

Mahindra & Mahindra Financial Services Limited

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STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2020

Rs. in Lakhs

	Particulars	Quarter ended			Year ended
		30 June 2020	31 March 2020	30 June 2019	31 March 2020
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Revenue from operations				
i)	Interest income	299,238.59	298,962.65	272,876.24	1,145,761.28
ii)	Dividend income	11.68	18.50	958.77	2,715.21
iii)	Rental income	335.89	368.95	115.55	874.93
iv)	Fees and commission Income	999.97	2,853.56	1,810.47	10,413.36
v)	Net gain on fair value changes	2,067.28	1,199.01	59.48	2,561.56
vi)	Sale of services	3,008.84	6,697.07	6,367.22	25,968.81
I	Total Revenue from operations	305,662.25	310,099.74	282,187.73	1,188,295.15
II	Other income	1,206.15	3,924.34	1,654.74	11,350.46
III	Total income (I+II)	306,868.40	314,024.08	283,842.47	1,199,645.61
	Expenses				
i)	Finance costs	140,115.15	143,064.96	126,259.77	539,056.37
ii)	Fees and commission expense	899.27	2,815.04	3,555.19	12,489.86
iii)	Impairment on financial instruments (refer note 8)	94,884.74	82,190.49	67,691.31	231,897.83
iv)	Employee benefits expenses	29,911.03	32,111.65	47,253.26	160,982.02
v)	Depreciation, amortization and impairment	3,786.59	1,899.95	4,143.78	14,687.38
vi)	Other expenses	11,089.78	22,125.75	20,272.36	84,918.91
IV	Total expenses	280,686.56	284,207.84	269,175.67	1,044,032.37
V	Profit before exceptional item, share of profit of associate & joint ventures and tax (III-IV)	26,181.84	29,816.24	14,666.80	155,613.24
VI	Exceptional item (refer note 7)	22,854.07	-	-	-
VII	Share of profit of associate & joint ventures	1,342.13	822.99	1,328.01	4,589.73
VIII	Profit before tax (V+VI+VII)	50,378.04	30,639.23	15,994.81	160,202.97
IX	Tax expense :				
i)	Current tax	111.35	52,085.08	4,597.41	64,730.05
ii)	Deferred tax	7,054.75	(45,335.71)	551.17	(12,989.05)
iii)	(Excess) / Short provision for Income Tax - earlier years	-	-	-	(119.80)
		7,166.10	6,749.37	5,148.58	51,621.20
X	Profit for the period / year (VIII-IX)	43,211.94	23,889.86	10,846.23	108,581.77
XI	Other Comprehensive Income (OCI)				
A)	(i) Items that will not be reclassified to profit or loss				
	- Remeasurement loss on defined benefit plans	373.65	535.01	(1,980.28)	(1,581.38)
	- Net gain/(loss) on equity instruments through OCI	798.07	316.60	(47.95)	268.65
	(ii) Income tax relating to the above items	(284.31)	(289.70)	651.59	40.59
	Subtotal (A)	887.41	561.91	(1,376.64)	(1,272.14)
B)	(i) Items that will be reclassified to profit or loss				
	- Exchange differences in translating the financial statements of foreign operations	157.39	2,712.17	(206.74)	3,900.25
	- Net gain on debt instruments through OCI	(256.03)	767.09	-	767.09
	(ii) Income tax relating to the above items	64.43	(115.97)	-	(115.97)
	Subtotal (B)	(34.21)	3,363.29	(206.74)	4,551.37
	Other Comprehensive Income (A + B)	853.20	3,925.20	(1,583.38)	3,279.23
XII	Total Comprehensive Income for the period / year (X+XI)	44,065.14	27,815.06	9,262.85	111,861.00
	Profit for the period attributable to:				
	Owners of the Company	43,172.39	23,481.83	10,723.05	107,514.53
	Non-controlling interests	39.55	408.03	123.18	1,067.24
		43,211.94	23,889.86	10,846.23	108,581.77
	Other Comprehensive Income for the period attributable to:				
	Owners of the Company	845.05	3,934.86	(1,552.93)	3,323.67
	Non-controlling interests	8.15	(9.66)	(30.45)	(44.44)
		853.20	3,925.20	(1,583.38)	3,279.23
	Total Comprehensive Income for the period attributable to:				
	Owners of the Company	44,017.44	27,416.69	9,170.12	110,838.20
	Non-controlling interests	47.70	398.37	92.73	1,022.80
		44,065.14	27,815.06	9,262.85	111,861.00
XIII	Earnings per equity share (face value of Rs.2/- each) #				
	Basic (Rupees)	7.01	3.82	1.74	17.48
	Diluted (Rupees)	7.00	3.81	1.74	17.44

Earnings per share for the interim period is not annualized.

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2020

	Particulars	Quarter ended			Year ended
		30 June 2020	31 March 2020	30 June 2019	31 March 2020
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Revenue from operations				
I	i) Interest income	260,912.13	259,282.31	236,646.01	994,171.19
	ii) Dividend income	1.65	4.92	908.09	2,425.09
	iii) Rental income	335.89	368.95	115.55	874.93
	iv) Fees and commission Income	833.57	2,672.97	1,705.89	9,698.85
	v) Net gain on fair value changes	1,966.70	1,358.78	25.22	2,615.10
I	Total Revenue from operations	264,049.94	263,687.93	239,400.76	1,009,785.16
II	Other income	1,444.16	3,888.81	1,849.67	14,728.63
III	Total income (I+II)	265,494.10	267,576.74	241,250.43	1,024,513.79
	Expenses				
	i) Finance costs	126,460.14	128,948.25	112,820.54	482,874.89
	ii) Fees and commission expense	231.68	793.32	998.94	4,094.21
	iii) Impairment on financial instruments (refer note 8)	84,270.05	67,413.42	61,961.90	205,447.07
	iv) Employee benefits expenses	22,453.80	21,343.31	35,208.96	114,844.51
	v) Depreciation, amortization and impairment	3,153.60	1,183.93	3,432.98	11,829.36
	vi) Other expenses	8,726.04	18,645.89	16,356.78	71,047.51
IV	Total expenses	245,295.31	238,328.12	230,780.10	890,137.55
V	Profit before exceptional items and tax (III-IV)	20,198.79	29,248.62	10,470.33	134,376.24
VI	Exceptional item (refer note 7)	610.10	-	-	-
VII	Profit before tax (V-VI)	20,808.89	29,248.62	10,470.33	134,376.24
VIII	Tax expense :				
	i) Current tax	-	46,971.89	3,194.00	55,693.89
	ii) Deferred tax	5,229.68	(39,815.00)	433.10	(11,958.04)
		5,229.68	7,156.89	3,627.10	43,735.85
IX	Profit for the period / year (VII-VIII)	15,579.21	22,091.73	6,843.23	90,640.39
X	Other Comprehensive Income (OCI)				
	A) (i) Items that will not be reclassified to profit or loss				
	- Remeasurement gain/(loss) on defined benefit plans	342.33	643.23	(1,794.13)	(1,134.18)
	- Net gain/(loss) on equity instruments through OCI	798.07	316.60	(47.95)	268.65
	(ii) Income tax relating to the above items	(287.01)	(323.35)	643.70	(51.94)
	Subtotal (A)	853.39	636.48	(1,198.38)	(917.47)
	B) (i) Items that will be reclassified to profit or loss				
	- Net gain on debt instruments through OCI	(256.03)	767.09	-	767.09
	(ii) Income tax relating to the above items	64.43	(115.97)	-	(115.97)
	Subtotal (B)	(191.60)	651.12	-	651.12
	Other Comprehensive Income (A + B)	661.79	1,287.60	(1,198.38)	(266.35)
XI	Total Comprehensive Income for the period / year (IX+X)	16,241.00	23,379.33	5,644.85	90,374.04
XII	Earnings per equity share (face value of Rs.2/- each) #				
	Basic (Rupees)	2.53	3.59	1.11	14.74
	Diluted (Rupees)	2.53	3.58	1.11	14.71

Earnings per share for the interim period is not annualized.

Notes:

- 1) The above financial results of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2016 and accordingly, these financial results together with the results for the comparative reporting period have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the the Companies Act, 2013 ("the Act"), and other recognized accounting practices generally accepted in India and in compliance with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations"). Any application guidance/ clarifications/ directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued/ applicable.
- 2) The above financial results have been reviewed by the Audit Committee and subsequently approved by the Board of Directors of the Company at its meeting held on 18 July 2020.
- 3) The Consolidated financial results for the quarter ended 30 June 2020 include the following entities of the group -
 - i) The unaudited financial results of the subsidiaries, Mahindra Insurance Brokers Limited (80%) and Mahindra Rural Housing Finance Limited (99.60%), and joint ventures, Mahindra Manulife Investment Management Private Limited (51%) (Formerly known as "Mahindra Asset Management Company Private Limited") and Mahindra Manulife Trustee Private Limited (51%) (Formerly known as "Mahindra Trustee Company Private Limited");
 - ii) The Management certified financial results of subsidiaries, Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust (MMFSL ESOP Trust), Mahindra Rural Housing Finance Limited Employee Welfare Trust (MRHFL EWT) and Mahindra Finance CSR Foundation. The standalone financial results of these entities does not constitute a material component of the consolidated financial results; and
 - iii) The Management certified financial results of associate, Mahindra Finance USA LLC (49%), in the United States and joint venture, Ideal Finance Limited (38.20%), in Sri Lanka. The standalone financial results of Mahindra Finance USA LLC and Ideal Finance Limited does not constitute a material component of the consolidated financial results and these have been consolidated as associate and joint venture respectively, under equity method of accounting.
- 4) In compliance with Regulation 33 of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015, a limited review of financial results for the quarter ended 30 June 2020 has been carried out by the Statutory Auditors.
- 5) The figures for the last quarter of the previous year are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to third quarter.
- 6) There is no separate reportable segment as per Ind AS 108 on 'Operating Segments' in respect of the Company. The Segment Reporting in respect of the Consolidated Financial Results is given in Appendix 1.
- 7) The Company, on 21 June 2019, along with Mahindra Asset Management Company Private Limited (MAMCPL) and Mahindra Trustee Company Private Limited (MTCPL), then wholly-owned subsidiaries of the Company, had entered in to a share subscription agreement and shareholders' agreement to form a 51:49 Joint Venture with Manulife Asset Management (Singapore) Pte. Ltd. (Manulife). Pursuant to these agreements, Manulife has made an equity investment aggregating to US \$ 35.00 million to acquire 49% of the share capital of MAMCPL & MTCPL.

The transaction was settled on 29 April 2020 in accordance with share subscription and shareholders' agreements to acquire a 49% stake in MAMCPL and MTCPL by Manulife. The said agreements have also provided for sale of certain number of equity shares of MAMCPL by MMFSL at an agreed valuation within the overall stake divestment of 49% to Manulife. Accordingly, under the sale transaction, 1,47,00,000 equity shares of MAMCPL, equivalent to 7% of the fully paid up equity share capital of MAMCPL, for a consideration of Rs. 2080.10 lakhs (equivalent to USD 2.73 million), have been transferred in dematerialized form to Manulife. On this sale transaction, the Company has recognized a pre-tax profit of Rs.610.00 lakhs on a standalone basis, which is included under exceptional item in the statement of profit and loss for the quarter ended 30 June 2020.

Consequent to the above, the shareholding of the Company in MAMCPL and MTCPL has come down from 100% to 51% of the share capital respectively. The erstwhile names of MAMCPL and MTCPL have been changed to Mahindra Manulife Investment Management Private Limited (MMIMPL) and Mahindra Manulife Trustee Private Limited (MMTPL), respectively. In the Consolidated financial statements for the quarter ended 30 June 2020, MMIMPL and MMTPL have been consolidated as joint ventures under equity method of accounting. As a result of this, the Company has recognized a pre-tax profit of Rs. 22,854.07 lakhs, as an exceptional item in the consolidated statement of profit and loss for the quarter ended 30 June 2020.
- 8) In accordance with the board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated 27 March 2020, 17 April 2020 and 23 May 2020 relating to 'COVID-19 - Regulatory Package', the Company has granted moratorium upto six months on the payment of installments falling due between 01 March 2020 and 31 August 2020 to all eligible borrowers. This relaxation does not automatically trigger a significant increase in credit risk. The Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

The impact of COVID-19 on the global economy and how governments, businesses and consumers respond is uncertain. This uncertainty is reflected in the Company's assessment of impairment loss allowance on its loans which are subject to a number of management judgements and estimates. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. While the methodologies and assumptions applied in the impairment loss allowance calculations remained unchanged from those applied while preparing the financial results for the year ended 31 March 2020, the Company has separately incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of impairment loss allowance. The Company has been duly servicing its debt obligations, maintains a healthy capital adequacy ratio and has adequate capital and financial resources to run its business. During the quarter ended 30 June 2020, the Company has considered an additional charge of Rs 47,675.95 lakhs in the Standalone statement of profit and loss and Rs. 66,445.85 lakhs in the Consolidated statement of profit and loss, due to a management overlay, to reflect deterioration in the macroeconomic outlook. The final impact of this pandemic is very uncertain and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results. The management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Company.
- 9) The Taxation Laws (Amendment) Ordinance, 2019 contain substantial amendments in the Income Tax Act 1961 and the Finance (No.2) Act, 2019 to provide an option to domestic companies to pay income tax at a concessional rate. The Company has elected to apply the concessional tax rate and has recognized the provision for income tax and re-measured the net deferred tax assets at concessional rate since 30 September 2019.
- 10) Charges on secured Non-Convertible Debentures (NCDs) issued by the Company:
 - a) All secured NCDs issued by the Company on private placement basis are secured by pari-passu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the minimum extent of 100% of outstanding secured NCDs; and
 - b) All secured NCDs issued by the Company through public issue are secured by exclusive charge on receivables under loan contracts, owned assets and book debts to the minimum extent of 100% of outstanding secured NCDs.
- 11) Pursuant to SEBI Circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115 dated 22 October 2019, the Company has listed Commercial Papers on National Stock Exchange (NSE).
- 12) Previous period / year figures have been regrouped / reclassified, wherever found necessary, to conform to current period / year classification.

For and on behalf of the Board of Directors
Mahindra & Mahindra Financial Services Limited

Ramesh Iyer

Vice-Chairman & Managing Director

Date : 18 July 2020

Place : Mumbai

Appendix 1**Mahindra & Mahindra Financial Services Limited****Segment-wise Revenue, Results, Assets and Liabilities for Consolidated results as required under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Rs. in Lakhs

Particulars	Quarter ended			Year ended
	30 June 2020	31 March 2020	30 June 2019	31 March 2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
(a) Segment Revenue				
- Financing activities	304,015.11	307,631.58	277,555.78	1,177,274.31
- Others	4,166.55	9,201.91	8,451.76	35,874.04
Total	308,181.66	316,833.49	286,007.54	1,213,148.35
Less : Inter-segment revenue	1,313.26	2,809.41	2,165.07	13,502.74
Net revenue	306,868.40	314,024.08	283,842.47	1,199,645.61
(b) Segment Results (Profit before tax) :				
- Financing activities	48,720.30	27,944.04	14,576.31	151,765.86
- Share of profit of associate & joint ventures	1,342.13	822.99	1,328.01	4,589.73
- Others	315.61	1,872.20	90.49	3,847.38
Total	50,378.04	30,639.23	15,994.81	160,202.97
Add : Other unallocable income net of unallocable expenditure	-	-	-	-
Net Profit before tax	50,378.04	30,639.23	15,994.81	160,202.97
(c) Segment Assets :				
- Financing activities	8,452,003.21	8,054,496.33	7,559,936.69	8,054,496.33
- Others	54,552.19	42,832.99	42,016.04	42,832.99
- Other unallocable assets	80,027.44	81,928.49	80,935.60	81,928.49
Total	8,586,582.84	8,179,257.81	7,682,888.33	8,179,257.81
(d) Segment Liabilities :				
- Financing activities	7,324,375.45	6,959,253.63	6,523,592.72	6,959,253.63
- Others	11,638.86	14,135.51	14,306.07	14,135.51
- Other unallocable liabilities	-	-	-	-
Total	7,336,014.31	6,973,389.14	6,537,898.79	6,973,389.14

For and on behalf of the Board of Directors
Mahindra & Mahindra Financial Services Limited

Date : 18 July 2020
Place : Mumbai

Ramesh Iyer
Vice-Chairman & Managing Director