

Mahindra & Mahindra Financial Services Limited

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STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2020

Rs. in Crores

	Particulars	Quarter ended			Nine months ended		Year ended
		31 December 2020	30 September 2020	31 December 2019	31 December 2020	31 December 2019	31 March 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Revenue from operations						
i)	Interest income	2,862.42	2,953.49	2,932.13	8,808.29	8,467.98	11,457.61
ii)	Dividend income	-	-	0.11	0.12	26.96	27.15
iii)	Rental income	4.90	4.83	2.18	13.09	5.06	8.75
iv)	Fees and commission Income	20.85	16.75	30.55	47.61	75.60	104.13
v)	Net gain on fair value changes	5.09	15.21	8.56	40.97	13.63	25.62
vi)	Sale of services	64.70	44.83	72.57	139.62	192.72	259.69
I	Total Revenue from operations	2,957.96	3,035.11	3,046.10	9,049.70	8,781.95	11,882.95
II	Other income	34.98	35.39	35.20	82.43	74.26	113.51
III	Total income (I+II)	2,992.94	3,070.50	3,081.30	9,132.13	8,856.21	11,996.46
	Expenses						
i)	Finance costs	1,311.77	1,368.54	1,351.41	4,081.46	3,959.92	5,390.56
ii)	Fees and commission expense	35.82	29.91	34.42	74.72	96.75	124.90
iii)	Impairment on financial instruments (refer note 9)	1,473.99	665.82	420.21	3,088.66	1,497.07	2,318.98
iv)	Employee benefits expenses	336.00	351.08	402.01	986.19	1,288.70	1,609.82
v)	Depreciation, amortization and impairment	36.51	39.58	43.23	113.96	127.87	146.87
vi)	Other expenses	136.14	115.61	214.17	362.65	627.93	849.20
IV	Total expenses	3,330.23	2,570.54	2,465.45	8,707.64	7,598.24	10,440.33
V	Profit / (Loss) before exceptional items and tax (III-IV)	(337.29)	499.96	615.85	424.49	1,257.97	1,556.13
VI	Exceptional item (refer note 6)	-	-	-	228.54	-	-
VII	Share of profit / (loss) of associate & joint ventures	24.43	(12.40)	12.91	25.46	37.67	45.90
VIII	Profit / (Loss) before tax (V+VI+VII)	(312.86)	487.56	628.76	678.49	1,295.64	1,602.03
IX	Tax expense :						
i)	Current tax	(55.27)	208.95	18.44	154.80	125.25	647.30
ii)	Deferred tax	(34.41)	(73.89)	135.46	(37.75)	323.47	(129.89)
iii)	(Excess) / Short provision for Income Tax - earlier years	-	-	-	-	-	(1.20)
		(89.68)	135.06	153.90	117.05	448.72	516.21
X	Profit / (Loss) for the period / year (VIII-IX)	(223.18)	352.50	474.86	561.44	846.92	1,085.82
XI	Other Comprehensive Income (OCI)						
A)	(i) Items that will not be reclassified to profit or loss						
	- Remeasurement loss on defined benefit plans	(2.79)	(4.56)	(0.67)	(3.62)	(21.16)	(15.82)
	- Net gain/(loss) on equity instruments through OCI	-	-	-	7.99	(0.48)	2.69
	(ii) Income tax relating to the above items	0.61	1.23	0.41	(1.00)	3.30	0.41
	Subtotal (A)	(2.18)	(3.33)	(0.26)	3.37	(18.34)	(12.72)
B)	(i) Items that will be reclassified to profit or loss						
	- Exchange differences in translating the financial statements of foreign operations	(4.38)	(13.52)	4.16	(16.33)	11.88	39.00
	- Net gain on debt instruments through OCI	33.65	(7.70)	-	23.38	-	7.67
	(ii) Income tax relating to the above items	(8.47)	1.94	-	(5.88)	-	(1.16)
	Subtotal (B)	20.80	(19.28)	4.16	1.17	11.88	45.51
	Other Comprehensive Income / (Loss) (A + B)	18.62	(22.61)	3.90	4.54	(6.46)	32.79
XII	Total Comprehensive Income / (Loss) for the period / year (X+XI)	(204.56)	329.89	478.76	565.98	840.46	1,118.61
	Profit / (Loss) for the period attributable to:						
	Owners of the Company	(226.20)	351.35	471.65	556.87	840.33	1,075.15
	Non-controlling interests	3.02	1.15	3.21	4.57	6.59	10.67
		(223.18)	352.50	474.86	561.44	846.92	1,085.82
	Other Comprehensive Income / (Loss) for the period attributable to:						
	Owners of the Company	18.63	(22.66)	3.82	4.41	(6.11)	33.24
	Non-controlling interests	(0.01)	0.05	0.08	0.13	(0.35)	(0.45)
		18.62	(22.61)	3.90	4.54	(6.46)	32.79
	Total Comprehensive Income / (Loss) for the period attributable to:						
	Owners of the Company	(207.57)	328.68	475.47	561.28	834.22	1,108.39
	Non-controlling interests	3.01	1.21	3.29	4.70	6.24	10.22
		(204.56)	329.89	478.76	565.98	840.46	1,118.61
XIII	Earnings per equity share (face value of Rs.2/- each) # (refer note 8)						
	Basic (Rupees)	(1.84)	3.31	5.25	5.23	9.36	11.97
	Diluted (Rupees)	(1.83)	3.30	5.24	5.22	9.34	11.95

Earnings per share for the interim period is not annualized.

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2020

Rs. in Crores

	Particulars	Quarter ended			Nine months ended		Year ended
		31 December 2020	30 September 2020	31 December 2019	31 December 2020	31 December 2019	31 March 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Revenue from operations						
i)	Interest income	2,512.12	2,582.17	2,541.69	7,703.40	7,348.89	9,941.71
ii)	Dividend income	-	-	0.06	0.02	24.20	24.25
iii)	Rental income	4.90	4.83	2.18	13.09	5.06	8.75
iv)	Fees and commission Income	20.85	14.11	28.65	43.30	70.26	96.99
v)	Net gain on fair value changes	3.92	11.77	8.02	35.36	12.56	26.15
I	Total Revenue from operations	2,541.79	2,612.88	2,580.60	7,795.17	7,460.97	10,097.85
II	Other income	33.06	36.62	35.42	84.13	108.40	147.29
III	Total income (I+II)	2,574.85	2,649.50	2,616.02	7,879.30	7,569.37	10,245.14
	Expenses						
i)	Finance costs	1,158.33	1,221.57	1,208.86	3,644.51	3,539.26	4,828.75
ii)	Fees and commission expense	11.12	11.18	12.00	24.61	33.01	40.94
iii)	Impairment on financial instruments (refer note 9)	1,386.72	619.39	400.09	2,848.82	1,380.34	2,054.47
iv)	Employee benefits expenses	247.29	261.43	288.90	733.25	935.01	1,148.45
v)	Depreciation, amortization and impairment	30.57	33.30	36.21	95.40	106.45	118.29
vi)	Other expenses	109.52	90.92	181.77	287.71	524.02	710.48
IV	Total expenses	2,943.55	2,237.79	2,127.83	7,634.30	6,518.09	8,901.38
V	Profit / (Loss) before exceptional items and tax (III-IV)	(368.70)	411.71	488.19	245.00	1,051.28	1,343.76
VI	Exceptional item (refer note 6)	-	-	-	6.10	-	-
VII	Profit / (Loss) before tax (V+VI)	(368.70)	411.71	488.19	251.10	1,051.28	1,343.76
VIII	Tax expense :						
i)	Current tax	(79.64)	202.92	(3.23)	123.28	87.22	556.94
ii)	Deferred tax	(14.92)	(94.74)	126.14	(57.36)	278.57	(119.58)
		(94.56)	108.18	122.91	65.92	365.79	437.36
IX	Profit / (Loss) for the period / year (VII-VIII)	(274.14)	303.53	365.28	185.18	685.49	906.40
X	Other Comprehensive Income (OCI)						
A)	(i) Items that will not be reclassified to profit or loss						
	- Remeasurement gain/(loss) on defined benefit plans	(2.74)	(4.59)	(0.41)	(3.90)	(17.77)	(11.34)
	- Net gain/(loss) on equity instruments through OCI	-	-	-	7.98	(0.48)	2.69
	(ii) Income tax relating to the above items	0.69	1.16	0.15	(1.03)	2.71	(0.52)
	Subtotal (A)	(2.05)	(3.43)	(0.26)	3.05	(15.54)	(9.17)
B)	(i) Items that will be reclassified to profit or loss						
	- Net gain on debt instruments through OCI	33.63	(7.70)	-	23.37	-	7.67
	(ii) Income tax relating to the above items	(8.47)	1.94	-	(5.88)	-	(1.16)
	Subtotal (B)	25.16	(5.76)	-	17.49	-	6.51
	Other Comprehensive Income / (Loss) (A + B)	23.12	(9.19)	(0.26)	20.54	(15.54)	(2.66)
XI	Total Comprehensive Income / (Loss) for the period / year (IX+X)	(251.02)	294.34	365.02	205.72	669.95	903.74
XII	Earnings per equity share (face value of Rs.2/- each) # (refer note 8)						
	Basic (Rupees)	(2.23)	2.86	4.07	1.74	7.63	10.09
	Diluted (Rupees)	(2.22)	2.85	4.06	1.74	7.62	10.08

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 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 28 January 2021.
- 3) The Consolidated financial results for the quarter and nine months ended 31 December 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 (MMIMPL: 51%) (Formerly known as "Mahindra Asset Management Company Private Limited") and Mahindra Manulife Trustee Private Limited (MMTPL: 51%) (Formerly known as "Mahindra Trustee Company Private Limited"). The joint ventures, MMIMPL and MMTPL have been consolidated under equity method of accounting;
 - 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 and nine months ended 31 December 2020 has been carried out by the Statutory Auditors.
- 5) 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.
- 6) 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. 20.80 crores (equivalent to USD 2.73 million), have been transferred in dematerialized form to Manulife. On this sale transaction, the Company had recognized a pre-tax profit of Rs.6.10 crores on a standalone basis, as exceptional item on the date of settlement and the same is carried forward in the results for the nine months ended 31 December 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, effective from 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 had recognized a pre-tax profit of Rs. 228.54 crores, on a consolidated basis, as an exceptional item on the date of settlement and the same is carried forward in the results for the nine months ended 31 December 2020.

- 7) Pursuant to authorization of further infusion of capital through Rights issue by the Board of Directors of the Company at its meeting held on 1 June 2020, other resolutions passed on 18 July 2020 approving the issue size, rights entitlement ratio, fixing the issue price, fixing the record date and in accordance with the provisions of the Companies Act, 2013 and the applicable Rules prescribed thereunder, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended, the Company had issued 61,77,64,960 fully paid-up Equity Shares of face value of Rs. 2 each for cash at a price of Rs. 50 per Equity Share (including a premium of Rs. 48 per Equity Share) aggregating to Rs. 3,088.82 crores on a rights basis to eligible equity shareholders in the ratio of one Equity Share for every one fully paid-up Equity Share held on the record date, that is July 23, 2020. These equity shares were allotted on 17 August 2020.

The fresh allotment of equity shares through Rights Issue as stated above had resulted in an increase of equity share capital by Rs.123.55 crores and securities premium reserve by Rs. 2,965.27 crores.

The share issue expenses of Rs.8.58 crores had been adjusted against securities premium reserve as per the accounting policy.

- 8) Pursuant to Ind AS - 33, Earnings Per Share, the Basic and Diluted earnings per share for the previous periods have been restated for the bonus element in respect of the Rights issue referred to in Note 7.
- 9) 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 had granted moratorium up to six months on the payment of installments which became due between 01 March 2020 and 31 August 2020 to all eligible borrowers. This relaxation did not automatically trigger a significant increase in credit risk. The Company continued to recognize interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period did 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. 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. As at 31 December 2020, the cumulative amount of management overlay provisions stood at Rs.1,064.13 crores in the Standalone financial results and Rs.1,180.91 crores in the Consolidated financial results, 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.

During the quarter ended 30 September 2020, in view of the Supreme Court interim order dated 3 September 2020 (Public Interest Litigation (PIL) by Gajendra Sharma Vs Union of India & ANR), no additional borrower accounts were classified as impaired (non-performing assets), which were not declared non-performing till 31 August 2020. Basis the said interim order the Company has not classified any additional borrower account as NPA as per the Reserve Bank of India or other regulatory prescribed norms, after 31 August 2020 which were not NPA as of 31 August 2020. However, for the quarter and nine months ended on 31 December 2020, the Company has classified such accounts as stage 3 and provisioned accordingly only for financial reporting purposes.

- 10) In terms of the requirement as per RBI notification no. RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 on Implementation of Indian Accounting Standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income Recognition, Asset Classification and Provisioning (IRACP) norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the company exceeds the total provision required under IRACP (including standard asset provisioning), as at 31 December 2020 and accordingly, no amount is required to be transferred to impairment reserve.
- 11) The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced COVID-19 Relief Scheme for grant of *ex-gratia* payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts ("the Scheme"), as per the eligibility criteria and other aspects specified therein and irrespective of whether RBI moratorium was availed or not. During the quarter, the Company and its subsidiary, MRHFL, have implemented the Scheme and credited the accounts of or remitted amounts to the eligible borrowers as per the Scheme.
- 12) All secured NCDs issued by the Company are secured by pari-passu charge on Aurangabad office (wherever applicable) and / or exclusive charge on receivables under loan contracts, owned assets and book debts to the minimum extent of 100% or such higher security as per the respective term-sheets of outstanding secured NCDs.
- 13) 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.
- 14) 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).

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

Ramesh Iyer

Vice-Chairman & Managing Director

Date : 28 January 2021

Place : Mumbai

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 Crores

Particulars	Quarter ended			Nine months ended		Year ended
	31 December 2020	30 September 2020	31 December 2019	31 December 2020	31 December 2019	31 March 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
(a) Segment Revenue						
- Financing activities	2,929.31	3,026.70	3,009.60	8,996.16	8,696.43	11,772.74
- Others	81.62	60.62	96.77	183.87	266.72	358.74
Total	3,010.93	3,087.32	3,106.37	9,180.03	8,963.15	12,131.48
Less : Inter-segment revenue	17.99	16.82	25.07	47.90	106.94	135.02
Net revenue	2,992.94	3,070.50	3,081.30	9,132.13	8,856.21	11,996.46
(b) Segment Results (Profit / (Loss) before tax) :						
- Financing activities	(357.69)	494.46	603.37	623.98	1,238.22	1,517.66
- Share of profit of associate	24.43	(12.40)	12.91	25.46	37.67	45.90
- Others	20.40	5.50	12.48	29.05	19.75	38.47
Total	(312.86)	487.56	628.76	678.49	1,295.64	1,602.03
Add : Other unallocable income net of unallocable expenditure	-	-	-	-	-	-
Net Profit / (Loss) before tax	(312.86)	487.56	628.76	678.49	1,295.64	1,602.03
(c) Segment Assets :						
- Financing activities	84,727.22	86,346.36	79,998.65	84,727.22	79,998.65	80,544.97
- Others	610.29	578.85	427.29	610.29	427.29	428.33
- Other unallocable assets	1,163.96	948.96	744.38	1,163.96	744.38	819.28
Total	86,501.47	87,874.17	81,170.32	86,501.47	81,170.32	81,792.58
(d) Segment Liabilities :						
- Financing activities	70,664.20	71,852.91	69,292.27	70,664.20	69,292.27	69,592.53
- Others	126.17	110.17	147.93	126.17	147.93	141.36
- Other unallocable liabilities	-	-	-	-	-	-
Total	70,790.37	71,963.08	69,440.20	70,790.37	69,440.20	69,733.89

For and on behalf of the Board of Directors
Mahindra & Mahindra Financial Services LimitedDate : 28 January 2021
Place : MumbaiRamesh Iyer
Vice-Chairman & Managing Director