	Sep- 10	Sep- 09	March- 10
Total Income/Average Assets	17.0%	17.1%	19.0%
Interest / Average Assets	5.5%	6.0%	6.0%
Gross Spread	11.5%	11.1%	13.0%
Overheads/Average Assets	4.4%	3.8%	3.9%
Write offs & NPA provisions / Average Assets	1.7%	3.5%	2.7%
Net Spread	5.4%	3.8%	6.4%

Technology Initiatives

- 90% of total 506 branches are online realtime connected
- All collection executive uses Hand Held Device, connected by GPRS to central server, resulting in
 - Prompt intimation by SMS to customer
 - Complete information in hand to handle customer queries with transaction security
 - On-line Collection MIS on Management dashboard
 - Recording customer commitments
 - Enables better internal checks & controls



Employee engagement & training

- Tied up with 130 local graduate colleges for continuous recruitment.
- 5 days Induction program on product knowledge, business processes and aptitude training.
- On Job training by superiors followed by an assessment test.
- Tied up with various distance learning institutions for up gradation of employee skills.
- Education assistance programmes.
- Assessment & Development Centre for critical employees.
- Every quarterly employees can voice their opinion and suggestions to senior management.
- Employee recognition Programs such as – Dhruv Tara, Annual Convention Award, Achievement Box.

Key Risks & Management Strategies

- | | |
|--------------------------------|-----------------------------------------|
| ■ Volatility in interest rates | Matching of Asset Liabilities |
| ■ Rising competition | Increasing Branch Network |
| ■ Funds at competitive rates | Improving Credit Rating & Asset Quality |
| ■ Dependence on M&M | Increasing Non-M&M Portfolio |
| ■ Vagaries of nature | Increasing Geographical Spread |
| ■ Controlling write-offs | Improving the Portfolio Mix |
| ■ Employee retention | Job Rotation / ESOP / Group Opportunity |
| ■ Handling cash | Insurance & Effective Internal Control |

Treasury & Risk Management

Treasury Management

- The treasury department undertakes liquidity management by maintaining optimum level of liquidity and complying with RBI requirement of asset liability management.
- The surplus funds are invested in accordance with the investment policy of the board
 - Surplus funds are invested in Government securities, liquid debt based mutual funds and bank fixed deposits
- As of September 30, 2010, Rs. 887 million was invested in Government securities and Rs. 1228 million was invested in Certificate of Deposits.

Risk Management

- The Risk management team is a eight member team which identifies, assesses and monitors the principal risks of the Company, in accordance with the defined policies and procedures
- The Audit Committee oversees the risk management policies and procedures and also reviews the credit risk of the Company
- The Asset Liability Management Committee reviews risk management policies in relation to various risks including liquidity, interest rate, investment policies and strategy
- We have also appointed a number of audit firms across the country to review and audit our branch operations and their audit reports are reviewed by the Audit Committee

Key Investment Themes

Immense potential in the rural and semi urban markets

Early entry and knowledge of the rural and semi urban market

M&M Parentage

Strong Capital Base

Extensive Branch Network / Dealer Relationships

Consistent financial performance

Client Base

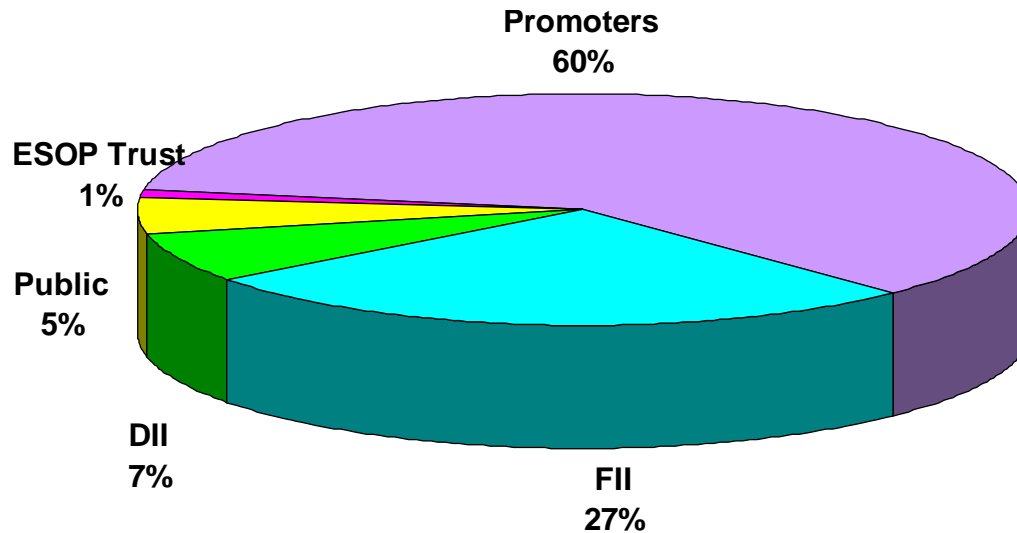
Prudent loan approval and administration procedures

Ability to borrow at competitive rates

Experienced Board and executive management team

Shareholding Pattern

(as on 30th September 2010)



- Incorporated in 1991 mainly to finance Mahindra vehicles by Mahindra & Mahindra Ltd.
- The Company inducted a financial investor, Copa Cabana in January 2006. Copa Cabana, a 100% subsidiary of Chrys Capital III, LLC paid INR 600 mn for purchasing a 4.16% stake in MMFSL
- 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 10.9 million shares to two private equity funds TPG Axon Capital and Standard Chartered Private Equity in February 2008, all at a price of Rs. 380/Share.

Thank you