

# Mahindra **Finance**



*Transforming rural lives  
across the country*

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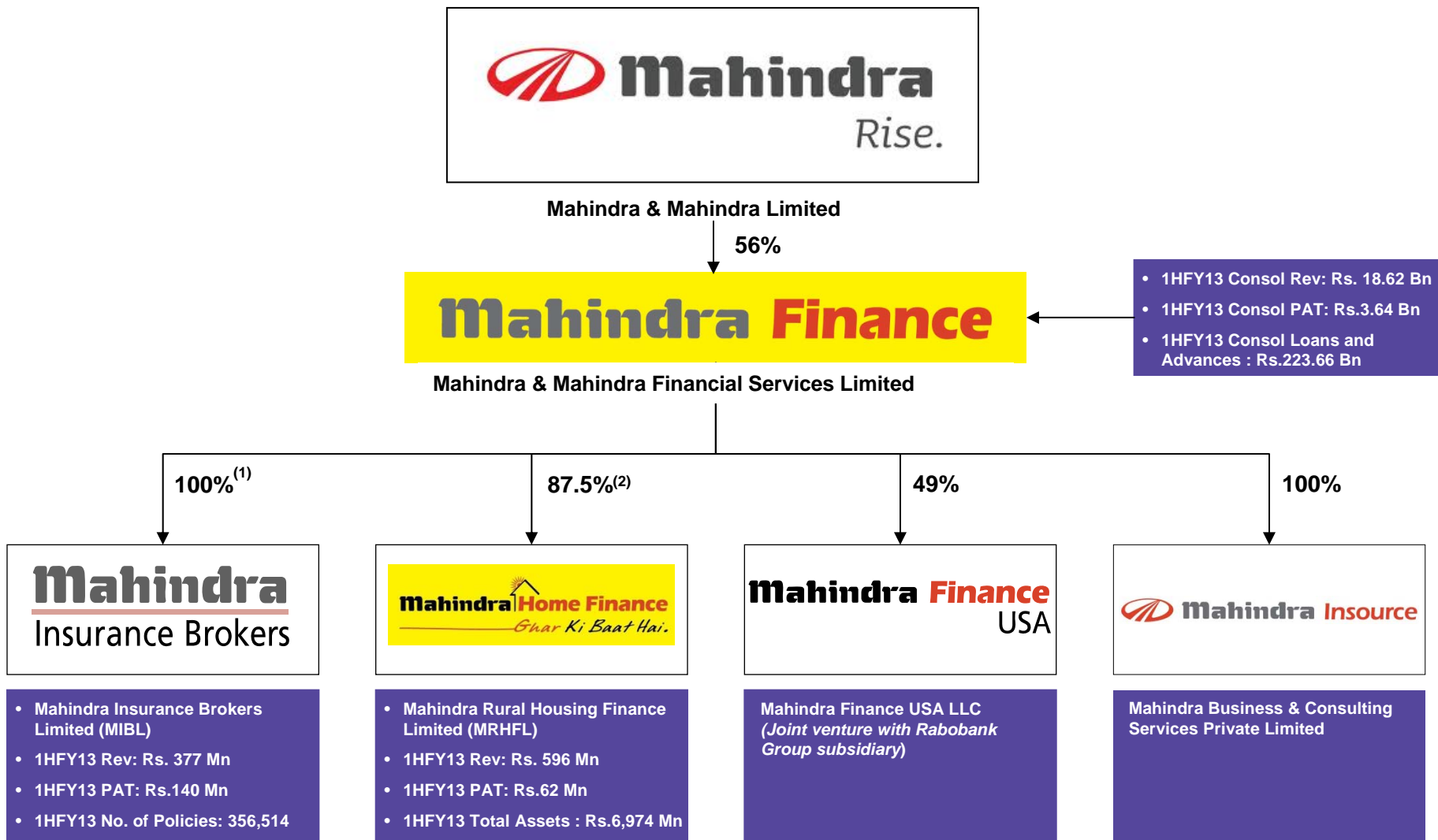
**Annexures**

# Overview

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# Mahindra & Mahindra Financial Services Ltd. (“MMFSL”) Group structure



**Note:**

1. The Company on Sep 20, 2012 has approved the proposal for sale of 12.37% stake in Mahindra Insurance Brokers Limited (“MIBL”) to Inclusion resources pvt. Ltd., a subsidiary of Leapfrog Financial Inclusion Fund, incorporated in Singapore, for an amount of Rs.643.3 Mn, subject to receipt of regulatory approvals
2. Balance 12.5% with National Housing Bank (NHB)

# Experienced Board of Directors



**Bharat N. Doshi, Chairman**

- Joined Mahindra & Mahindra Limited (M&M) in the year 1973
- He is presently designated as Executive Director and Group Chief Financial Officer. He is also a member of the Group Executive Board of M&M



**Ramesh Iyer, Managing Director**

- Managing Director since April 2001
- Has vast experience in matters relating to business development, finance and marketing. He is CEO of Financial Services Sector and is also a member of the Group Executive Board of M&M



**Uday Y. Phadke, Director**

- He has been with M&M since 1973
- Currently the Principal Advisor (Finance) at M&M



**Pawan Kumar Goenka, Director**

- Joined M&M in 1993
- Currently President (Automotive and Farm Equipment Sectors), M&M. He is also a member of the Group Executive Board of M&M



**M. G. Bhide, Independent Director**

- Ex- Chairman and Managing Director of Bank of India and also the Ex-Managing Director and Group Executive (National Banking) of State Bank of India



**Piyush Mankad, Independent Director**

- Major official postings included Controller of Capital Issues, Ministry of Finance, Government of India (GoI), Principal Finance Secretary, Government of Madhya Pradesh, Secretary in the Ministry of Industry, GoI, Secretary Information & Broadcasting and Finance Secretary, GoI after joining IAS in 1964



**Dhananjay Mungale, Independent Director**

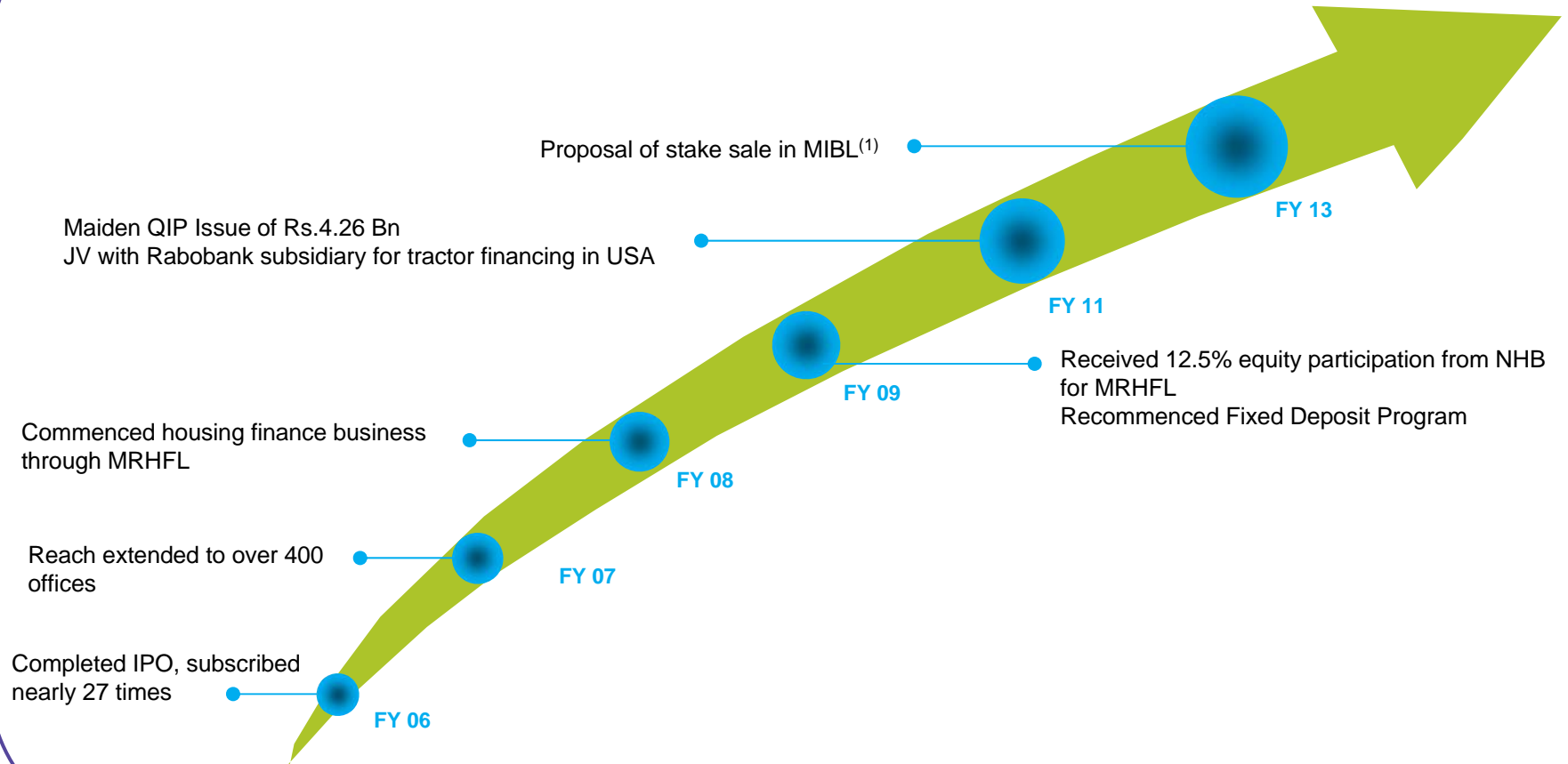
- He has spent a major part of his career in corporate and investment banking in India and Europe



**Rama Bijapurkar, Independent Director**

- Independent market strategy consultant and also a visiting faculty and an active member of Board of Governors of the Indian Institute of Management, Ahmedabad

# Our Journey Thus Far



**Note:**

1. The Company on Sep 20, 2012 has approved the proposal for sale of 12.37% stake in Mahindra Insurance Brokers Limited ("MIBL") to Inclusion resources pvt. Ltd., a subsidiary of Leapfrog Financial Inclusion Fund, incorporated in Singapore, for an amount of Rs.643.3 Mn, subject to receipt of regulatory approvals

# Business Strategy

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# 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

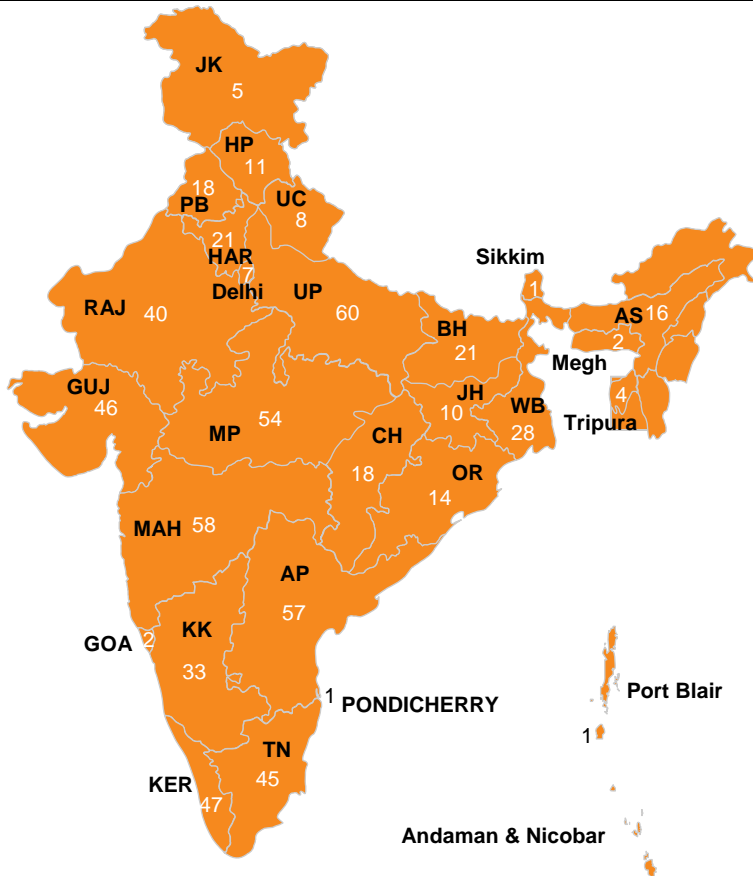
Effective use of technology to improve productivity

Leverage the “Mahindra” Ecosystem

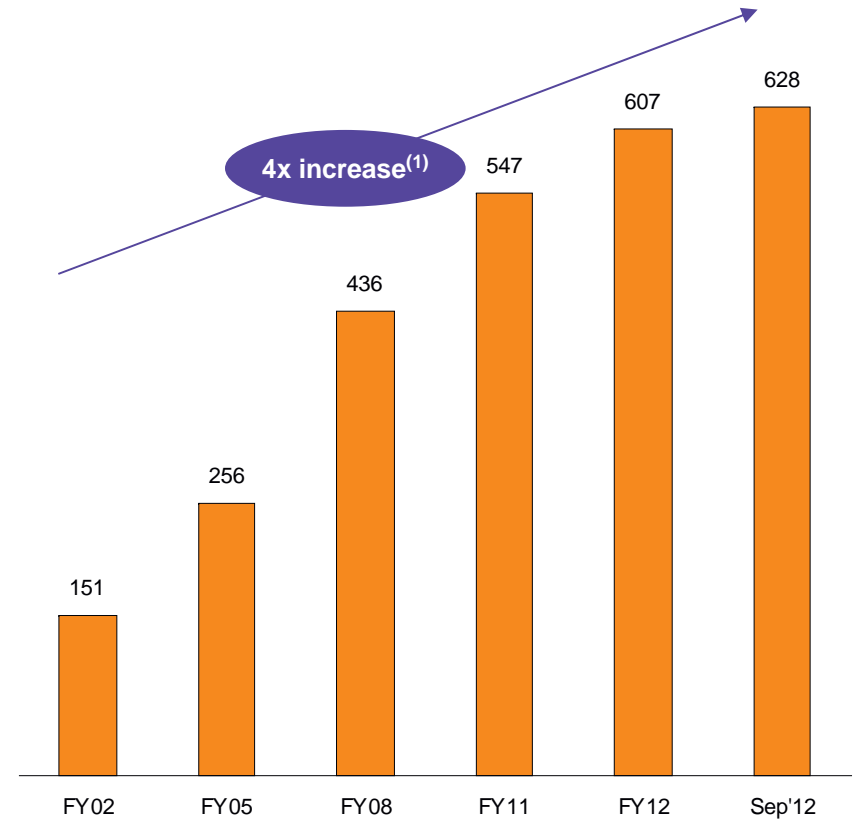
# Extensive Branch Network

- MMFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 628 offices as of September 30, 2012
  - Branches have authority to approve loans within prescribed guidelines

Coverage (including number of branches)



Branch Network as of



Note:  
1. Increase from FY02 to Sep '12

# 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



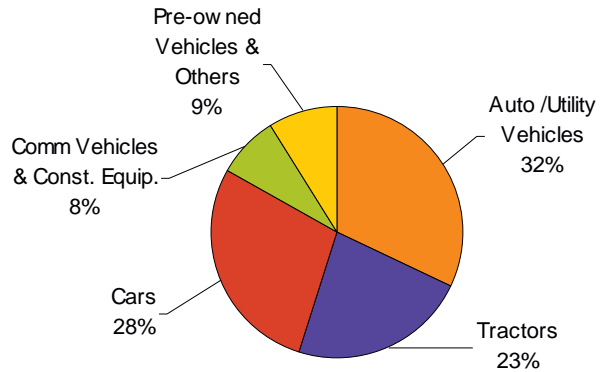
## Housing Finance

- Loans for buying, renovating, extending and improving homes in rural and semi-urban India through our subsidiary MRHFL

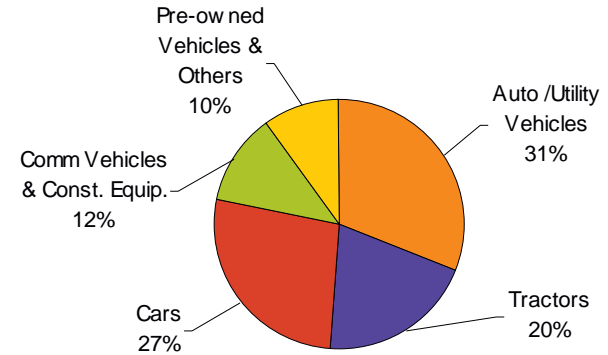


# Break down of Estimated Value of Assets Financed

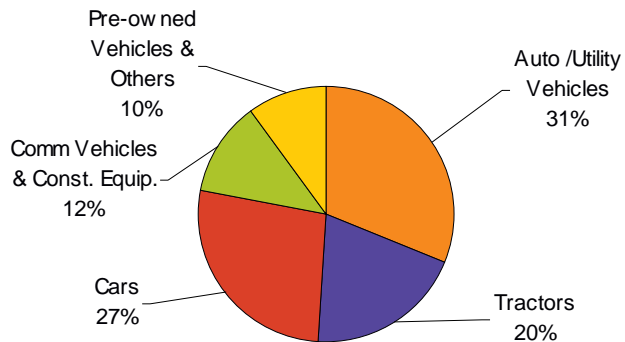
Figures on standalone basis



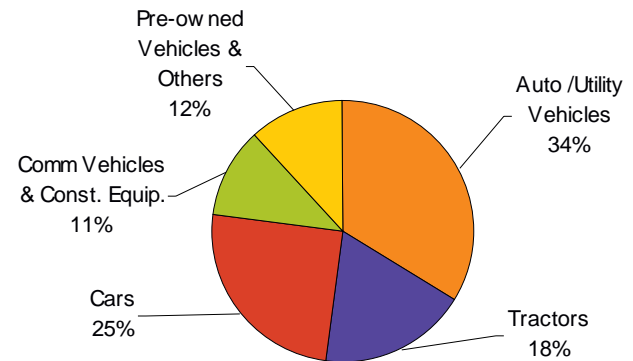
Apr'10 to Mar'11



Apr'11 to Mar '12



Apr '11 to Sep '11



Apr'12 to Sep '12

# Broad based Liability Mix

- MMFSL believes that its credit rating and strong brand equity enable it to borrow funds at competitive rates
- Total consortium size of Rs.10.00 Bn comprising several banks

## Credit Rating

Fixed Deposit programme

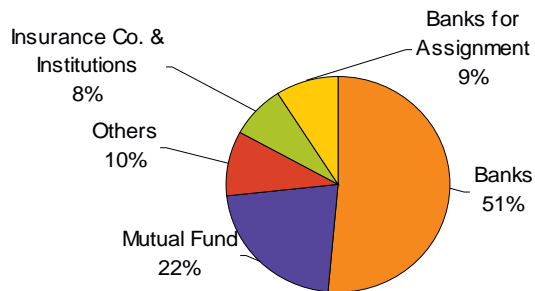
Short term debt

Long term and Subordinated debt

Long term and Subordinated debt

Long term and Subordinated debt

## Funding Mix by Investor profile (Sep' 12) <sup>(1)</sup>



Total : Rs.189.75 Bn

## CRISIL

FAAA

A1+

AA+

## Brickwork

AA+

## FITCH

AA+ (ind)

## Outlook

Stable

Stable

Stable

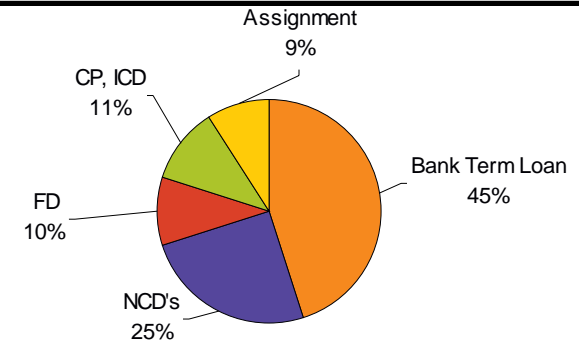
## Outlook

Positive

## Outlook

Stable

## Funding Mix by type of Instrument (Sep' 12) <sup>(1)</sup>



Total : Rs.189.75 Bn

**Note:**

1. Standalone basis including assignments

# Experienced Management Team

Mr. Ramesh Iyer (Managing Director)

Mr. V. Ravi (CFO)

Mr. Anuj Mehra (MD-MRHFL)

Dr. Jaideep Devare (MD-MIBL)

Mr. Vinay  
Deshpande  
(Chief People  
Officer)

Mr. Dinesh  
Prajapati  
(VP- Treasury &  
Corporate Affairs)

Mr. Rajesh  
Vasudevan  
( VP- Accounts)

Mr. R Balaji  
(VP- Marketing &  
Strategy)

Mr. Rajnish  
Agarwal  
(VP- Operations)

Mr. Gururaj Rao  
(Chief Information  
Officer)

Management team with extensive sector experience

# 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

- Approximately 98% of our 628 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



# Synergies with Mahindra Group and Brand recall

- Founded in 1945 as a steel trading company, entered automotive manufacturing in 1947 to bring Willys Jeep onto Indian roads
- Follows three basic tenets – accepting no limits, thinking alternatively, and driving positive change in everything the Group does

- Presence across:
  - North America
  - South America
  - Middle East & Africa
  - Europe
  - Asia
  - Australia



- US\$15.4 Bn multinational group based in Mumbai, India
- More than 144,000 people in over 100 countries

- J.C. Mahindra: Founder of Mahindra & Mohammed: visionary and first Steel Controller of India
- K.C. Mahindra: Founder of Mahindra & Mohammed: also served as Director of RBI, Air India, and Hindustan Steel and Chairman of Indian Aluminium Company
- Keshub Mahindra: Chairman Emeritus: Joined Mahindra & Mahindra in 1947 and became Chairman in 1963
- Anand Mahindra: Chairman & Managing Director of Mahindra & Mahindra. Started off at Mahindra in 1981

- Operations span in 18 industries: aerospace, aftermarket, agribusiness, automotive, components, construction equipment, consulting services, defense, energy, farm equipment, finance and insurance, industrial equipment, information technology, leisure and hospitality, logistics, real estate, retail and two wheelers



# Key Risk Management Practices

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# Conservative Risk Management Policies

## Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	MMFSL
6 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%		

## 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

**At MMFSL, NPA provisioning norms are more stringent than RBI norms**

# Key Subsidiaries

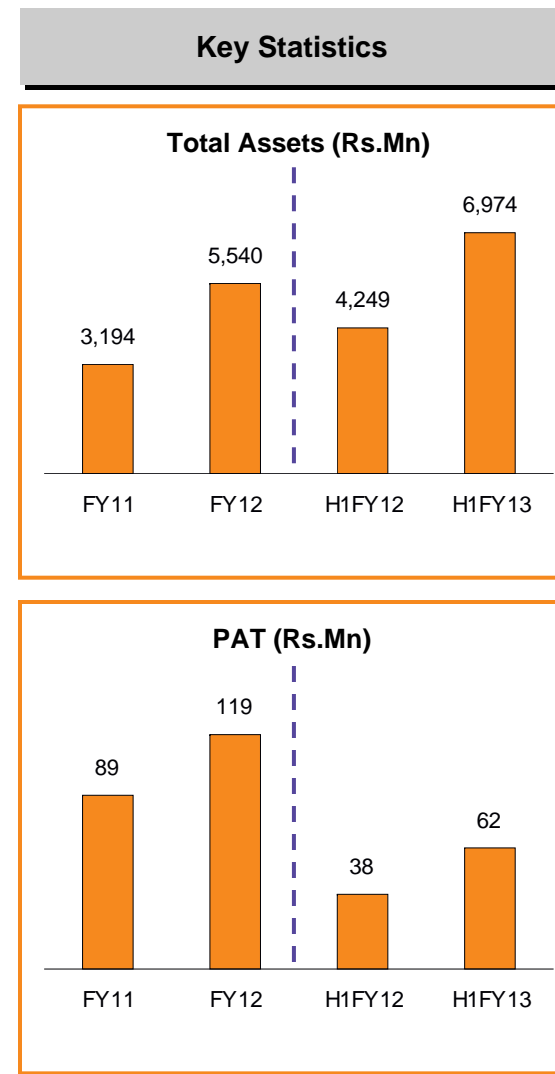
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# Mahindra Rural Housing Finance Limited



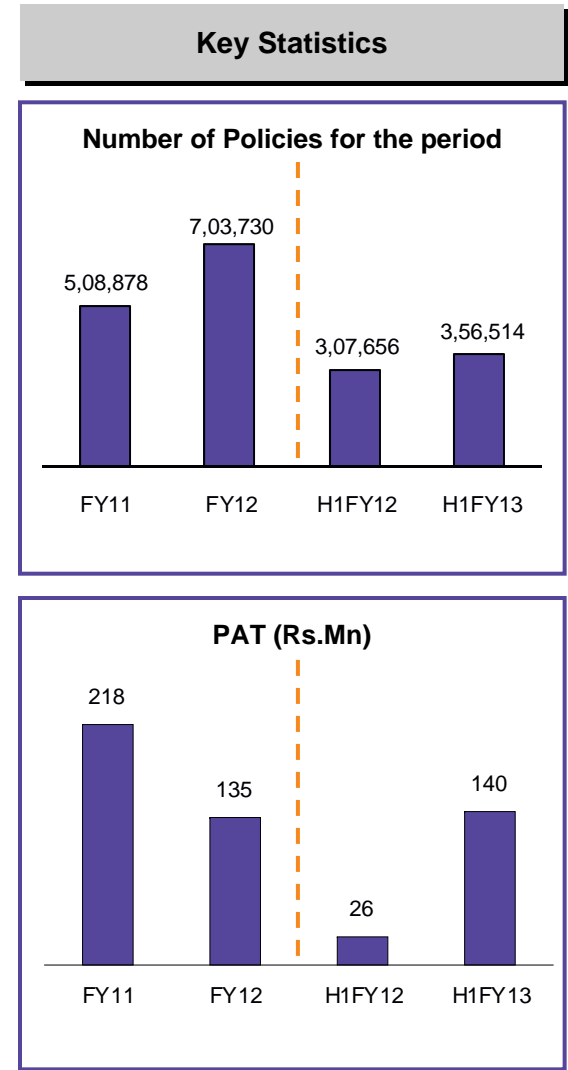
Overview	
<b>Inception</b>	A subsidiary of MMFSL, Mahindra Rural Housing Finance was incorporated in April 2007
<b>Business</b>	Works to provide cost-effective and flexible home loans to a wide base of customers in rural and semi-urban India
<b>Operations</b>	Provide loans for home construction, purchase, extension and improvement
<b>Geographical presence</b>	Operates in Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu, Kerala, Rajasthan, Madhya Pradesh and Bihar
<b>Shareholding pattern</b>	MMFSL- 87.5%, NHB - 12.5%



# Mahindra Insurance Brokers Limited

**Mahindra**  
Insurance Brokers

Overview	
<b>Inception</b>	Wholly owned subsidiary company of MMFSL
<b>Business</b>	Insurance solutions to retail customers as well as corporations
<b>Operations</b>	Licensed by IRDA in 2004 for undertaking direct insurance broking in Life and Non-Life businesses IRDA has granted Composite Broking license enabling MIBL to undertake reinsurance broking
<b>Shareholding pattern</b>	100% MMFSL <sup>(1)</sup>



**Note:**

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# Financials

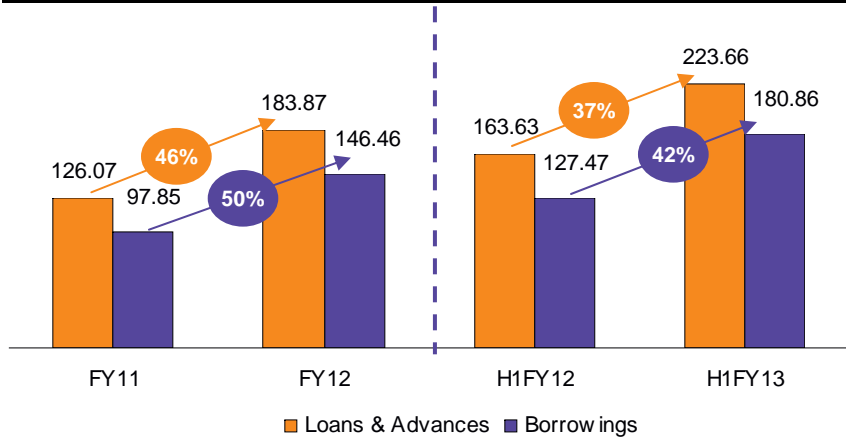
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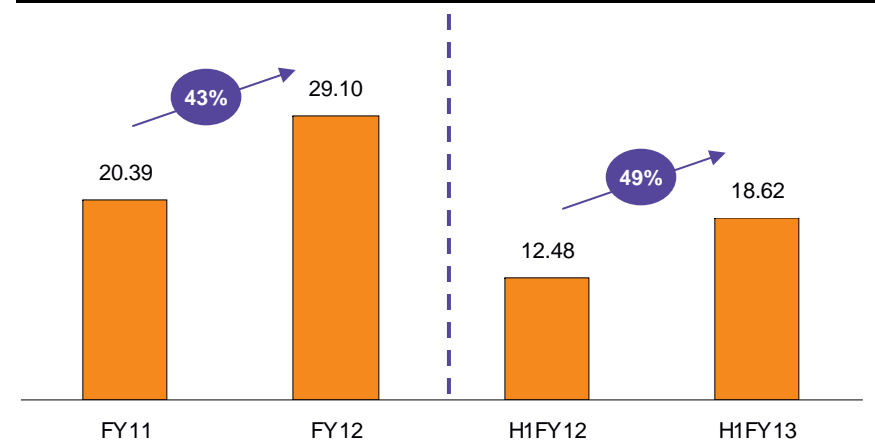
# Strong Growth Trajectory

Figures on consolidated basis

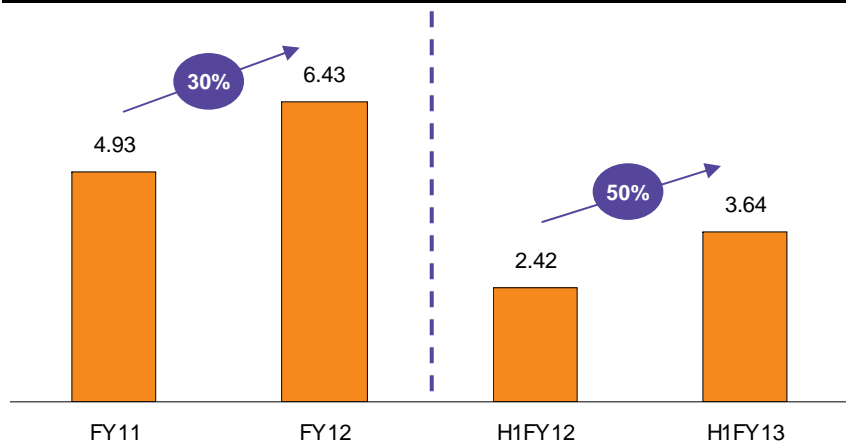
## Increasing Loan Book (Rs. Bn)



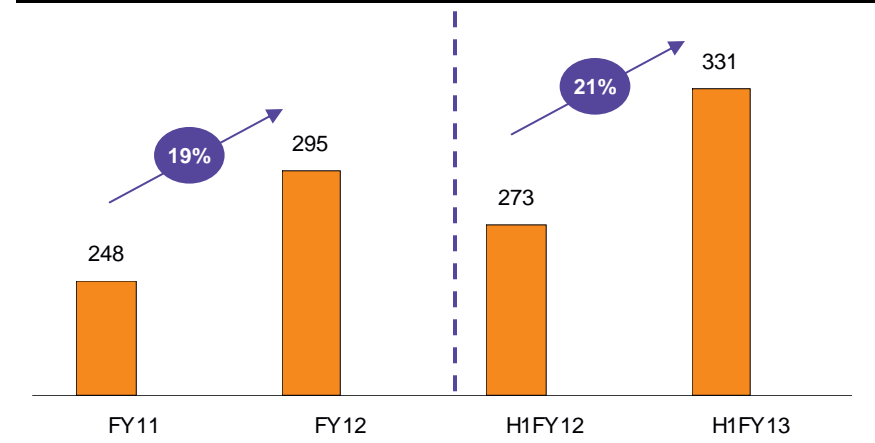
## Growing Revenues (Rs. Bn)



## Improving Profitability <sup>(1)</sup> (Rs. Bn)



## Increasing Book Value Per Share <sup>(2)</sup> (Rs.)



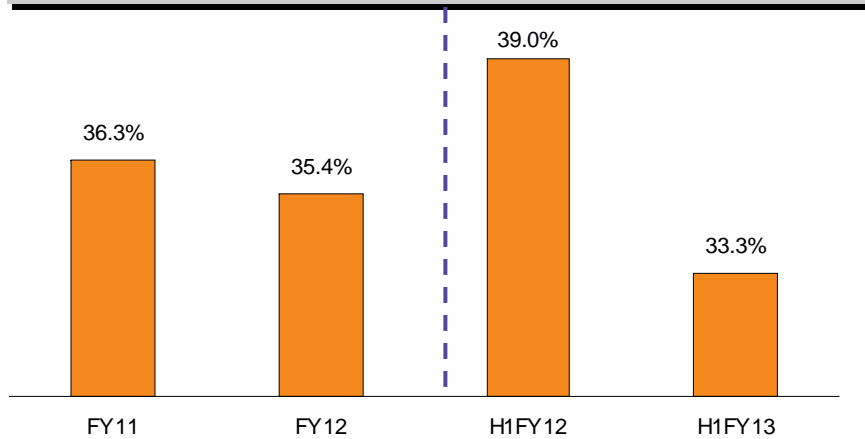
Note : 1 PAT post minority 2. Calculated as Shareholders funds/Number of shares

● ● Indicates YoY Growth

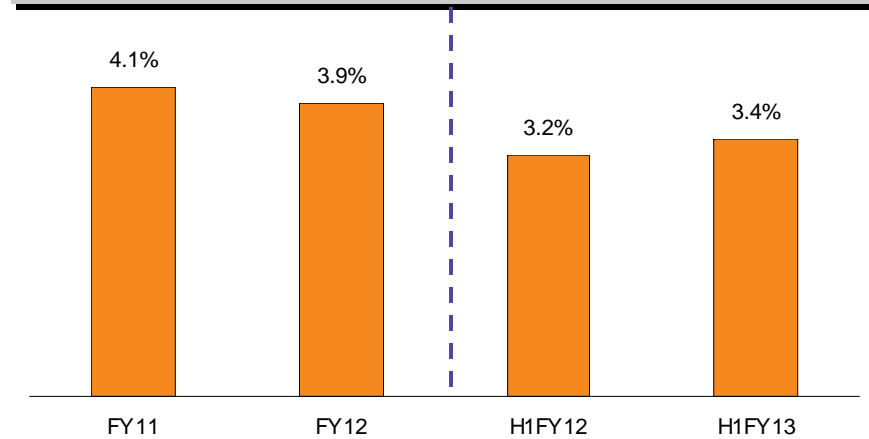
# Consistent Financial Performance

Figures on standalone basis

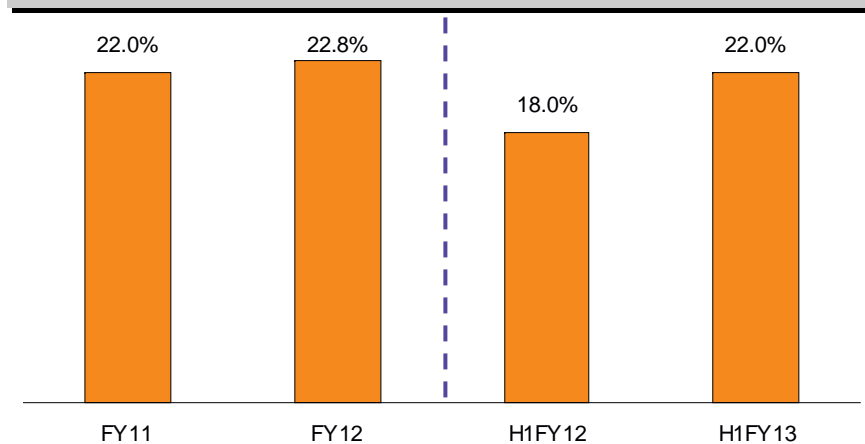
Declining cost to income ratio (%) <sup>(1)</sup>



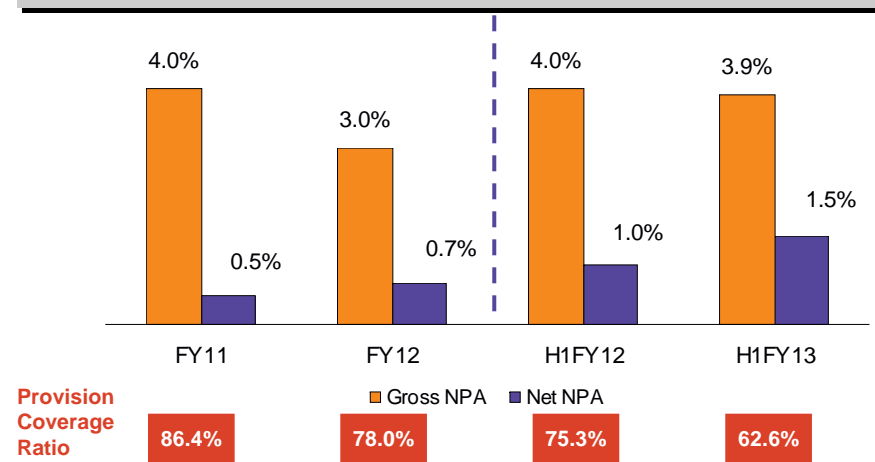
Steady ROA <sup>(2)</sup> (%)



Increasing RONW <sup>(3)</sup> (%)



Robust Asset Quality



**Note**  
 1 Cost to Income calculated as Operating Expenses (including depreciation)/(Net Interest Income + Other Income). 2 Calculated based on average total assets. 3 Calculated based on average network



# Annexures

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# Annexure 1: Consolidated Statement of Profit & Loss

Particulars (Rs. in Million)	FY11	FY12	H1FY12	H1FY13
Revenue from operations	20,291*	28,894*	12,403	18,525
Other income	95*	210*	76	91
<b>Total Revenue</b>	<b>20,386</b>	<b>29,104</b>	<b>12,479</b>	<b>18,616</b>
<b>Expenses:</b>				
Employee benefits expense	2,240	3,127	1,537	1,888
Finance costs	6,662	11,399	4,812	7,603
Depreciation and amortization expense	161	203	96	114
Provisions and write Offs	1,379	1,600	963	1,726
Other expenses	2,467	3,162	1,467	1,829
<b>Total Expenses</b>	<b>12,909</b>	<b>19,491</b>	<b>8,875</b>	<b>13,160</b>
<b>Profit before tax</b>	<b>7,477</b>	<b>9,613</b>	<b>3,604</b>	<b>5,456</b>
<b>Tax expense:</b>				
Current tax	2,644	3,025	1,257	1,848
Deferred tax	(104)	143	(76)	(44)
<b>Profit for the year</b>	<b>4,937</b>	<b>6,445</b>	<b>2,423</b>	<b>3,652</b>
Minority Interest	9	10	5	7
<b>Net Profit after Taxes and Minority Interest</b>	<b>4,928</b>	<b>6,435</b>	<b>2,418</b>	<b>3,645</b>

\*Numbers have been regrouped wherever necessary

# Annexure 1: Consolidated Balance Sheet

Particulars (Rs. in Million)	As on Mar 31 2011	As on Mar 31 2012	As on Sep 30 2011	As on Sep 30 2012
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
a) Share Capital	1,025	1,027	1,025	1,028
b) Reserves and Surplus	24,425	29,284	26,927	32,960
<b>Shareholders' funds</b>	<b>25,450</b>	<b>30,311</b>	<b>27,952</b>	<b>33,988</b>
<b>Minority Interest</b>	<b>47</b>	<b>77</b>	<b>72</b>	<b>85</b>
<b>Non-current liabilities</b>				
a) Long-term borrowings	66,025	99,110	70,167	109,187
b) Other Long-term liabilities	510	780	538	825
c) Long term provisions	4,188*	3,577*	2,925	3,080
<b>Non-current liabilities</b>	<b>70,723*</b>	<b>103,467*</b>	<b>73,630</b>	<b>113,092</b>
<b>Current liabilities</b>				
a) Short Term Borrowings	6,549	14,389	25,389	37,477
b) Trade payables	2,899*	3,817*	3,875	4,125
c) Other current liabilities	29,027*	37,410*	36,385	39,071
d) Short term provisions	3,987*	4,731*	4,286	4,393
<b>Current liabilities</b>	<b>42,462*</b>	<b>60,347*</b>	<b>69,935</b>	<b>85,066</b>
<b>Total Equities and Liabilities</b>	<b>138,682*</b>	<b>194,202*</b>	<b>171,589</b>	<b>232,231</b>

\*Numbers have been regrouped wherever necessary

# Annexure 1: Consolidated Balance Sheet (cont'd)

Particulars (Rs. in Million)	As on Mar 31 2011	As on Mar 31 2012	As on Sep 30 2011	As on Sep 30 2012
<b>ASSETS</b>				
<b>Non-current assets</b>				
a) Fixed Assets	811	1,028	905	1,070
b) Non-current investments	936	1,473	1,034	1,829
c) Deferred tax assets (Net)	2,176	2,033	2,249	2,078
d) Long-term loans and advances	65,702*	96,390*	84,268	120,507
<b>Non-current assets</b>	<b>69,625*</b>	<b>100,924*</b>	<b>88,456</b>	<b>125,484</b>
<b>Current assets</b>				
a) Current investments	5,316	2,894	909	0
b) Trade receivables	105	111	84	120
c) Cash and cash equivalents	3,236	2,717	2,693	3,373
d) Short-term loans and advances	60,364*	87,482*	79,361	103,155
e) Other current assets	36	74	86	99
<b>Current assets</b>	<b>69,057*</b>	<b>93,278*</b>	<b>83,133</b>	<b>106,747</b>
<b>Total Assets</b>	<b>138,682*</b>	<b>194,202*</b>	<b>171,589</b>	<b>232,231</b>

\*Numbers have been regrouped wherever necessary

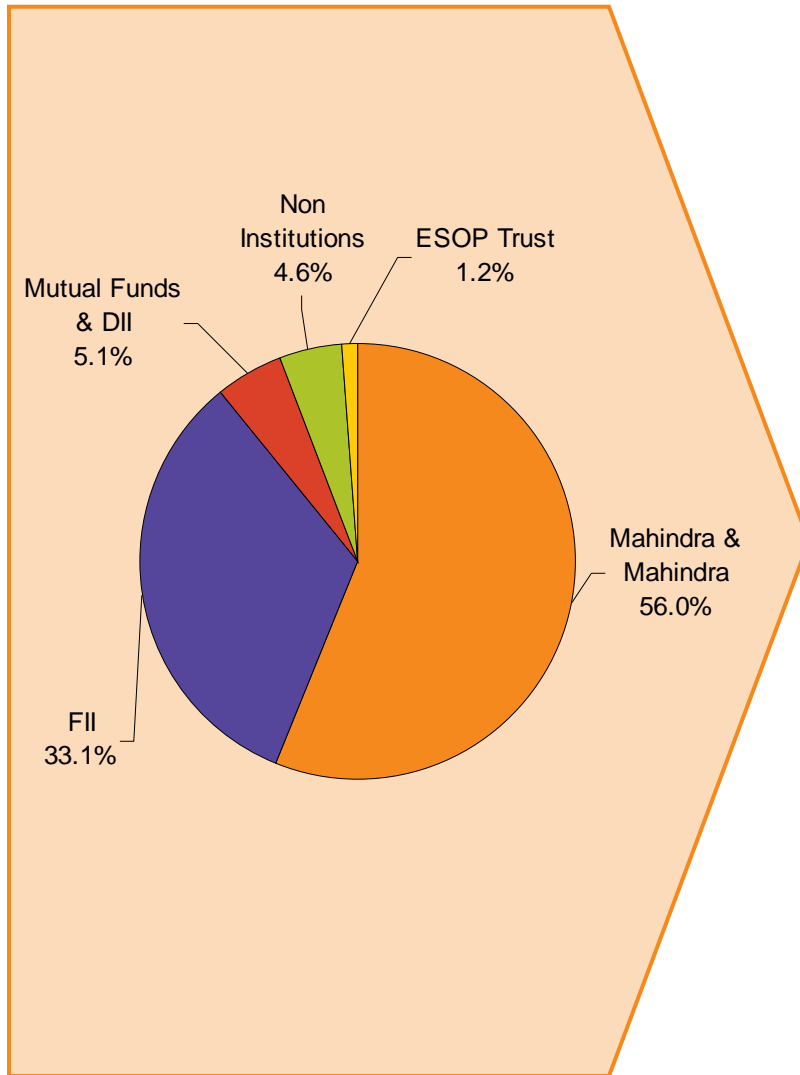
# Annexure 2: NPA Analysis

Figures on standalone basis

Particulars (Rs. Mn)	FY11	FY12	H1FY13
Gross Non - Performing Assets	5,488	5,543	8,734
Less: Provisions	4,744	4,324	5,464
Net Non – Performing Assets	744	1,220	3,270
Total Assets (including income reversal)	137,905	186,634	223,423
Gross NPA to Total Assets(%)	4.0%	3.0%	3.9%
Net NPA to Total Assets(%)	0.5%	0.7%	1.5%
Coverage Ratio(%)	86.4%	78.0%	62.6%

*Note: Above workings are excluding securitised/assigned portfolio*

# Annexure 3: MMFSL Shareholding Pattern - September 30, 2012



## Key Shareholders

▪ Valiant Mauritius Partners Ltd	2.27%
▪ Eastspring Investments India Equity Open Ltd	2.13%
▪ Cartica Capital Ltd	2.10%
▪ Fidelity Investment Trust	2.08%
▪ Valiant Mauritius Partners Offshore Ltd	1.51%
▪ Wasatch Emerging Markets Small Cap Fund	1.32%
▪ Flagship Indian Investment Company (Mauritius) Ltd	1.29%
▪ Dragaon Peacock Investments Ltd	1.26%
▪ Morgan Stanley Asia (Singapore) Pte	1.17%
▪ Bank Muscat SAOG A/c Bankmuscat India Fund	1.03%
▪ Fidelity Investment Trust (Fidelity Emerging Markets Fund)	1.00%

# Thank You

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