

Mahindra & Mahindra Financial Services Limited

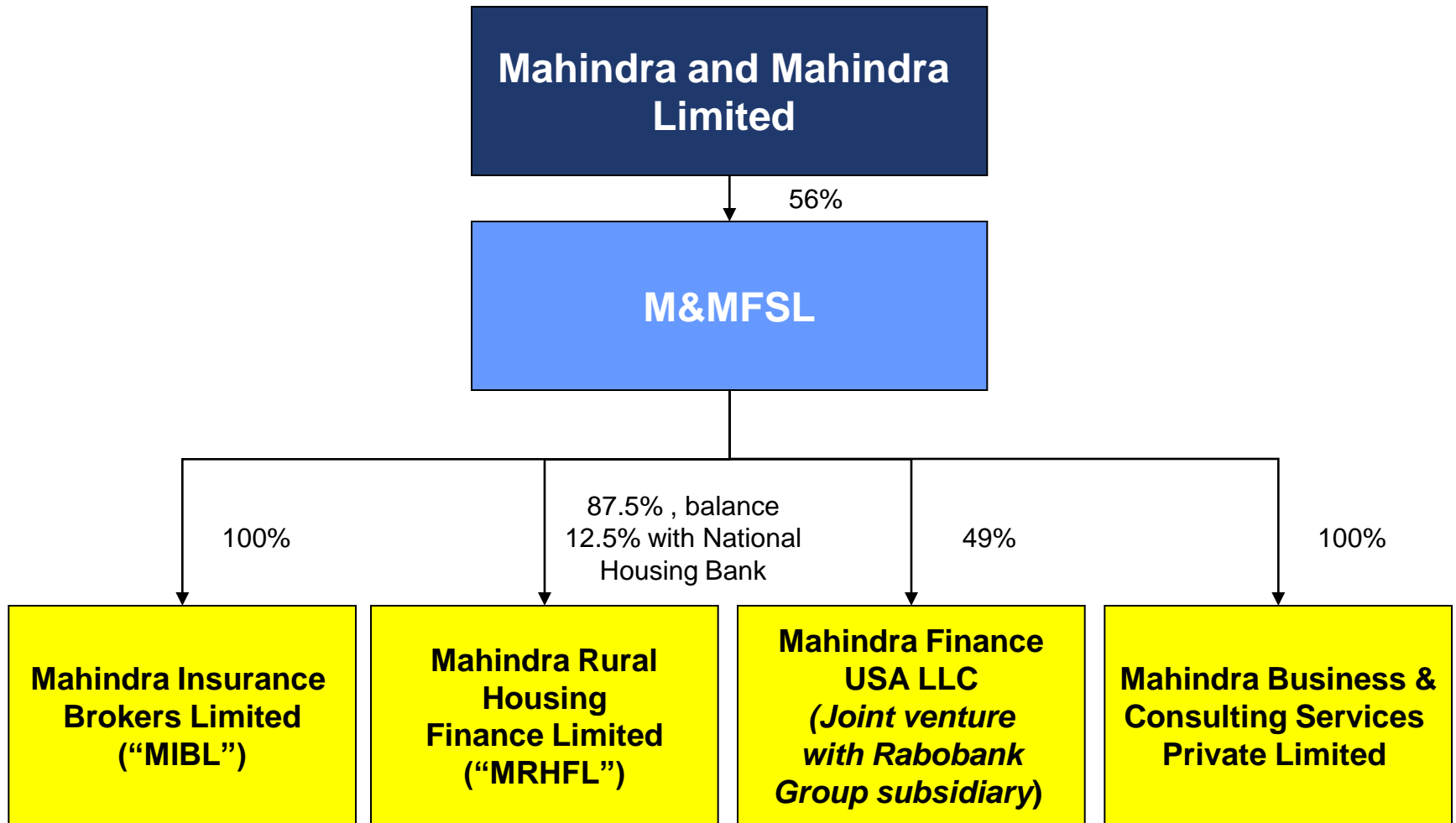
**Quarter Result Update
JUNE - 2011**

Company overview

Background

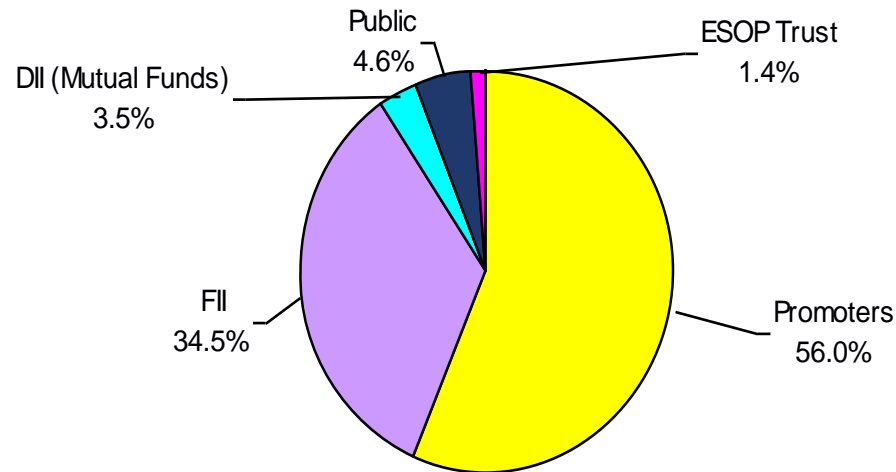
- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 439 billion)*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 70 billion)* is one of India's leading non-banking finance companies focused in the rural 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 559 offices covering 24 states and 4 union territories in India, with over 1.6 million vehicle finance customer contracts since inception, as of June 30, 2011
- CRISIL has assigned AA+/Stable, FITCH has assigned AA(ind)/ Positive and Brickwork has assigned AA+/ Positive rating to the Company's long term and subordinated debt

M&MFSL Group structure



Shareholding pattern

(as on June 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	Quarter ended June-11	Quarter ended June-10	Full year ended March-11
Auto/ Utility vehicles (M&M)	27%	34%	29%
Tractors (M&M)	22%	22%	22%
Cars and other (including non M&M vehicles)	32%	29%	33%
Commercial vehicles and Construction equipments	10%	7%	7%
Pre-owned vehicles and others	9%	8%	9%

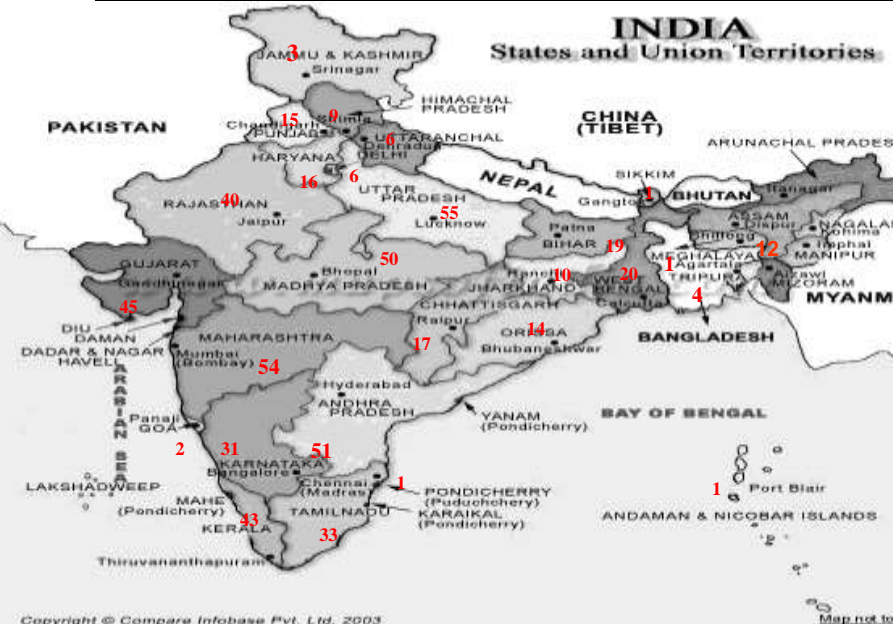
Break down of AUM

Segments	As on June-11	As on June-10	As on March-11
Auto/ Utility vehicles (M&M)	30%	33%	31%
Tractors (M&M)	23%	23%	23%
Cars and other (including non M&M vehicles)	31%	30%	31%
Commercial vehicles and Construction equipments	10%	8%	9%
Pre-owned vehicles and others	6%	6%	6%

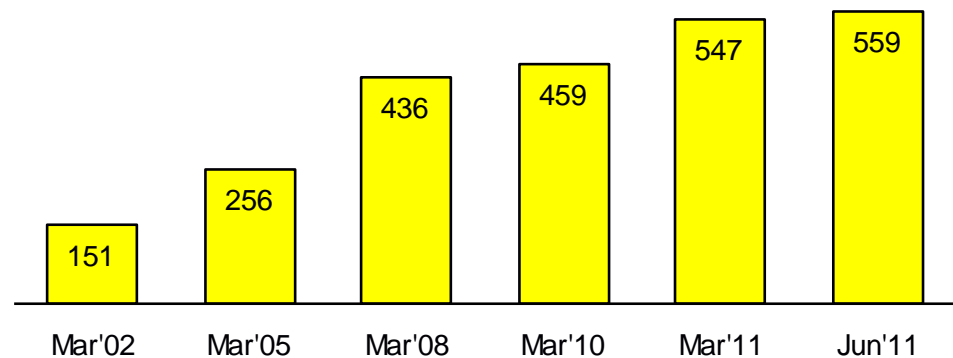
Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 559 offices as of June 30, 2011
 - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of

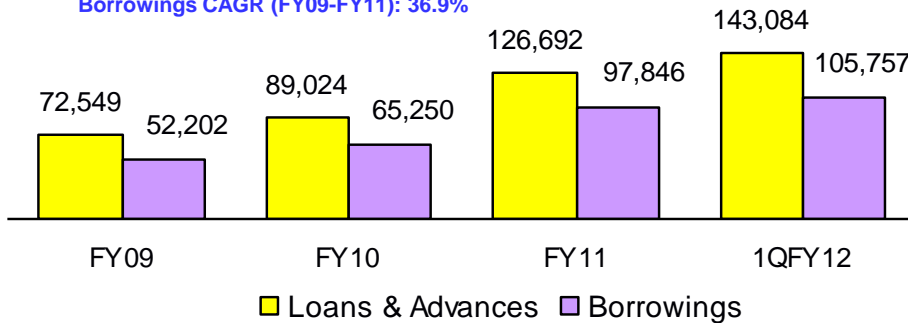


Established track record

Figures on consolidated basis

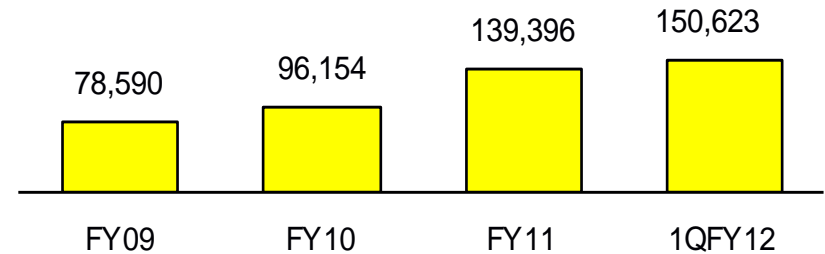
Loans & Advances and Borrowings (Rs. million)

Loans & Advances CAGR (FY09-FY11): 32.1%
Borrowings CAGR (FY09-FY11): 36.9%



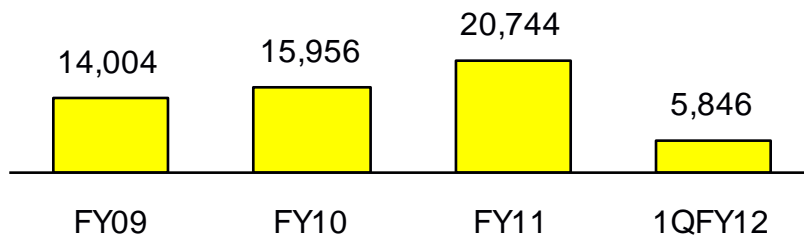
Total Assets (Rs. million)

CAGR(FY09-FY11): 33.2%



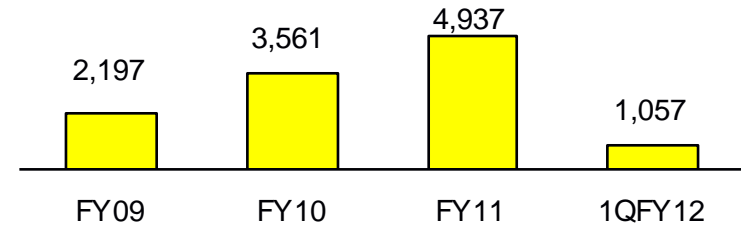
Total Income (Rs. million)

CAGR(FY09-FY11): 21.7%



Profit After Tax (Rs. million)

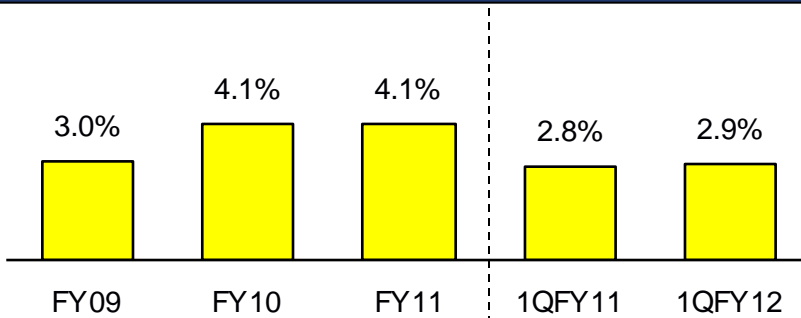
CAGR(FY09-FY11): 49.9%



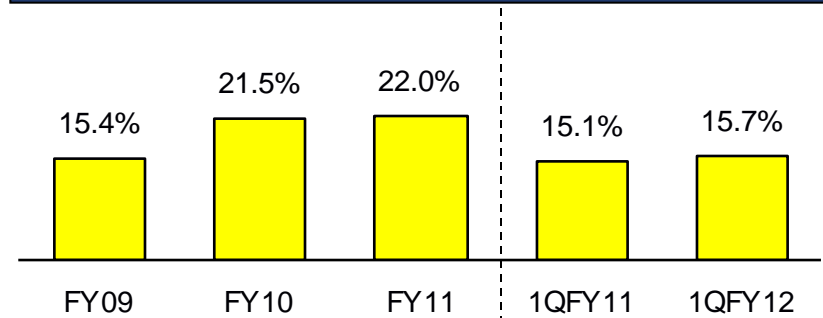
Established track record

Figures on standalone basis

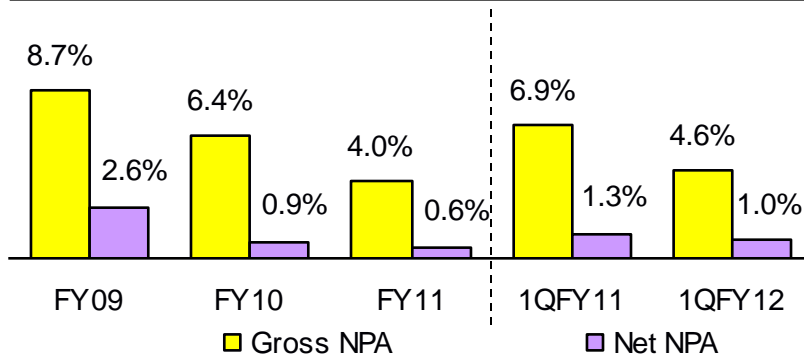
ROA (Avg. Assets) (%)



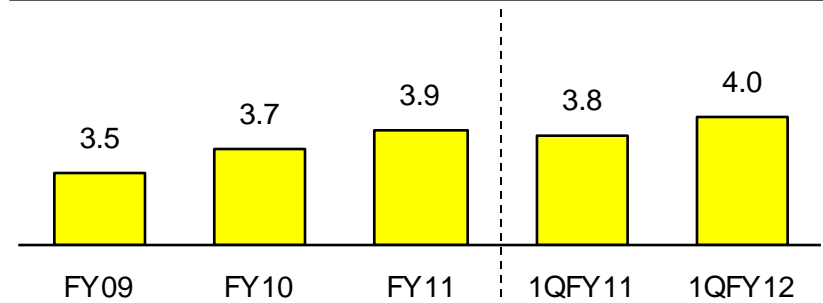
RONW (Avg. Net Worth) (%)



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)	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
Income from operations	5,477	3,924	19,739
Other income	163	90	387
Total income	5,640	4,014	20,126
Interest cost	2,160	1,315	6,602
Administrative cost	1,900	1,561	6,027
Provision on Standard Assets	23	--	314
Depreciation	44	28	158
Total expenditure	4,127	2,904	13,101
PBT	1,513	1,110	7,025
PAT	1,022	742	4,631

Standalone Balance Sheet

LIABILITIES (Rs. million)	As on June – 11	As on June – 10	As on March – 11
Shareholder's funds	25,944	18,031	24,901
Secured loans	86,651	53,571	83,006
Unsecured loans	16,503	15,560	13,744
Current liabilities & provisions	17,944	14,865	15,890
TOTAL	147,042	102,027	137,541

ASSETS (Rs. million)	As on June- 11	As on June- 10	As on March – 11
Fixed Assets	863	504	818
Investments	2,338	831	6,746
Cash & Bank balance	2,135	2,388	2,976
Other Current assets	215	104	184
Loans & Advances	139,308	96,070	124,650
Deferred tax asset	2,183	2,130	2,167
TOTAL	147,042	102,027	137,541

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
Income from operations	5,722	4,045	20,435
Other income	124	82	309
Total income	5,846	4,127	20,744
Interest cost	2,185	1,328	6,662
Administrative cost	2,030	1,574	6,129
Provision on Standard Assets	24	--	314
Depreciation	45	29	162
Total expenditure	4,284	2,931	13,267
PBT	1,562	1,196	7,477
PAT	1,057	799	4,937

Consolidated Balance Sheet

LIABILITIES (Rs. million)	As on June – 11	As on June – 10	As on March – 11
Shareholder's funds	26,524	18,349	25,450
Minority Interest	49	19	47
Secured loans	89,370	54,524	84,349
Unsecured loans	16,387	15,361	13,497
Current liabilities & provisions	18,293	14,946	16,053
TOTAL	150,623	103,199	139,396
ASSETS (Rs. million)	As on June – 11	As on June – 10	As on March – 11
Fixed Assets	889	518	840
Investments	1,844	705	6,252
Cash & Bank balance	2,243	2,427	3,236
Other Current assets	370	118	200
Loans & Advances	143,084	97,297	126,692
Deferred tax asset	2,193	2,134	2,176
TOTAL	150,623	103,199	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

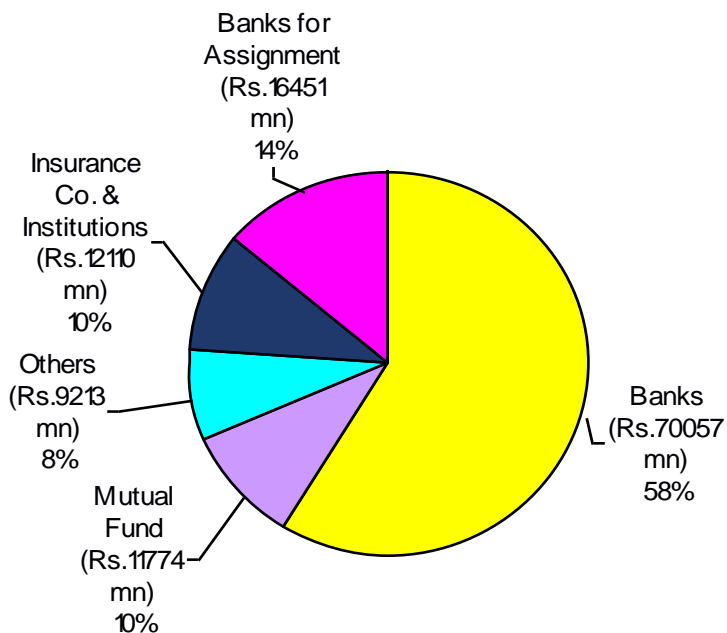
	FITCH Rating	Outlook
Long term and Subordinated debt	AA(ind)	Positive

Source of Borrowing

(as on June 30, 2011)

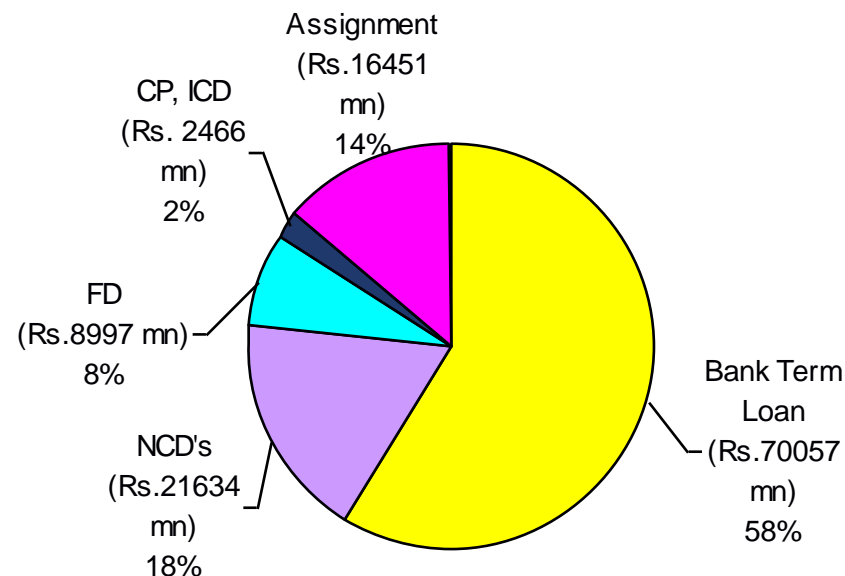
Figures on standalone basis

Fund Mix on the basis of Investor profile



Total : Rs.119605 million

Fund Mix on the basis of Instrument



Total : Rs.119605 million

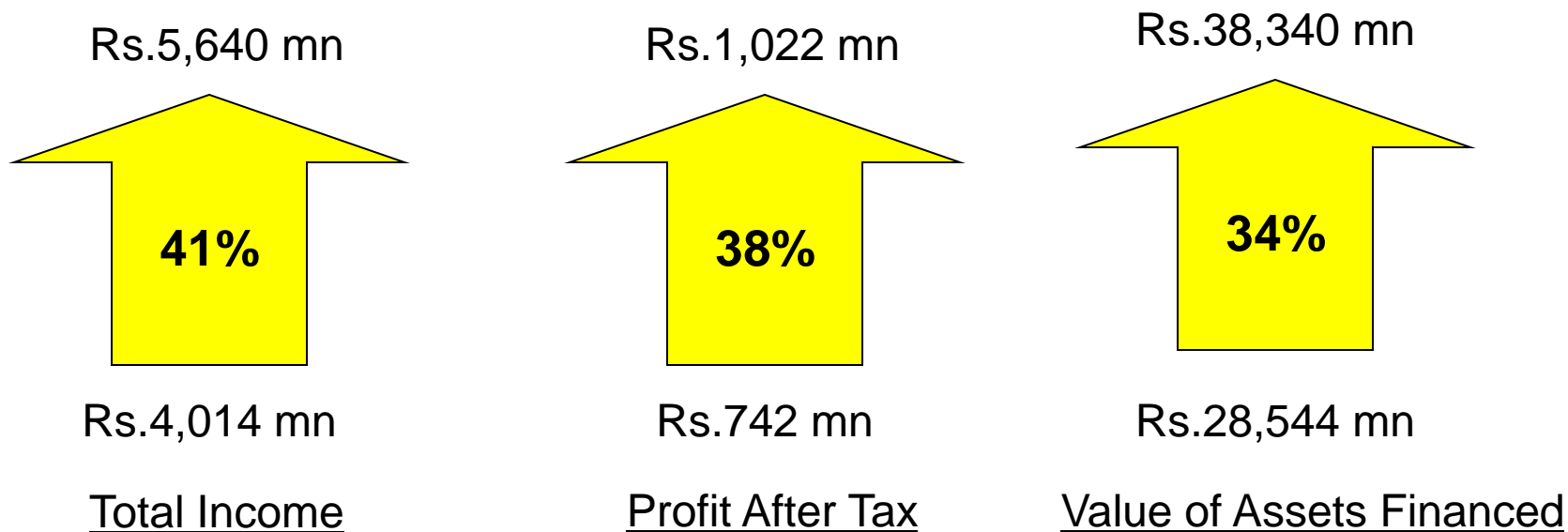
Loan Receivables Assignment

- 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 June 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 Q1- FY12 Vs Q1- FY11

Figures on standalone basis



➤ Assets under Management have increased from Rs.113,515 Mn to Rs.158,693 Mn year-on-year basis.

Summary of Results

Figures on standalone basis			
Particulars (Rs. million)	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
Total Income	5,640	4,014	20,126
Profit before tax	1,513	1,110	7,024
Profit after tax	1,022	742	4,631
Dividend (%)	--	--	100
Net Worth	25,906	18,020	24,880
EPS (Basic)	9.97	7.73	47.85
Market Capitalisation	65,205	43,523	80,727
Value of Assets Financed	38,340	28,544	144,199
No. of Branches	559	487	547
New Contracts During the period (Nos)	93,171	73,092	367,774
No. of employees	4,254	4,447	4,303

Ratio Analysis

Figures on standalone basis

	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
PBT/Total Income	26.8%	27.7%	34.9%
PBT/Total Assets	4.1%	4.1%	5.2%
RONW (Avg. Net Worth)	15.7%	15.1%	22.0%
Overheads/Total Assets	3.8%	4.3%	3.6%
Debt / Equity	3.98:1	3.83:1	3.88:1
Book value multiple	2.5	2.4	3.2
Capital Adequacy	18.7%	17.4%	20.3%
Tier I	15.8%	15.4%	17.0%
Tier II	2.9%	2.0%	3.3%
Book Value (Rs.)	252.7	187.6	242.8

Spread Analysis

Figures on standalone basis

	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
Total Income / Average Assets	16.2%	16.6%	17.9%
Interest / Average Assets	6.2%	5.5%	5.8%
Gross Spread	10.0%	11.1%	12.1%
Overheads / Average Assets	4.0%	4.4%	4.4%
Write offs & NPA provisions / Average Assets	1.6%	2.3%	1.4%
Net Spread	4.4%	4.4%	6.3%

NPA

Figures on standalone basis			
Particulars (Rs. million)	June – 11	June – 10	March – 11
Gross Non - Performing Assets	6,776	7,105	5,488
Less: NPA Provisions	5,403	5,858	4,744
Net Non – Performing Assets	1,373	1,247	744
Total Assets (Incl. NPA Provision)	148,263	103,261	138,606
Gross NPA to Total Assets(%)	4.6%	6.9%	4.0%
Net NPA to Total Assets(%)	1.0%	1.3%	0.6%
Coverage Ratio(%)	79.7%	82.4%	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 559 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)	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
Loans disbursed	592	397	2,036
No. of Customer Contracts (Nos)	5,759	3,354	21,981
Outstanding loan book	3,665	1,671	3,152
Total income	171	74	493
PBT	23	15	122
PAT	17	11	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

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Quarter ended June – 11	Quarter ended June – 10	Year ended March – 11
Total income	89	111	517
Net premium	1,001	697	2,891
PBT	26	68	329
PAT	17	44	218
No. of Policies for the Period (nos.)	146,130	90,421	508,877
No. of employees (nos.)	391	366	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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