

Mahindra & Mahindra Financial Services Limited

**Result Update
SEPTEMBER - 2011**

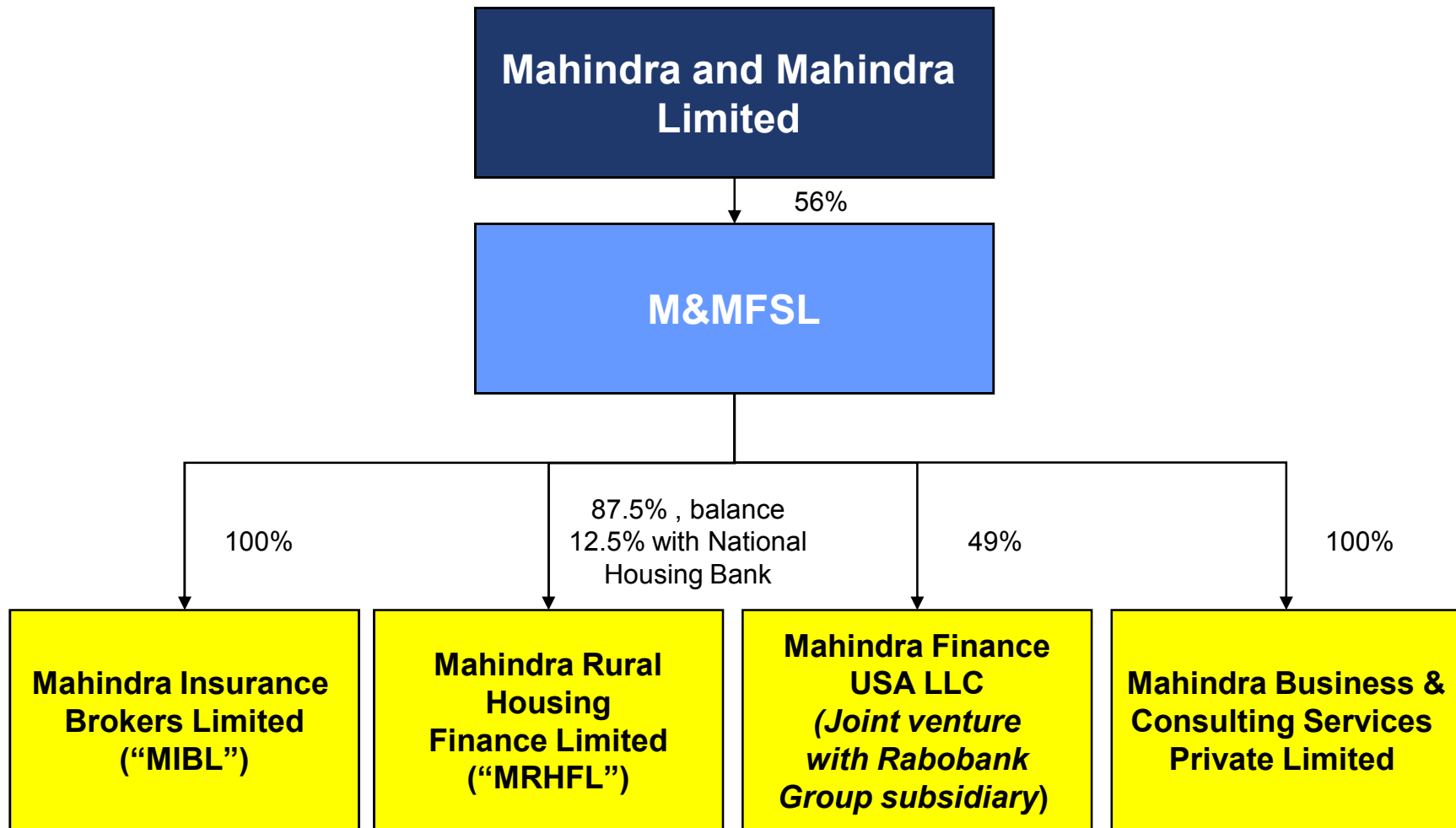
Mahindra Finance

Company overview

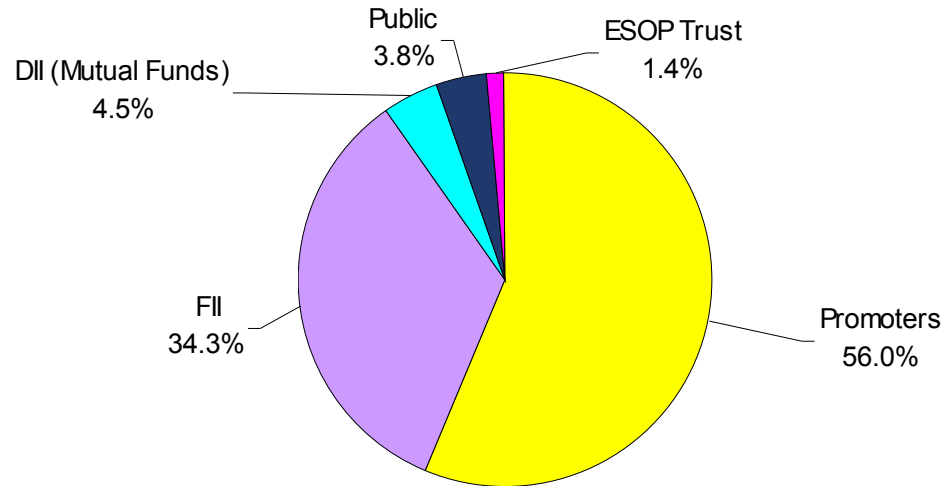
Background

- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 492 billion)*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 66 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 570 offices covering 24 states and 4 union territories in India, with over 1.7 million vehicle finance customer contracts since inception, as of September 30, 2011
- 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

M&MFSL Group structure



Shareholding pattern (as on September 30, 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 Ltd, PCA India Equity Open Ltd, Fidelity Investment Trust, Valiant Mauritius Partners Ltd and Cartica Capital Ltd.

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	Half year ended September-11	Half year ended September-10	Full year ended March-11
Auto/ Utility vehicles (M&M)	27%	30%	29%
Tractors (M&M)	20%	21%	22%
Cars and other (including non M&M vehicles)	32%	33%	33%
Commercial vehicles and Construction equipments	11%	7%	7%
Pre-owned vehicles and others	10%	9%	9%

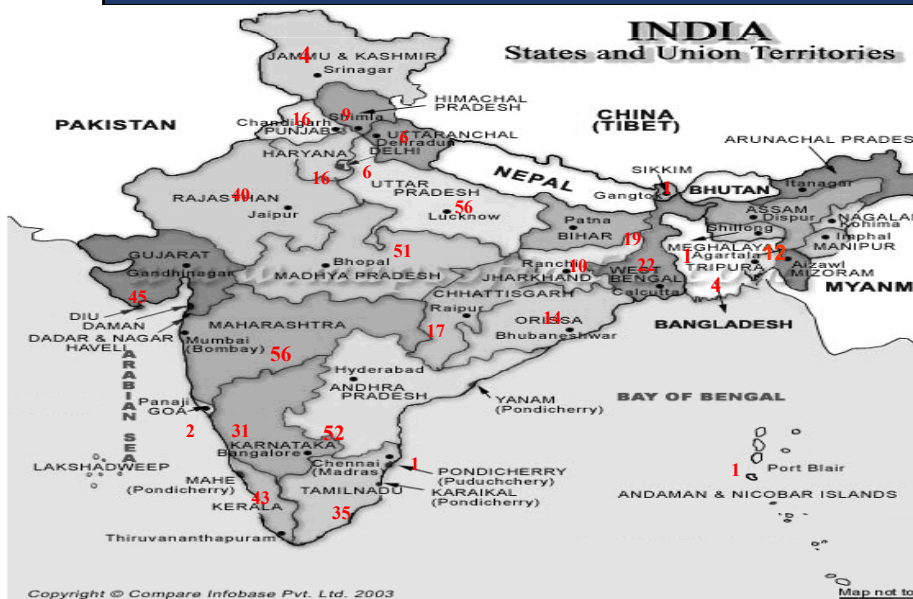
Break down of AUM

Segments	As on September-11	As on September-10	As on March-11
Auto/ Utility vehicles (M&M)	32%	34%	31%
Tractors (M&M)	20%	22%	23%
Cars and other (including non M&M vehicles)	31%	30%	31%
Commercial vehicles and Construction equipments	11%	8%	9%
Pre-owned vehicles and others	6%	6%	6%

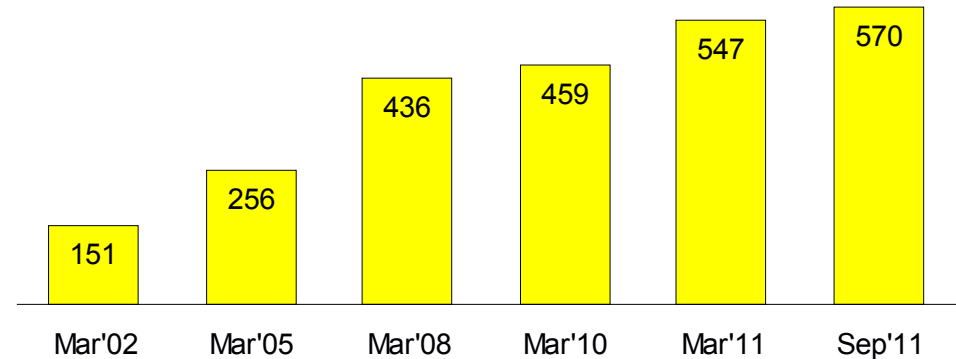
Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 570 offices as of September 30, 2011
 - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of



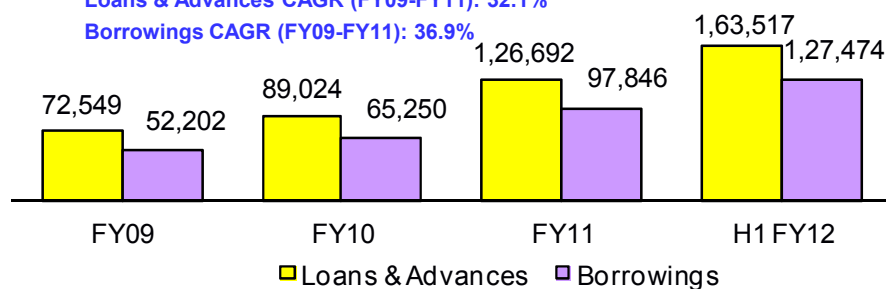
Established track record

Figures on consolidated basis

Loans & Advances and Borrowings (Rs. million)

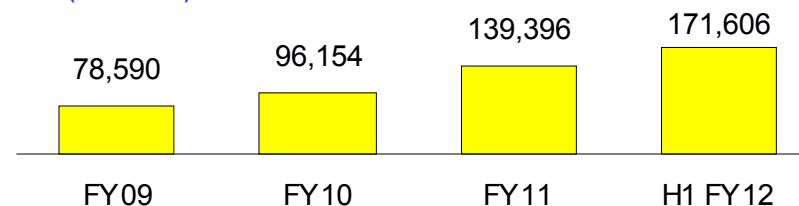
Loans & Advances CAGR (FY09-FY11): 32.1%

Borrowings CAGR (FY09-FY11): 36.9%



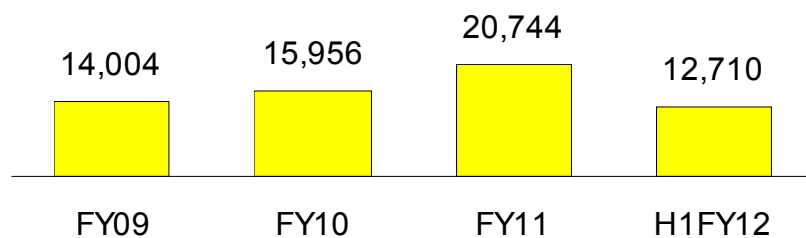
Total Assets (Rs. million)

CAGR(FY09-FY11): 33.2%



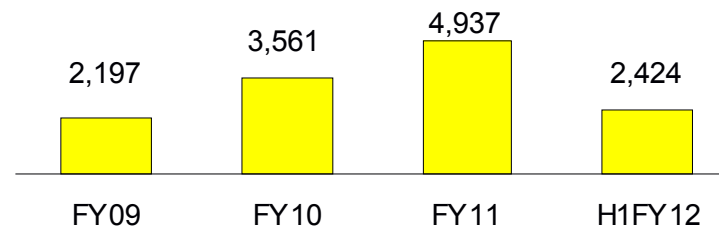
Total Income (Rs. million)

CAGR(FY09-FY11): 21.7%



Profit After Tax (Rs. million)

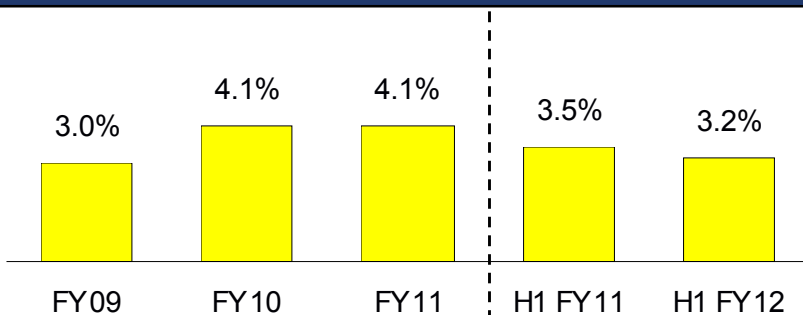
CAGR(FY09-FY11): 49.9%



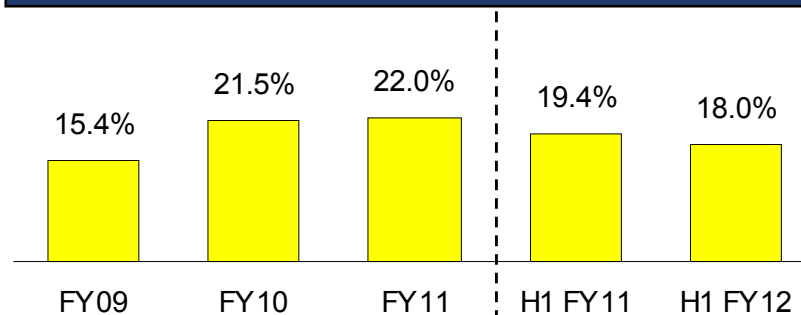
Established track record

Figures on standalone basis

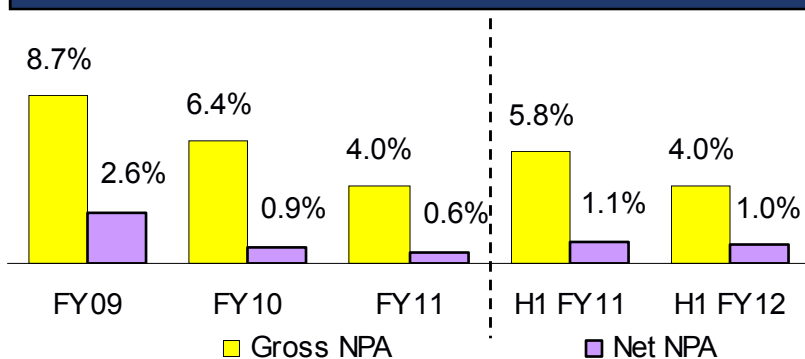
ROA (Avg. Assets) (%)



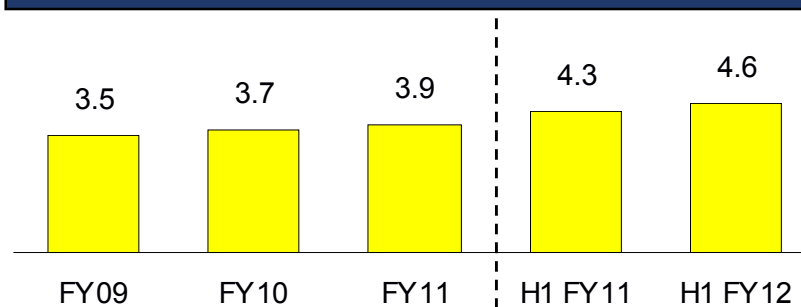
RONW (Avg. Net Worth) (%)



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)	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
Income from operations	11,968	8,620	19,739
Other income	322	183	387
Total income	12,290	8,803	20,126
Interest cost	4,749	2,833	6,602
Administrative cost	3,847	3,056	6,027
Provision on Standard Assets	72	--	314
Depreciation	93	62	158
Total expenditure	8,761	5,951	13,101
PBT	3,529	2,852	7,025
PAT	2,377	1,907	4,631

Standalone Balance Sheet

LIABILITIES (Rs. million)	As on September – 11	As on September – 10	As on March – 11
Shareholder's funds	27,319	19,201	24,901
Secured loans	94,879	62,832	83,006
Unsecured loans	29,347	19,383	13,744
Current liabilities & provisions	15,548	12,927	15,890
TOTAL	167,093	114,343	137,541

ASSETS (Rs. million)	As on September- 11	As on September- 10	As on March – 11
Fixed Assets	947	611	818
Investments	2,576	2400	6,746
Cash & Bank balance	2,540	2,751	2,976
Other Current assets	205	107	184
Loans & Advances	158,588	106,282	124,650
Deferred tax asset	2,237	2,192	2,167
TOTAL	167,093	114,343	137,541

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
Income from operations	12,495	8,902	20,435
Other income	215	156	309
Total income	12,710	9,058	20,744
Interest cost	4,812	2,859	6,662
Administrative cost	4,117	3,089	6,129
Provision on Standard Assets	80	--	314
Depreciation	96	64	162
Total expenditure	9,105	6,012	13,267
PBT	3,605	3,046	7,477
PAT	2,424	2,035	4,937

Consolidated Balance Sheet

LIABILITIES (Rs. million)	As on September – 11	As on September – 10	As on March – 11
Shareholder's funds	27,948	19,585	25,450
Minority Interest	72	42	47
Secured loans	98,324	63,753	84,349
Unsecured loans	29,150	19,182	13,497
Current liabilities & provisions	16,112	13,178	16,053
TOTAL	171,606	115,740	139,396
ASSETS (Rs. million)	As on September – 11	As on September – 10	As on March – 11
Fixed Assets	977	629	840
Investments	1,942	2,134	6,252
Cash & Bank balance	2,693	2,773	3,236
Other Current assets	228	121	200
Loans & Advances	163,517	107,887	126,692
Deferred tax asset	2,249	2,196	2,176
TOTAL	171,606	115,740	139,396

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

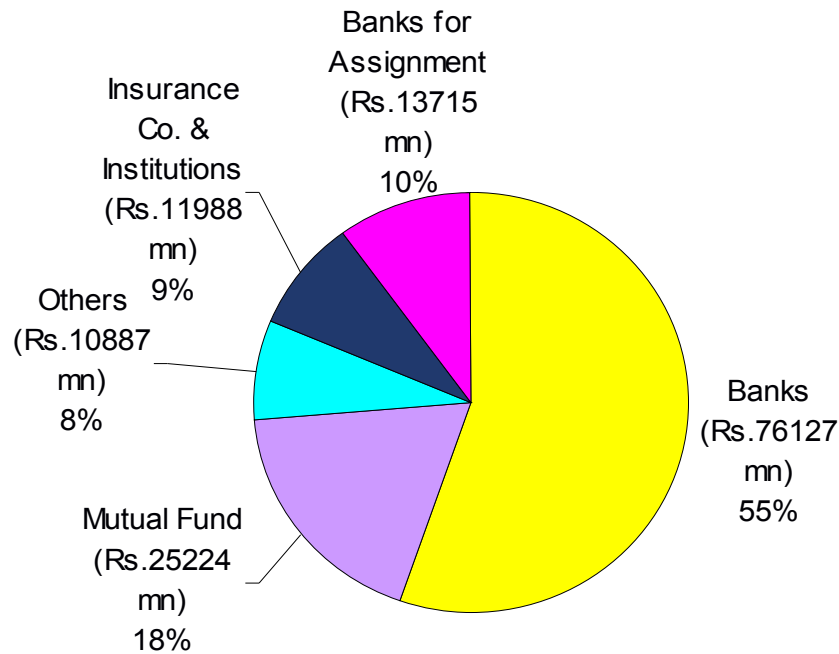
	FITCH Rating	Outlook
Long term and Subordinated debt	AA+(ind)	Stable

Source of Borrowing

(as on September 30, 2011)

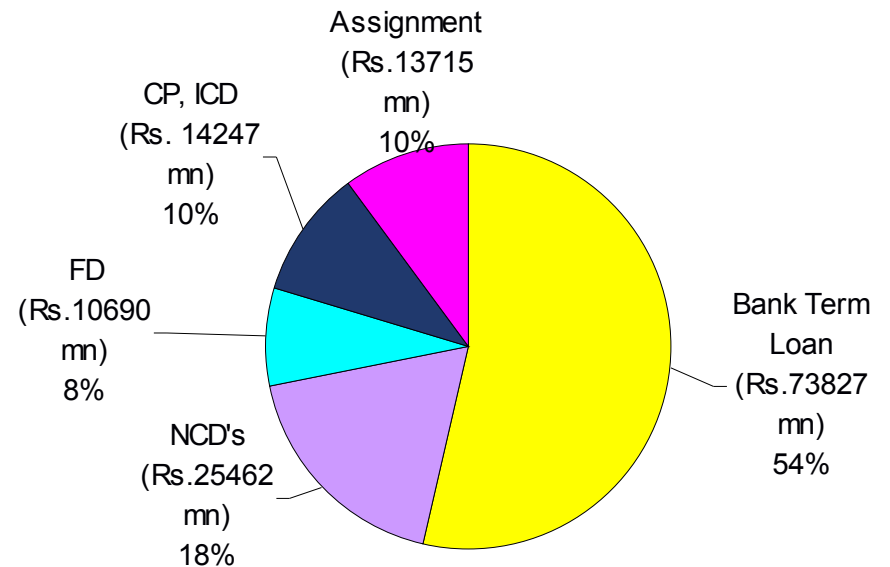
Figures on standalone basis

Fund Mix on the basis of Investor profile



Total : Rs.137941 million

Fund Mix on the basis of Instrument



Total : Rs.137941 million

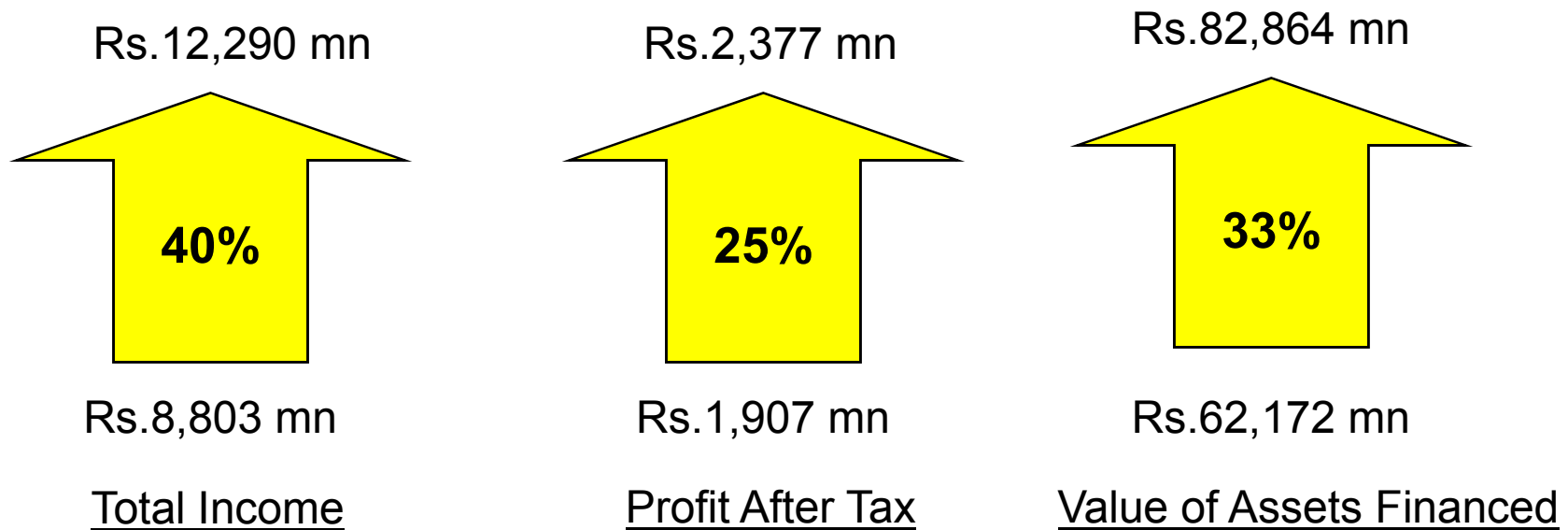
Loan Receivables Assignment

- 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 September 30, 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

Highlights for H1- FY12 Vs H1- FY11

Figures on standalone basis



- Assets under Management have increased from Rs.125,813 Mn to Rs.177,046 Mn year-on-year basis.

Summary of Results

Figures on standalone basis

Particulars (Rs. million)	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
Total Income	12,290	8,803	20,126
Profit before tax	3,529	2,852	7,024
Profit after tax	2,377	1,907	4,631
Dividend (%)	--	--	100
Net Worth	27,263	19,191	24,880
EPS (Basic)	23.19	19.86	47.85
Market Capitalisation	68,543	62,641	80,727
Value of Assets Financed	82,864	62,172	144,199
No. of Branches	570	506	547
New Contracts During the period (Nos)	204,565	163,051	367,774
No. of employees	4,281	4,425	4,303

Ratio Analysis

Figures on standalone basis

	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
PBT/Total Income	28.7%	32.4%	34.9%
PBT/Total Assets	4.3%	4.8%	5.2%
RONW (Avg. Net Worth)	18.0%	19.4%	22.0%
Overheads/Total Assets	3.5%	4.0%	3.6%
Debt / Equity	4.55:1	4.28:1	3.88:1
Book value multiple	2.5	3.3	3.2
Capital Adequacy	17.3%	16.5%	20.3%
Tier I	14.7%	14.7%	17.0%
Tier II	2.6%	1.8%	3.3%
Book Value (Rs.)	266.0	200.0	242.8

Spread Analysis

Figures on standalone basis

	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
Total Income / Average Assets	16.5%	17.0%	17.9%
Interest / Average Assets	6.3%	5.5%	5.8%
Gross Spread	10.2%	11.5%	12.1%
Overheads / Average Assets	3.9%	4.4%	4.4%
Write offs & NPA provisions / Average Assets	1.4%	1.7%	1.4%
Net Spread	4.9%	5.4%	6.3%

NPA

Figures on standalone basis

Particulars (Rs. million)	September – 11	September – 10	March – 11
Gross Non - Performing Assets	6,688	6,744	5,488
Less: NPA Provisions	5,034	5,562	4,744
Net Non – Performing Assets	1,654	1,182	744
Total Assets (Incl. NPA Provision)	168,262	116,550	138,606
Gross NPA to Total Assets(%)	4.0%	5.8%	4.0%
Net NPA to Total Assets(%)	1.0%	1.1%	0.6%
Coverage Ratio(%)	75.3%	82.5%	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 90% of our 570 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 Rural Housing Finance Limited

Particulars (Rs. million)	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
Loans disbursed	1,215	829	2,036
No. of Customer Contracts (Nos)	12,525	7,044	21,981
Outstanding loan book	4,183	2,110	3,152
Total income	367	192	493
PBT	50	49	122
PAT	38	36	89

- 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

An additional provision of Rs. 13 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 30th September 2011 (b) provision at higher percentage on substandard, doubtful and loss assets.

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Half year ended September – 11	Half year ended September – 10	Year ended March – 11
Total income	162	234	517
Net premium	1,819	1333	2,891
PBT	39	146	329
PAT	26	94	218
No. of Policies for the Period (nos.)	307,656	205,715	508,877
No. of employees (nos.)	408	368	379

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

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