

Mahindra & Mahindra Financial Services Limited

Quarter Result Update
September - 2018

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CIN - L65921MH1991PLC059642



Company Overview

Industry Overview

Business Strategy

Financial Information

Key Subsidiaries

Awards & Accolades

Risk Management Policies

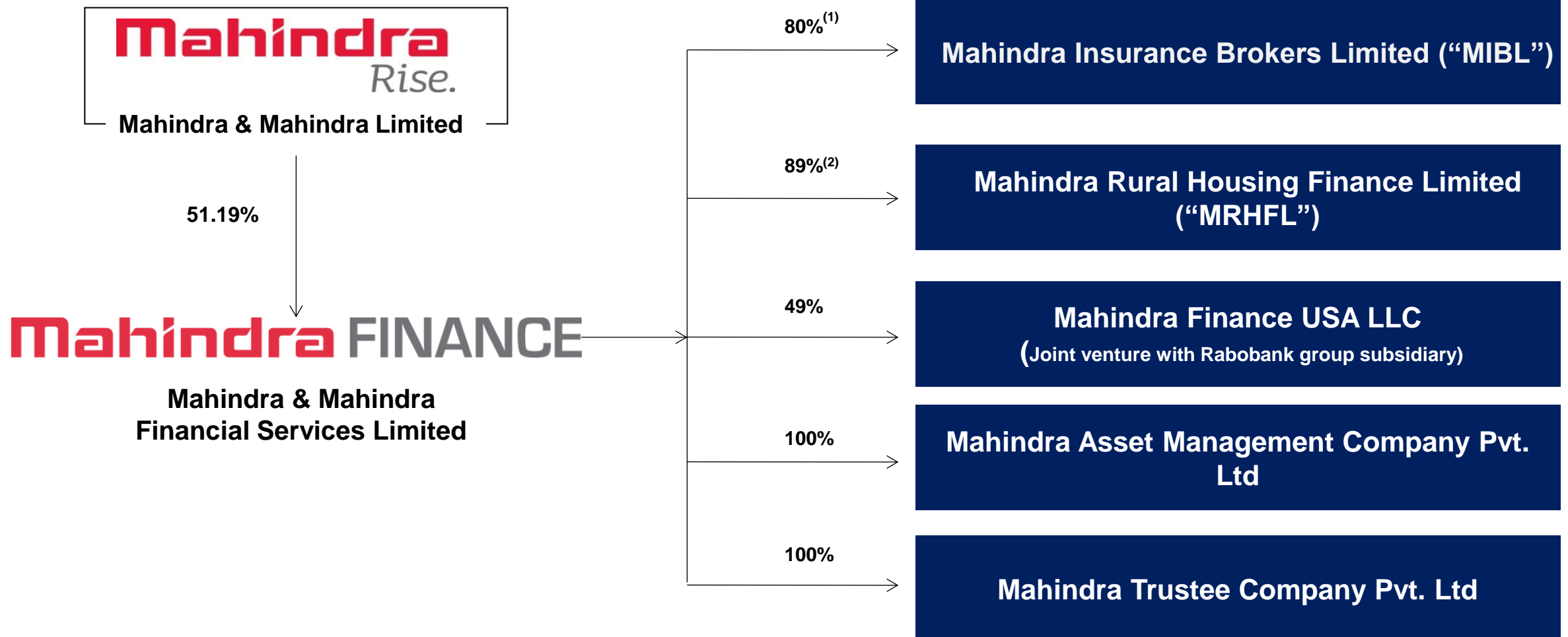
Transforming rural lives across the country

Company Background

- Parentage:** Mahindra & Mahindra Financial Services Limited (“MMFSL”) is a subsidiary of Mahindra and Mahindra Limited (*Mcap: Rs 906 billion*)*, India’s largest tractor and utility vehicle manufacturer
- About MMFSL:** MMFSL (*Mcap: Rs 231 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 equipment 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 1,296 offices covering 27 states and 5 union territories in India, with over 5.68 million vehicle finance customer contracts since inception
- Credit Ratings:** India Ratings has assigned AAA(ind)/Stable, CARE Ratings has assigned AAA/Stable, Brickwork has assigned AAA/Stable and CRISIL has assigned AA+/Stable rating to the Company’s long term and subordinated debt

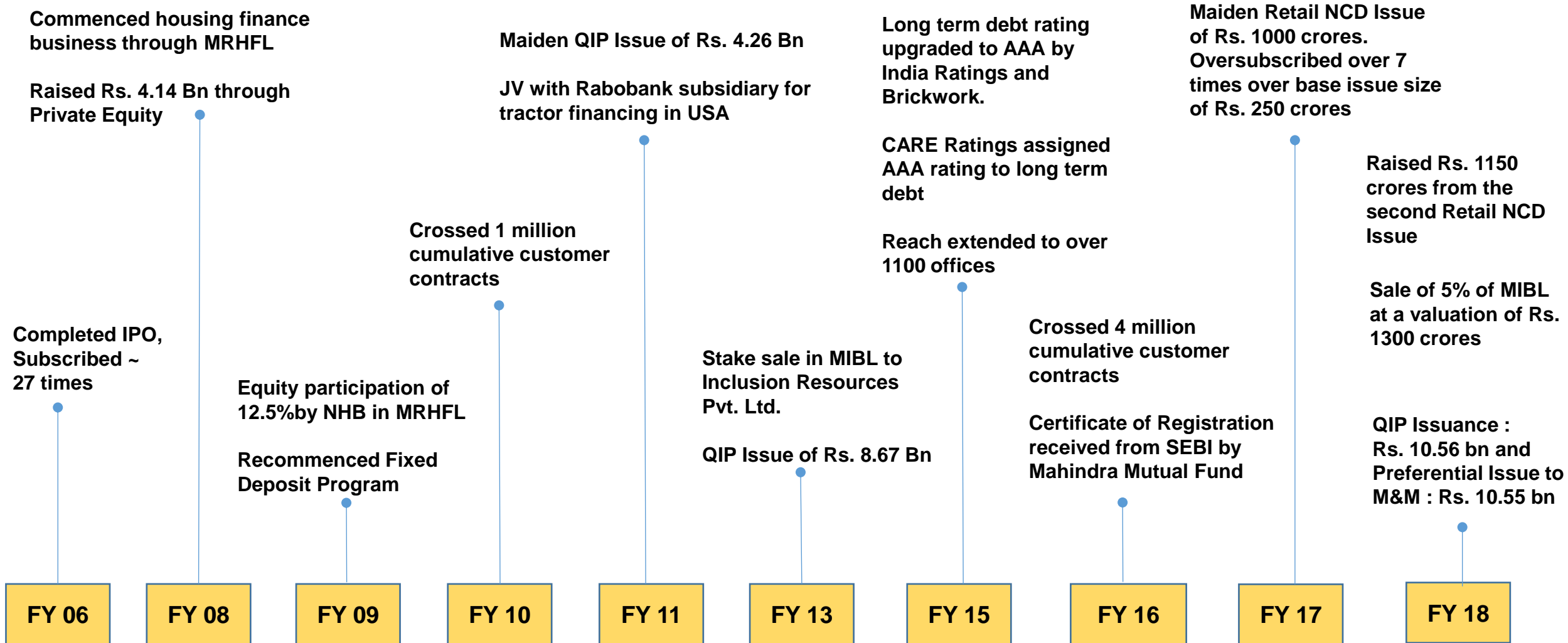
**Source: Market capitalisation as of October 23, 2018 from BSE website*

MMFSL Group structure



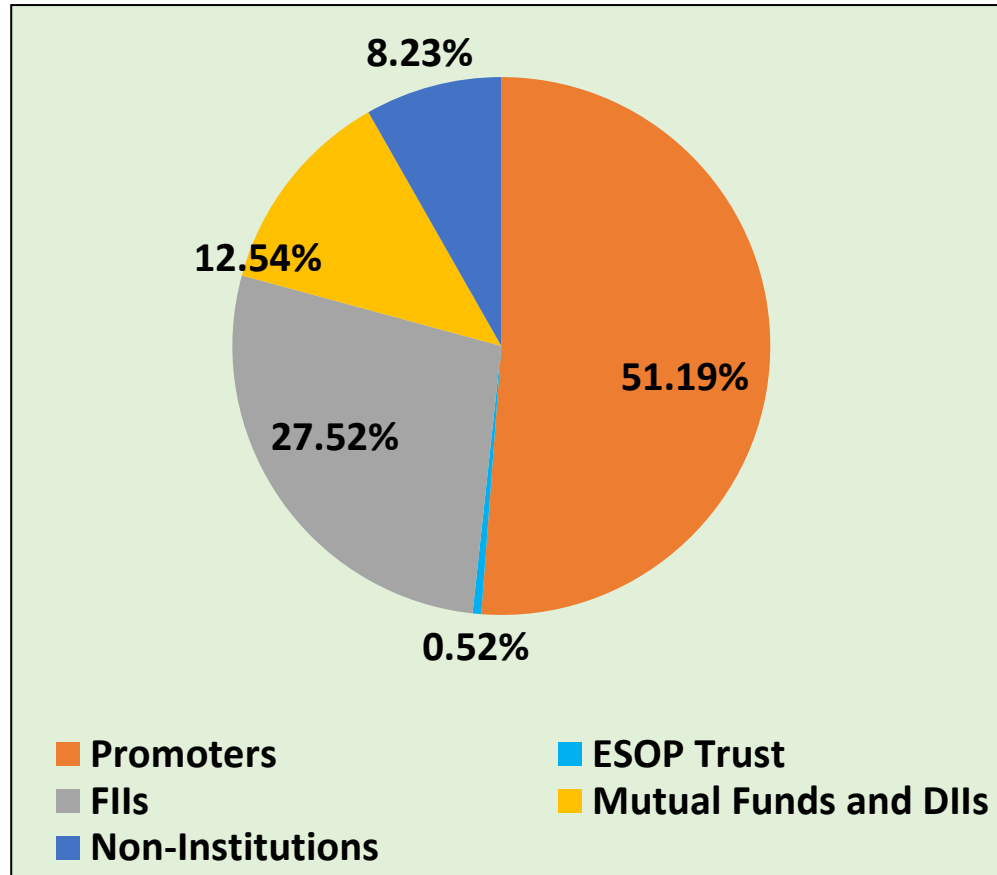
Note:
1. Balance 20% with Inclusion Resources Pvt. Ltd. (IRPL), subsidiary of AXA XL Group
2. Balance 11% with National Housing Bank (NHB)

Our Journey



Shareholding Pattern (as on 30th September, 2018)

Shareholding Pattern Chart



Mahindra & Mahindra Limited holds a stake of 51.19% in the Company

Top 10 Public Shareholders

- HDFC Standard Life Insurance Company Limited
- Blackrock Global Funds Asian Dragon Fund
- Blackrock Global Funds - Asian Growth Leaders Fund
- Kotak Funds - India Midcap Fund
- Valiant Mauritius Partners Offshore Limited
- SBI Blue Chip Fund
- Bank Muscat India Fund
- Schroder International Selection Fund Emerging ASI
- Vanguard Emerging Markets Stock Index Fund, A Seri
- Stichting Depository APG Emerging Markets Equity P



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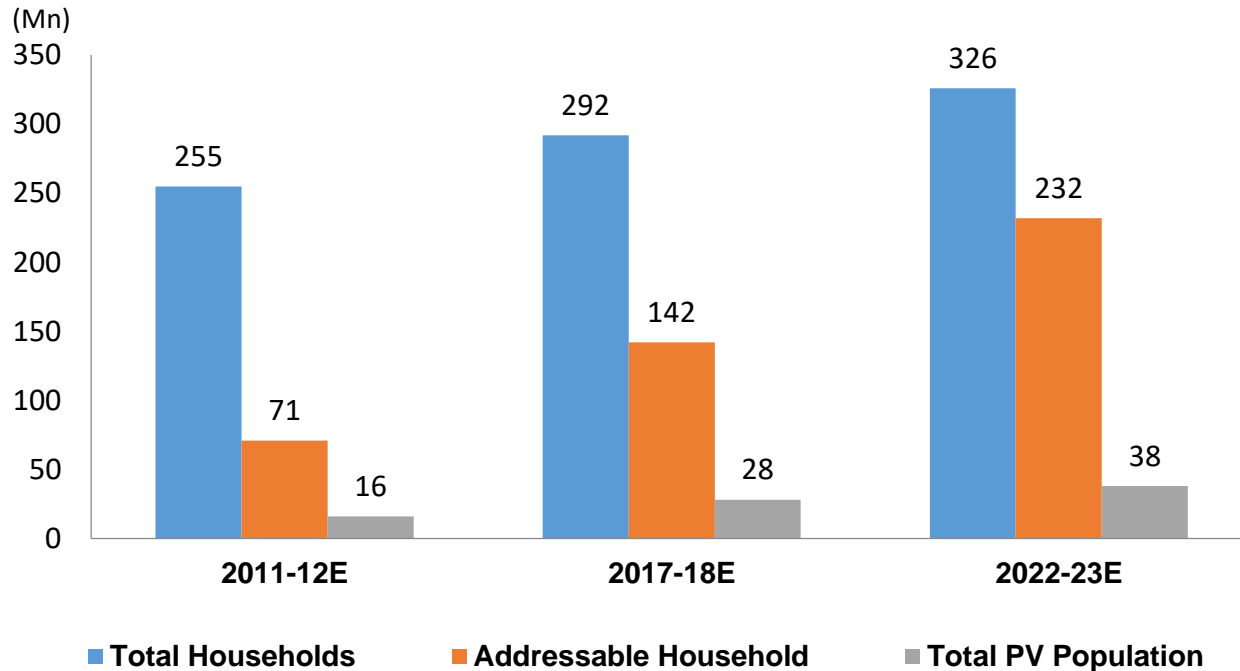
Awards & Accolades

Risk Management Policies

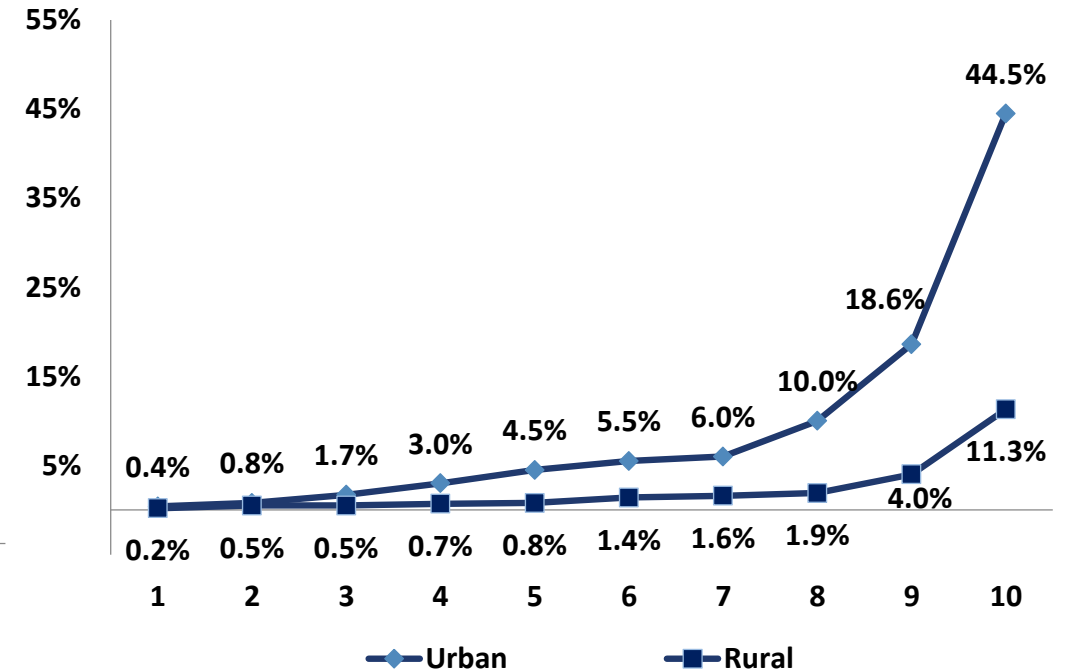
Transforming rural lives across the country

Auto Industry: Long term growth potential

Expansion in Addressable market with Low Cost of Ownership



Decile-wise penetration (Urban versus Rural)



- Considering projected rise in addressable households, penetration levels expected to improve from currently 21 cars per 1000 people
- Potential for further penetration levels in the top decile especially in the rural side (Expectation of 25-27 cars per 1000 by 2023)
- Higher farm output, stable inflation, State pay commissions and new model launches to boost semi-urban and rural sentiments
- Infrastructure development (NHAI projects; Bharatmala) expected to push economic activity and improve demand
- Crude Oil price is a key monitorable. Fuel efficiency, growth in electric vehicles and adoption of alternate fuels may slow future demand.

Passenger Vehicles Industry: Overall Demand Drivers

	FY 08 – FY13	FY 13 – FY 18	FY 18 – FY 23 (P)
Small Cars	11%	4%	6% – 8%
Large Cars	3%	(5%)	6% – 8%
UV + Vans	19%	7%	11% – 13%
Total (Cars + UVs)	12%	4%	8% – 10%

- Small cars and UV expected to continue growth due to new launches
- Compact UV's gained momentum in the back of aggressive pricing, premium features and petrol variants
- Growth of large cars shall be moderated on back of intense competition and high base

Volumes in '000	FY 2017		FY 2018		H1 FY 2019		FY 2019 (P)	FY 2020 (P)
	Volume	Growth	Volume	Growth	Volume	Growth	Growth	Growth
Small Cars	1,891	6%	1,964	4%	1,070	8%	11% – 13%	6% - 8%
Large Cars	211	(9%)	209	(1%)	100	(8%)	(4%) – (6%)	1% - 3%
UV + Vans	944	24%	1,114	18%	575	7%	7% – 9%	8% - 10%
Total (Cars + UVs)	3,047	9%	3,287	8%	1,744	7%	9% – 11%	7% - 9%

- Replacement demand will rise on the back of higher affordability, competitively priced launches and easy availability of finance
- Higher disbursements expected with reduced interest rate environment. Further new model launches shall enhance demand

Commercial Vehicles Industry: Overall Demand Drivers

	FY 13 – FY 18	FY 18 – FY 23 (P)
MHCV (goods)	6.6%	6% – 8%
LCV (goods)	(0.4%)	5% – 7%
Buses	(2.2%)	9% – 11%

- Indian Industry GVA has been tepid for the last five year (~ 6.1%), expected to grow at higher pace in next 5 years
- Increased outlay for infrastructure and improved NHAI execution
- Improved consumption and rising replacement volume will drive the long-term LCV demand.

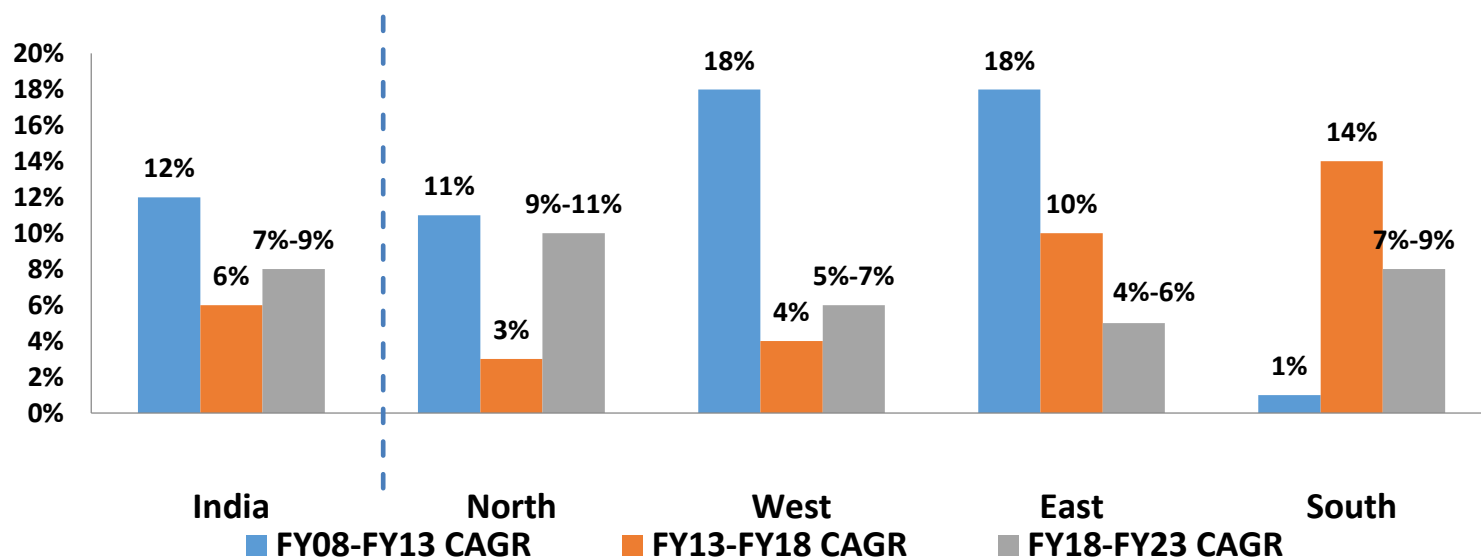
	FY 2016		FY 2017		FY 2018		FY 2019 (P)
	Volume	Growth	Volume	Growth	Volume	Growth	Growth
MHCV	257,987	32%	255,234	(1%)	304,664	19%	15% – 17%
LCV	334,371	(1%)	360,842	8%	467,224	29%	21% – 23%
Buses	92,845	15%	98,126	6%	84,573	(14%)	10% – 12%

- Significant upward revision in FY 2019 projection on the back of Infrastructure spending, road construction, irrigation and housing .
- Capacity utilisation of major CV OEM's at 64% (FY 2018) and expected to improve to 79% (FY 2019)
- Industrial GDP is expected to increase by 6.8% in fiscal 2019 as against a 5.5% growth in fiscal 2018.
- Construction sector may receive a boost being highly labour intensive resulting in improving demand

Tractors Industry: Overall Demand Drivers

	FY 2016		FY 2017		FY 2018		FY 2019 (P)	FY 18 – FY 23 (P)
	Volume	Growth	Volume	Growth	Volume	Growth	Growth	Growth
Tractors	493,764	(10%)	582,844	18%	711,478	22%	12% - 14%	7% – 9%

- India is amongst the lowest in farm mechanisation compared to global peers – a significant scope for growth



- Government objective of doubling farmers income to boost sentiments and improve earnings
- Favourable:** Income parameters (MSP; Crop Output), Demand Indicators and Finance
- Neutral:** Supply

Cumulative Rainfall

Region	Rainfall (% of LPA)
North West India	98%
Central India	93%
South Peninsula	98%
East & North East India	76%
All India	91%

Period 01 June, 2018 to 30 September, 2018

Category	No. Of Subdivisions
Excess	1
Normal	23
Deficient	12

Auto Industry Volume

Domestic Sales (Volume in '000)	1HFY19 (Nos.)	1HFY18 (Nos.)	Y-o-Y Growth (%)	FY18 (Nos.)	FY17 (Nos.)	Y-o-Y Growth (%)
Passenger Vehicles (PVs)						
Passenger Cars / Vans	1,169	1,095	7%	2,173	2,103	3%
UV's	575	536	7%	1,114	944	18%
Commercial Vehicles (CVs)						
M&HCVs	191	129	48%	340	302	13%
LCVs	297	225	32%	516	412	25%
Three Wheelers	354	264	34%	640	512	25%
Tractors	408	363	12%	711	583	22%

The growth rate in all vehicle categories have improved significantly over the previous year (especially in Commercial Vehicles)

Automobile Finance Market: 5 years Projected Growth@15-17%

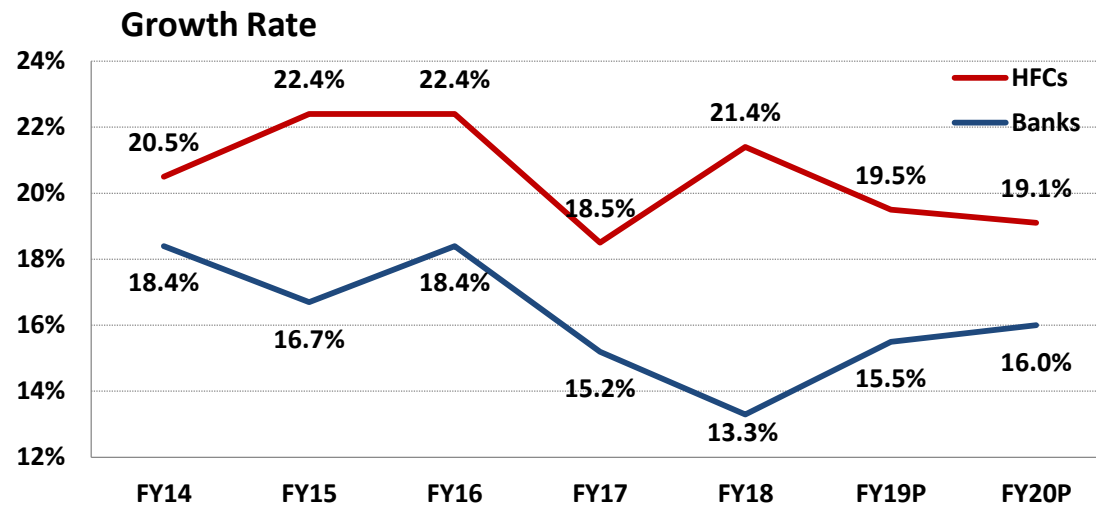
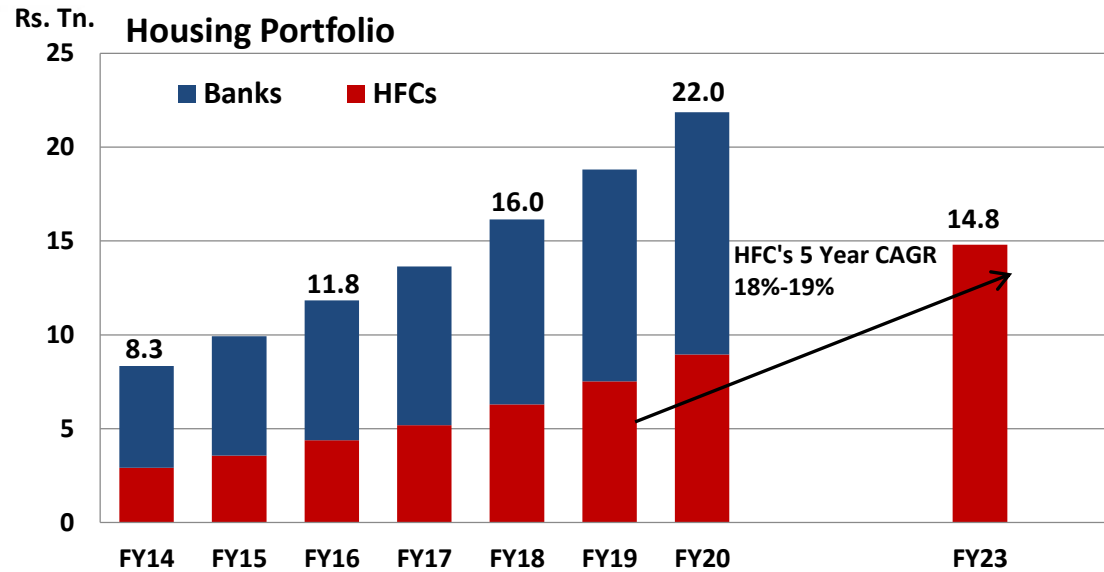
Segment-wise growth in disbursement					
	FY 13 (Rs. Bn.)	CAGR FY 13 – FY 18	FY 18 (Rs. Bn.)	CAGR FY 18 – FY 23	FY 23 (Rs. Bn.)
Passenger vehicle	753	11%	1,272	15%	2,612
Commercial vehicle	452	8%	652	10%	1,064
Two wheelers	123	17%	269	17%	588
Three wheelers	70	7%	98	8%	142
Total	1,398	10%	2,291	14%	4,406

Source: CRISIL Research, Retail Finance - Auto, September 2018

Car & UV Loan Portfolio	Top 20 Cities	Other Cities
Outstanding Loan Composition	58%	43%
Finance Penetration Ratio	80.0%	65.0%

- By FY 2023P, penetration levels are projected to increase to 79% for cars and 76.5% for utility vehicles from 77% and 72.5% respectively (FY 2018) as a result of a moderation in interest rates and better availability of credit information
- Loan-to-value (LTVs) expected to increase marginally to 77% for cars and 75.8% for UVs from 76% and 73.4% respectively over the same period
- Finance penetration in cities (excluding top 20) are expected to grow with NBFC's expanding reach and better availability of credit information

Housing Finance Growth



- HFC's Loan Book growth expected to expand at 18% - 19% CAGR from Rs. 6.3 trillion (FY18) to Rs. 14.8 trillion (FY 23).
- Deeper mortgage penetration and increased demand from Tier II/ smaller towns to fuel loan growth over the period
- Government's aggressive push towards affordable housing leading to 3x increase in number of houses
- Mortgage penetration in India is 9 – 11 years behind other regional emerging markets like China and Thailand
- AMRUT and Fiscal incentives along with bringing transparency through RERA, lowering risk weights for banking home loans creating structural improvements
- Despite mortgage penetration improving by 300 – 400 bps over the last six years (now at 10%), the same is still low.



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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

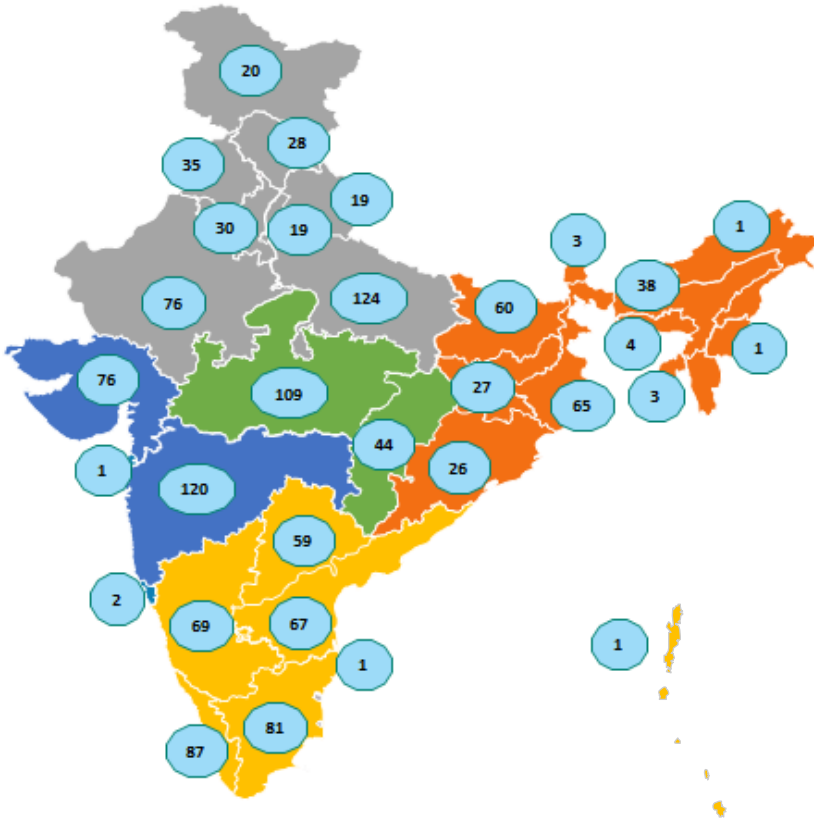
Effective use of technology to improve productivity

Leverage the “Mahindra” Ecosystem

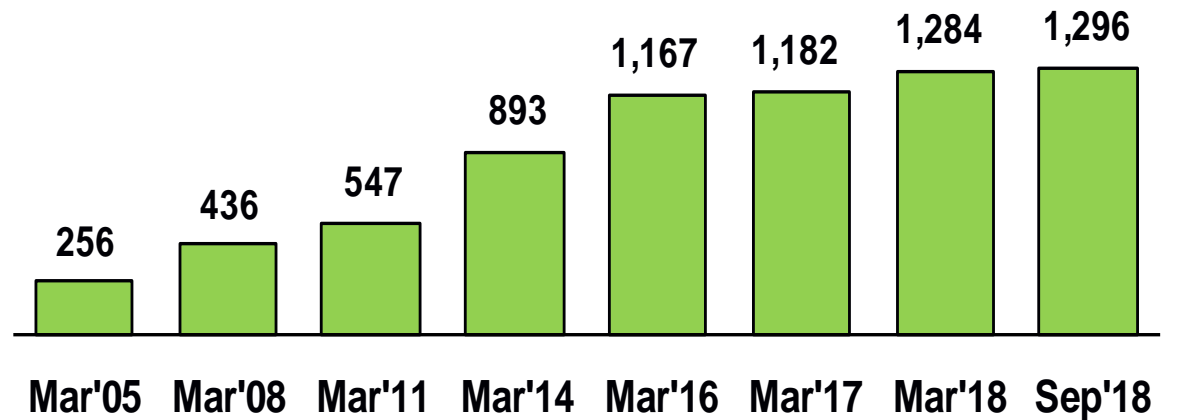
Extensive Branch Network

- Extensive branch network with presence in 27 states and 5 union territories in India through 1,296 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 down of estimated value of Assets Financed

Asset Class	Half Year ended Sep – 18	Half Year ended Sep – 17	Year ended March – 18
Auto/ Utility vehicles	23%	27%	26%
Tractors	18%	19%	18%
Cars	20%	21%	20%
Commercial vehicles and Construction equipments	18%	11%	13%
Pre-owned vehicles	14%	15%	14%
SME and Others	7%	7%	9%

* Standalone

Break down of AUM

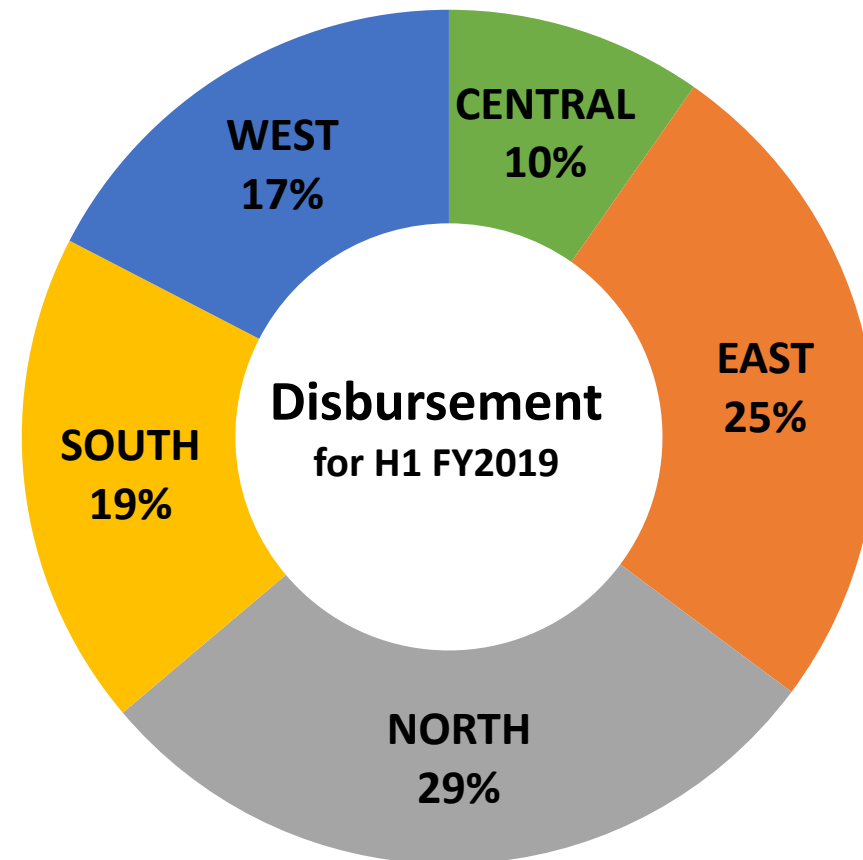
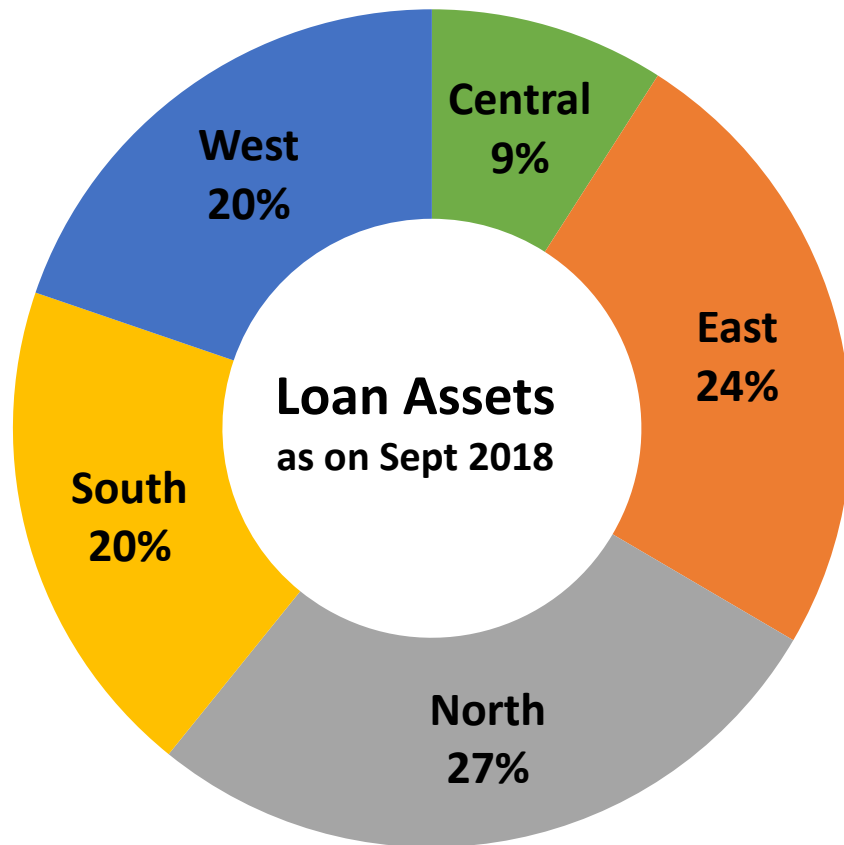
Asset Class	As on Sep – 18	As on Sep – 17	As on March – 18
Auto/ Utility vehicles	25%	28%	27%
Tractors	17%	17%	17%
Cars	21%	22%	22%
Commercial vehicles and Construction equipments	15%	12%	14%
Pre-owned vehicles	8%	9%	8%
SME and Others	14%*	12%	12%

As on 30th September 18, ~47% of the AUM was from M&M assets

* Share of SME: 9%

* Standalone

Break down by Geography



NORTH: Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh, Uttaranchal;

EAST: Assam, Bihar, Jharkhand, Meghalaya, Mizoram, Orissa, Sikkim, Tripura, West Bengal;

WEST: Dadra and Nagar Haveli, Gujarat, Maharashtra, Goa;

CENTRAL: Chhattisgarh, Madhya Pradesh;

SOUTH: Andaman and Nicobar Island, Andhra Pradesh, Karnataka, Kerala, Pondicherry, Tamil Nadu, Telangana;

* Standalone

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	IND AAA	Stable
Short term debt	IND A1+	--
	CARE Ratings	Outlook
Long term and Subordinated debt	CARE AAA	Stable
	Brickwork	Outlook
Long term and Subordinated debt	BWR AAA	Stable
	CRISIL	Outlook
Fixed Deposit Programme	FAAA	Stable
Short term debt	CRISIL A1+	--
Long term and Subordinated debt; Bank Facilities	CRISIL AA+	Stable

Broad Based Liability Mix

Working Capital Consortium Facility enhanced to Rs. 20,000 mn. comprising several banks

Funding Mix by Investor profile (Sep' 18)

Investor Type	Amount (INR mn.)	% Share
Banks	197,616	42%
Mutual Fund	106,005	23%
Insurance & Pension Funds	66,302	14%
FIs & Corporates	57,947	13%
Others	39,197	8%
Total	467,067	100%

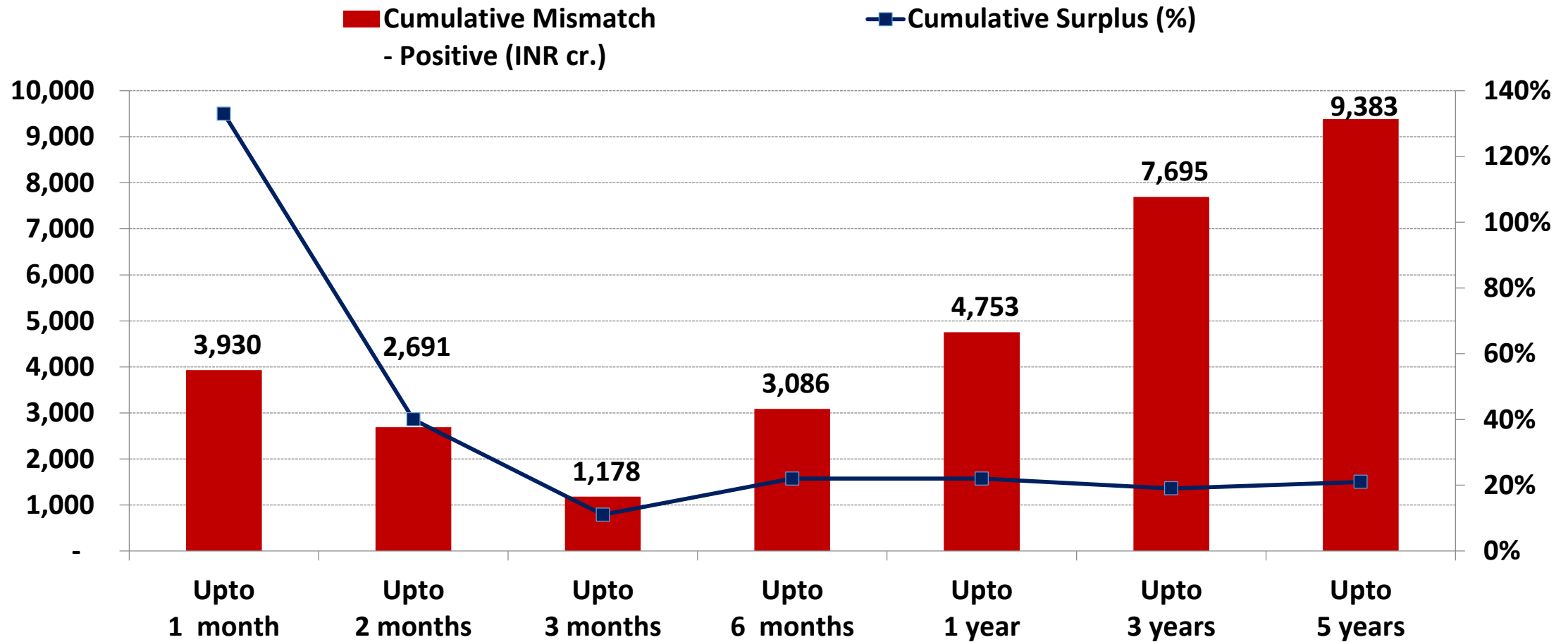
* Based on holding as on 30th September, 2018

Funding Mix by type of Instrument (Sep' 18)

Instrument Type	Amount (INR mn.)	% Share
NCDs	176,519	38%
Retail NCDs	21,505	4%
Bank Loans	144,468	31%
Fixed Deposits	38,481	8%
CP	65,400	14%
ICD	12,458	3%
Securitisation/ Assignment	8,236	2%
Total	467,067	100%

^ For purpose of presentation, Borrowings are recognised at Face Value for ZCB and CP

ALM Position



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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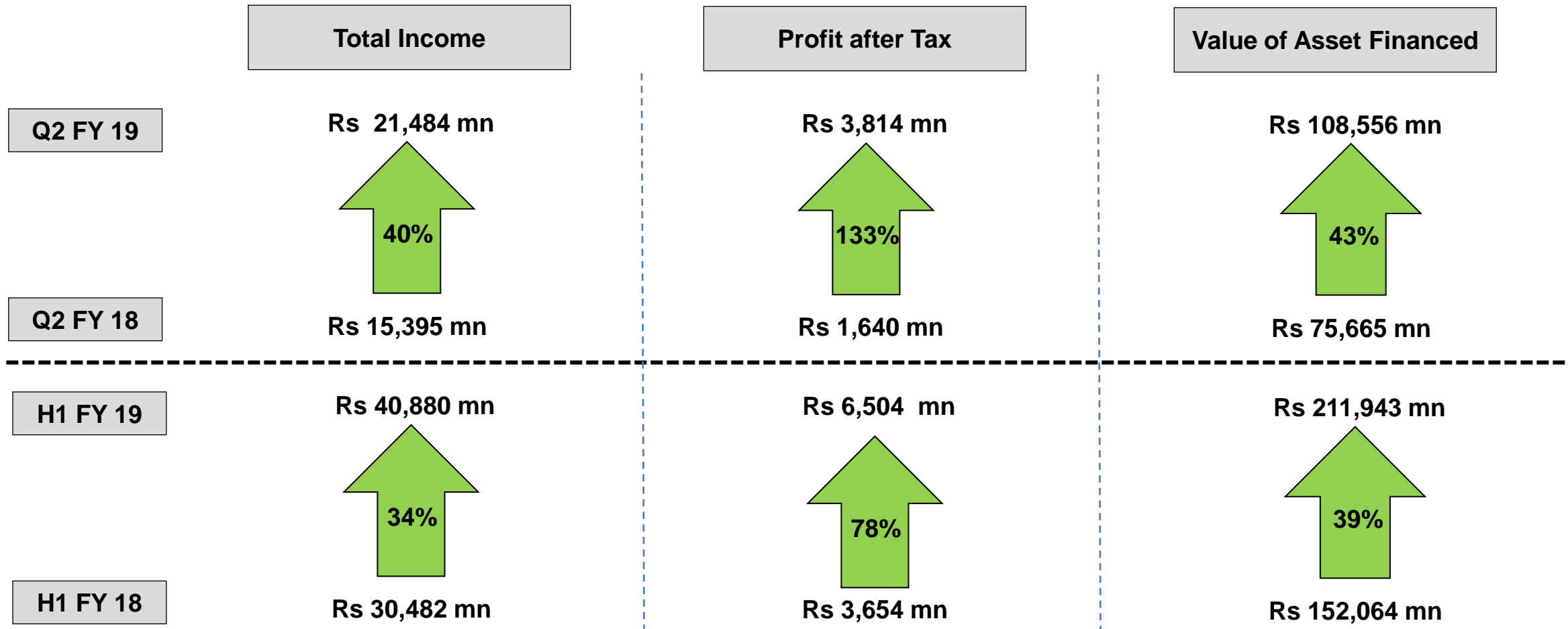
Transforming rural lives across the country

Disclaimer

- This is the **first financial year** of Indian Accounting Standards (“**IND-AS**”) for the purposes of the Company’s financial reporting.
- The **impact of the transition** from previous GAAP (“**I-GAAP**”) has been made in the **opening reserves of FY 2018**
- Except the **half year account’s (H1-FY19)** which have been subject to **limited review**, all other reportings and disclosure made in the presentation are based on management reports.
The auditors have not reviewed any of those disclosures.
- The disclosures provided here are to **merely provide a summary of the performance** and for comparing key differences with previous accounting standards.
- There is a **possibility of the financial results and the additional disclosures to be updated, modified or amended** because of adjustments which may be required to be made on account of introduction of new standards or its interpretation, receipt of guidelines or circulars from regulatory bodies and/ or Reserve Bank of India and/or changes because of exercising any available exemptions.

Key Financials

Figures on standalone basis



* As per IND-AS

Migration to IND-AS – Initial adjustment to Reserves

Impact of migration to IND-AS was made in the Opening Reserves of FY 2018

Figures in INR mn.

Adjustments		Amount	Remarks
Opening Reserve & Surplus as of 1 st April 2017		63,642	Based on I-GAAP
Adjustments	Adopting EIR on financial assets & financial liabilities	14,514	Impact of income accrued on Stage 3 assets, amortisation of upfront fees net of acquisition costs and upfront cost for fund raising
	Securitised portfolio	892	Impact of recognising securitised portfolio
	Adopting ECL based on model	(13,575)	Additional impact of increased provisioning on account of ECL adoption
	Others	153	On account of financial assets and derivative instruments
	Tax Impact of above	(632)	Transition impact on Deferred Taxes
Opening Reserve & Surplus as of 1 st April 2017		64,994	Based on IND-AS

As of 1 st April 2017	Based on I-GAAP	Based on IND-AS	Change %
Book Value per share	113.9	116.3	2.1%

EIR – Effective Interest Rate;
ECL – Expected Credit Loss

Reconciliation of IND-AS migration

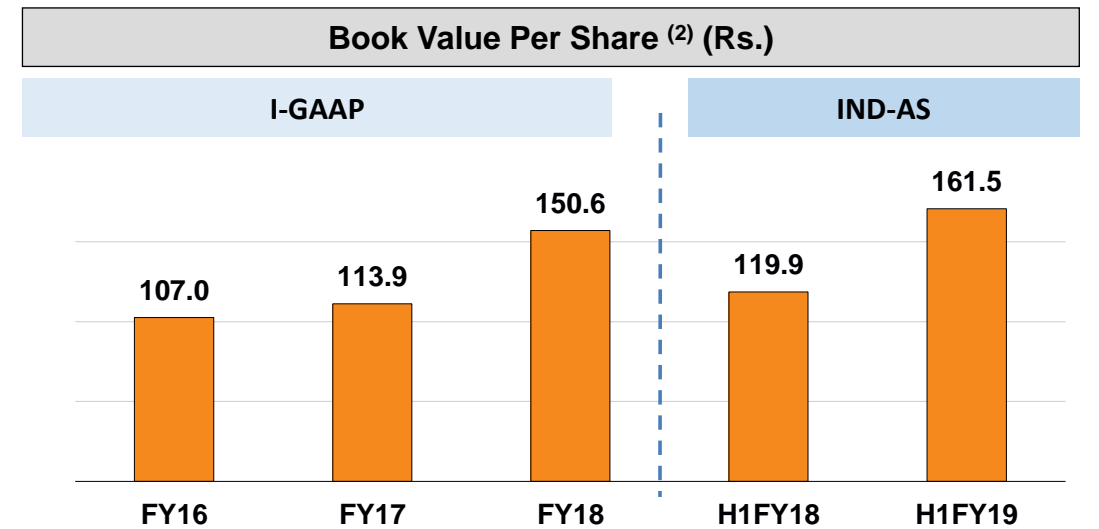
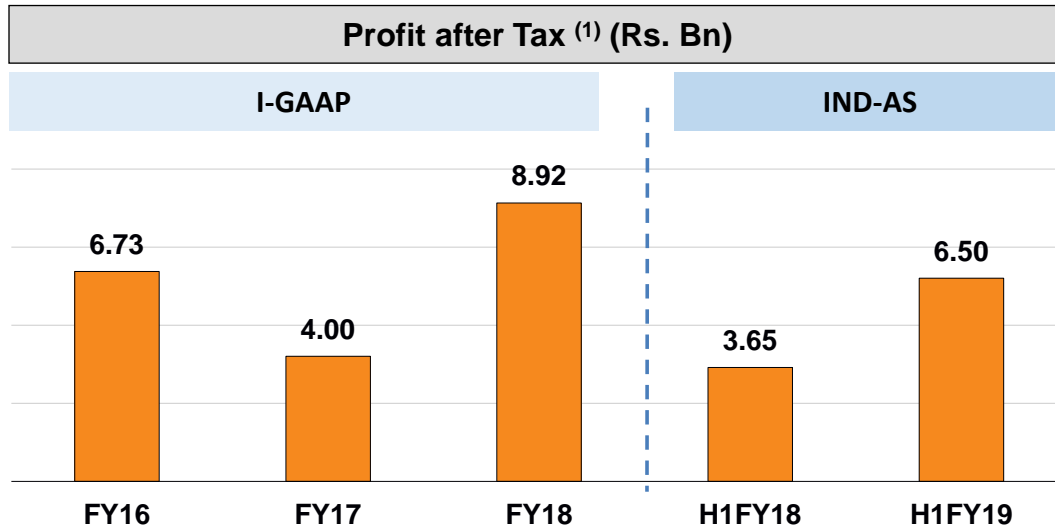
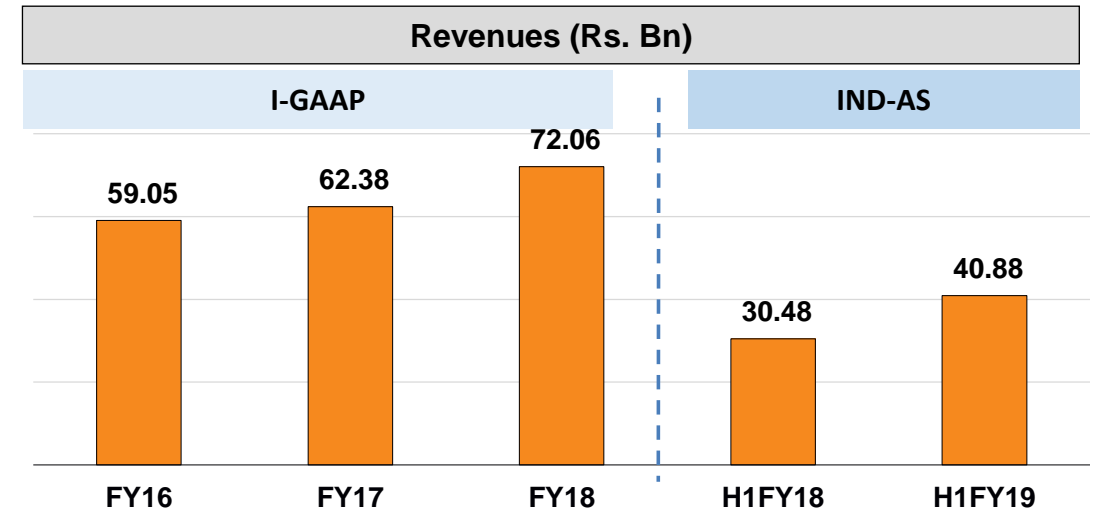
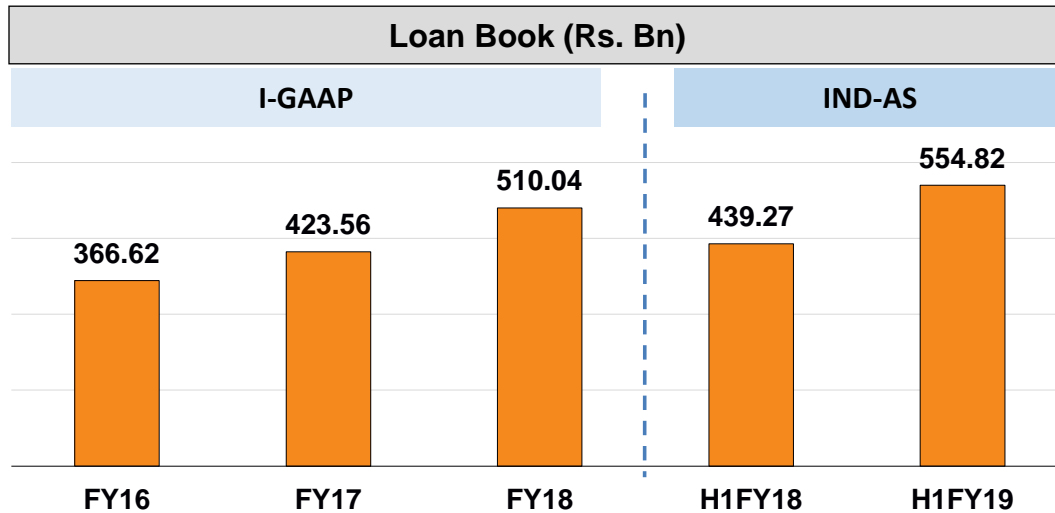
I-GAAP and IND-AS Reconciliation: FY 18 and Q2 FY 2018 and FY 2019

Figures in INR mn.

		Q2 FY 19	Q2 FY 18	FY 18
Profit after Taxes (based on I-GAAP)		3,930	780	8,919
Adjustments	Impact of adopting EIR on financial assets	278	(4)	349
	Impact of adopting EIR on financial liabilities	(105)	(60)	(126)
	Impact of Income accrued on Stage 3 assets	(582)	(430)	(3,496)
	Impact of recognition of Securitised portfolio	(30)	(119)	(142)
	Impact of application of ECL method for provision on loan portfolio	(22)	1941	6,224
	Reclassification of actuarial gain/ loss on Employee benefit schemes	(14)	(7)	189
	Others	20	(6)	(57)
	Total of the above adjustments	(455)	1,315	2,941
Less: Impact of Taxes on account of above adjustments		339	(455)	(1,099)
Profit after Taxes (based on IND-AS)		3814	1,640	10,761

Growth Trajectory

Figures on standalone basis

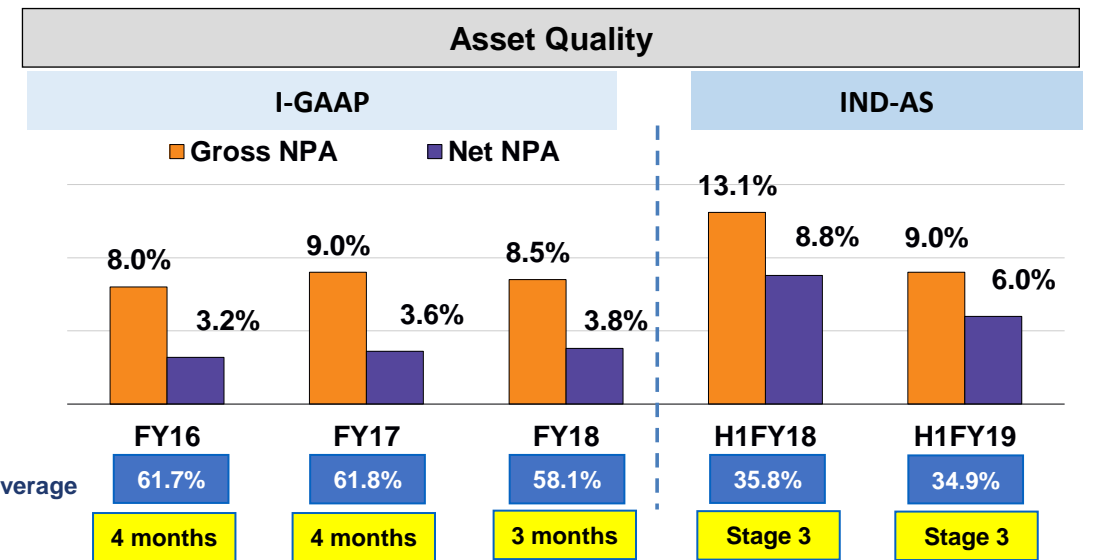
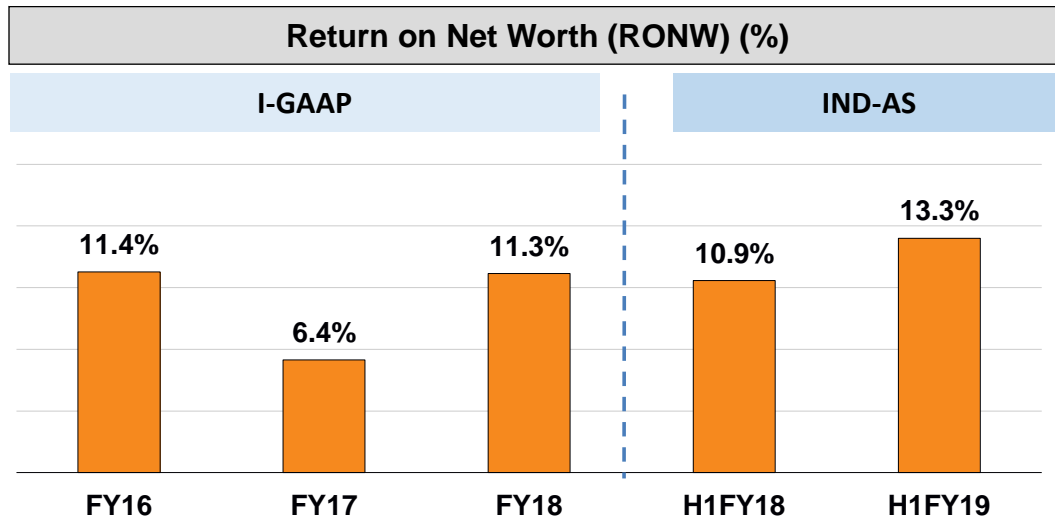
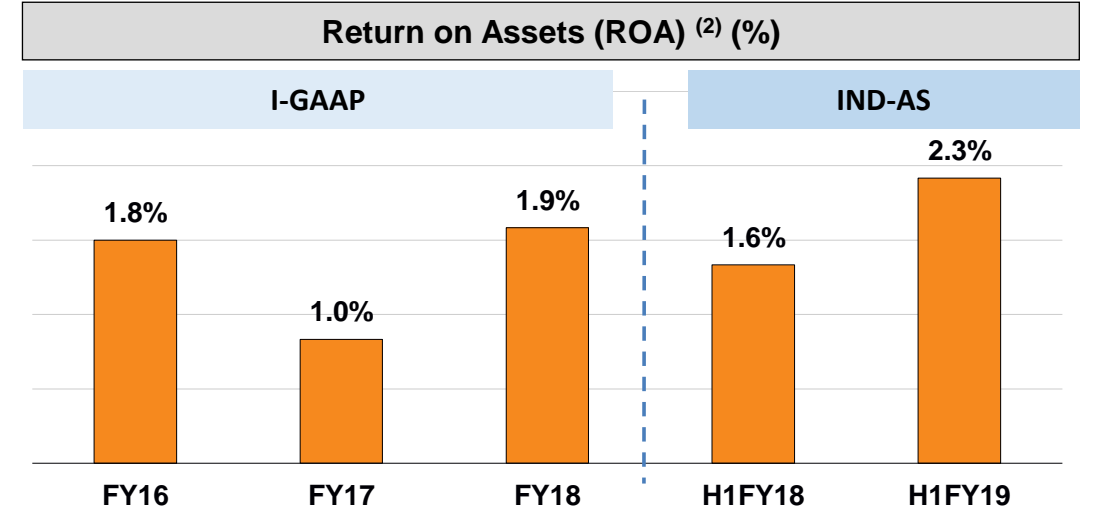
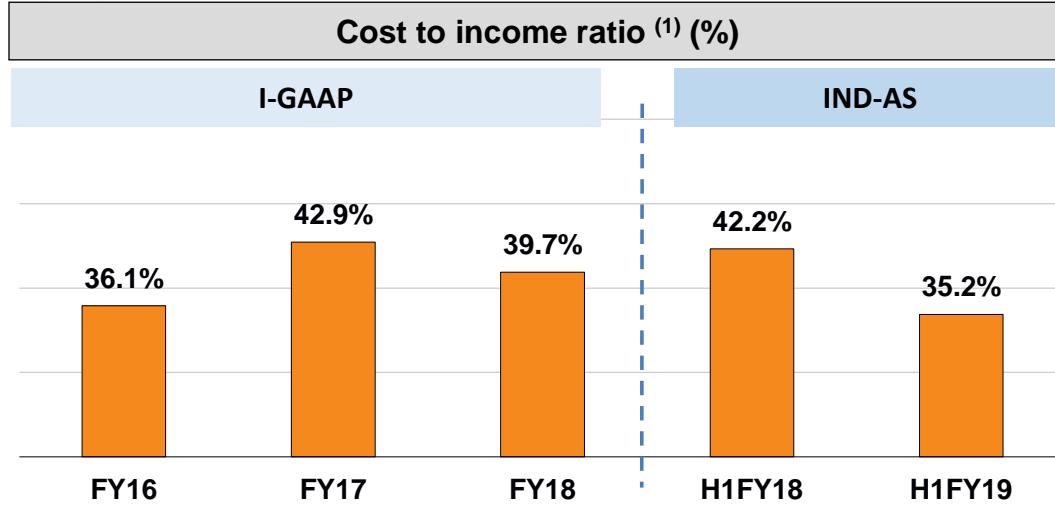


Note : ⁽¹⁾ PAT post exceptional items.

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

Financial Performance

Figures on standalone basis



Note : ⁽¹⁾ Cost to Income calculated as Operating Expenses (including depreciation)/(Net Interest Income + Other Income). ⁽²⁾ Calculated based on average total assets

* GNPA under I-GAAP after including income reversal

Standalone Profit & Loss Account: IND-AS

Accounting Basis	As per IND-AS					
Particulars (Rs. in Million)	Q2FY19	Q1FY19	Q-o-Q	Q2FY18	Y-o-Y	FY 18
Revenue from operations	21,033	19,259	9.2%	15,174	38.6%	66,295
Less: Finance cost	9,367	8,488	10.4%	7,344	27.5%	30,955
NII	11,666	10,771	8.3%	7,830	49.0%	35,340
Other Income	451	138	226.8%	221	104.1%	592
Total Income	12,117	10,909	11.1%	8,051	50.5%	35,932
Employee benefits expense	2410	2,634	-8.5%	1,868	29.0%	8,325
Provisions and write-offs	2,311	2,938	-21.3%	2,236	3.4%	5,681
Other expenses	1,693	1,082	56.5%	1,334	26.9%	5,466
Depreciation and amortization	145	133	9.0%	107	35.5%	442
Total Expenses	6,559	6,787	-3.4%	5,545	18.3%	19,914
Profit before Tax (before Exceptional)	5,558	4,122	34.8%	2,506	121.8%	16,018
Exceptional Items ^	-	-	-	-	-	650
Profit before Tax	5,558	4,122	34.8%	2,506	121.8%	16,668
Tax expense	1,744	1,431	21.9%	866	101.4%	5,907
Net Profit after Taxes	3,814	2,691	41.7%	1,640	132.6%	10,761

* Figures re-grouped and rounded where found relevant

^ on account of sale of 5% equity of MIBL

Standalone Profit & Loss Account: IND-AS

Accounting Basis	As per IND-AS			
Particulars (Rs. in Million)	Half year ended Sep – 18	Half year ended Sep – 17	Y-o-Y	FY 18
Revenue from operations	40,291	30,154	33.6%	66,295
Less: Finance cost	17,854	14,897	19.8%	30,955
NII	22,437	15,257	47.1%	35,340
Other Income	589	328	79.6%	592
Total Income	23,026	15,585	47.7%	35,932
Employee benefits expense	5,044	3,827	31.8%	8,325
Provisions and write Offs	5,250	3,505	49.8%	5,681
Other expenses	2,775	2,539	9.3%	5,466
Depreciation and amortization	277	217	27.6%	442
Total Expenses	13,346	10,088	32.3%	19,914
Profit before Tax (before Exceptional)	9,680	5,497	76.1%	16,018
Exceptional Items ^	-	-	-	650
Profit before Tax	9,680	5,497	76.1%	16,668
Tax expense	3,176	1,843	72.3%	5,907
Net Profit after Taxes	6,504	3,654	78.0%	10,761

* Figures re-grouped and rounded where found relevant

^ on account of sale of 5% equity of MIBL

Standalone Balance Sheet

Particulars (Rs. in Million)	As on Sep 30, 2018
EQUITY AND LIABILITIES	
Shareholders' funds	
a) Share Capital	1,229
b) Reserves and Surplus	98,569
Shareholders' funds	99,798
Non-current liabilities	
a) Financial Liabilities	274,794
i) Borrowings	270,731
ii) Other Financial Liabilities	4,063
b) Provisions	647
c) Other non-current liabilities	137
Non-current liabilities	275,578
Current liabilities	
a) Financial Liabilities	217,143
i) Borrowings	90,437
ii) Trade Payables	9,019
iii) Other Financial Liabilities	117,687
b) Other current liabilities	1,048
c) Provisions	779
d) Current tax liabilities (net)	384
Current liabilities	219,354
Total Equities and Liabilities	594,730

Particulars (Rs. in Million)	As on Sep 30, 2018
ASSETS	
Non-current assets	
a) Property, Plant and Equipment	1,156
b) Capital work-in-progress	-
c) Other Intangible assets	271
d) Financial assets	308,594
i) Investments	15,352
ii) Loans	292,817
iii) Other Financial Assets	425
e) Deferred Tax Assets (net)	6,585
f) Income tax assets (net)	1,469
g) Other non-current assets	414
Non-current assets	318,489
Current assets	
a) Financial assets	275,589
i) Investments	9,498
ii) Trade receivables	31
iii) Cash and cash equivalents	2,243
iv) Bank balances (other than iii above)	1,271
v) Loans	261,999
vi) Other Financial Assets	547
b) Other current assets	652
Current assets	276,241
Total Assets	594,730

* Figures re-grouped where found relevant

Summary & Key Ratios

Figures on standalone basis

Particulars (Rs. in Million)	As per IND-AS		
	Half year ended Sep – 18	Half year ended Sep – 17	Year ended March – 18
RONW (Avg. Net Worth) ^	13.3%	10.9%	13.3%
Debt / Equity	4.66:1	5:51:1	4.17:1
Capital Adequacy^{\$}	19.7%	19.3%	22.7%
Tier I	14.5%	12.4%	17.0%
Tier II	5.2%	6.9%	5.7%
EPS (Basic) (Rs.)	10.58	6.47	18.52
Book Value (Rs.)	161.5	119.9	155.8
Dividend %	-	-	200%
New Contracts During the period (Nos.)	345,249	267,873	626,172
No. of employees	20,201	18,350	18,733

^{\$} computed based on RBI reporting

* Figures re-grouped and rounded where found relevant

Spread Analysis

Figures on standalone basis

Particulars (Rs. in Million)	As per IND-AS		
	Half year ended Sep – 18	Half year ended Sep – 17	Year ended March – 18
Total Income / Average Assets	14.6%	13.3%	13.9%
Interest / Average Assets	6.4%	6.5%	6.4%
Gross Spread	8.2%	6.8%	7.5%
Overheads / Average Assets	2.9%	2.9%	2.9%
Write offs & NPA provisions / Average Assets	1.9%	1.5%	1.2%
Net Spread	3.4%	2.4%	3.4%
Net Spread after Tax	2.3%	1.6%	2.2%

* Average Assets is computed based on Net Total Assets i.e Total Assets less Provisions

NPA Analysis (As per IND-AS)

Figures on standalone basis

Particulars (Rs. in Million)	As on Sep 30, 2018	As on Sep 30, 2017	As on Mar 31, 2018
Total Assets (including Provisions)	627,823	506,249	557,826
Gross NPA (Stage 3)	56,389	66,286	50,419
Less: ECL Provisions (Stage 3)	19,672	23,754	17,161
Net NPA (Stage 3)	36,717	42,532	33,258
Gross NPA % (Stage 3)	9.0%	13.1%	9.0%
Net NPA % (Stage 3)	6.0%	8.8%	6.2%
Coverage Ratio(%) – based on Stage 3 ECL	34.9%	35.8%	34.0%
Stage 1 & 2 provision to Total Assets (%)	2.1%	2.1%	2.3%
Coverage Ratio(%) – including Stage 1 & 2 provision	58.8%	51.6%	59.5%
Count of NPA & Repossessed Stock	As on Sep 30, 2018	As on Sep 30, 2017	As on Mar 31, 2018
Contracts under NPA (90 dpd)	157,423	211,479	132,947
% of Live Cases under NPA	7.2%	10.7%	6.4%
Repossessed Assets (out of above NPA)	12,383	13,530	11,596



Company Overview

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Awards & Accolades

Risk Management Policies

Transforming rural lives across the country

Mahindra Rural Housing Finance Limited

Accounting Basis	As per IND-AS		
	Particulars (Rs. million)	Half year ended Sep – 18	Half year ended Sep – 17
Loans disbursed	16,019	11,805	27,892
No. of Customer Contracts (nos.)	110,575	77,428	218,572
Outstanding loan book	72,410	52,223	60,025
Total income	6,369	4,732	10,348
PBT	1,385	1,140	2,412
PAT	909	744	1,563
Net-worth	7,656	4,838	6,965
GNPA % – IND-AS I-GAAP	17.36% / 14.16%	16.25% / 13.26%	13.63% 10.53%
NNPA % – IND-AS I-GAAP	14.84% / 10.98%	13.81% / 10.28%	11.51% 7.85%

▪ **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 – 89%; NHB – 11%

▪ **Reach:** Currently spread in 13 States & 1 Union Territory

* NNPA for IND-AS is after considering only Stage-3 ECL

* Figures have been re-stated based on updated ECL model

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	As per IND-AS		
	Half year ended Sep – 18	Half year ended Sep – 17	Year ended March – 18
No. of Policies for the Period (nos.)	1,101,241	941,005	2,058,613
Net Premium	8,598	7,416	17,490
Total income	1,419	950	2451
PBT	382	337	832
PAT	266	219	536
No. of employees (nos.)	1,021	1,019	987

- **Business Area:** Licensed by IRDA for undertaking insurance broking in Life, Non-Life and reinsurance businesses
- **Shareholding pattern:** MMFSL – 80%; Inclusion Resources Pvt. Ltd. – 20%



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Awards and Accolades

- Mahindra Finance has been ranked at **14th position** in India's Best Companies to Work for 2018 by The Great Place to Work Institute® and Economic Times
- Mahindra Finance won a Special Recognition Category 2018 award in **Career Management by the Great Place to Work Institute®**
- Mahindra Finance listed on **Dow Jones Sustainability Index (DJSI)** – for 6th year in a row
- Mahindra Finance was included in the Sustainability Yearbook 2018 by **RobecoSAM**
- Mahindra Finance won **Gold in the Best Coaching/ Mentoring Intervention** for “**Guru – Mentoring Program**” and **Silver in the Best Mobile Learning Intervention** for “**Manthan - Training Module**”
- Mahindra Finance has been listed as **One of the 100 Best Companies for Women in India 2018** by Avtar and Working Mother Media



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Risk Management Policies

Provisioning Norms

Stage	Description	Provision Mechanism
Stage 1	0- 30 days past due	PD * LGD * Stage 1 Asset
Stage 2	> 30 to <= 90 days past due	PD * LGD * Stage 2 Asset
Stage 3	> 90 days past due	LGD * EAD of Stage 3 Asset

PD – Probability of Default;

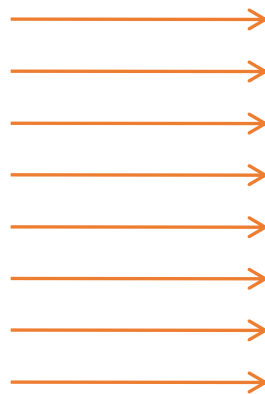
LGD – Loss given Default;

EAD – Exposure at Default

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

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