

Mahindra & Mahindra Financial Services Limited

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STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2021

Rs. in Crores

	Particulars	Quarter ended			Year ended
		30 June 2021	31 March 2021	30 June 2020	31 March 2021
		(Unaudited)	(Audited) (refer note 5)	(Unaudited)	(Audited)
	Revenue from operations				
i)	Interest income	2,465.22	2,895.50	2,992.39	11,703.79
ii)	Dividend income	-	-	0.12	0.12
iii)	Rental income	4.72	4.02	3.35	17.11
iv)	Fees and commission Income	17.31	27.98	10.00	75.59
v)	Net gain on fair value changes	15.68	9.07	20.67	50.04
vi)	Sale of services	46.58	63.99	30.09	203.61
I	Total Revenue from operations	2,549.51	3,000.56	3,056.62	12,050.26
II	Other income	17.33	37.81	12.06	120.24
III	Total income (I+II)	2,566.84	3,038.37	3,068.68	12,170.50
	Expenses				
i)	Finance costs	1,151.08	1,226.11	1,401.15	5,307.57
ii)	Fees and commission expense	22.87	30.08	8.99	104.80
iii)	Impairment on financial instruments (refer note 9, 10, 11 and 12)	3,005.37	910.08	948.84	3,998.74
iv)	Employee benefits expenses	365.06	397.82	299.11	1,384.01
v)	Depreciation, amortization and impairment	32.76	36.55	37.87	150.51
vi)	Other expenses	147.94	196.16	110.90	558.81
IV	Total expenses	4,725.08	2,796.80	2,806.86	11,504.44
V	Profit / (Loss) before exceptional items, Share of profit / (loss) of associate & joint ventures and tax (III-IV)	(2,158.24)	241.57	261.82	666.06
VI	Exceptional item (refer note 7)	-	-	228.54	228.54
VII	Share of profit / (loss) of associate & joint ventures	16.89	14.08	13.42	39.54
VIII	Profit / (Loss) before tax (V+VI+VII)	(2,141.35)	255.65	503.78	934.14
IX	Tax expense :				
i)	Current tax	1.43	357.48	1.11	512.28
ii)	Deferred tax	(569.78)	(303.11)	70.55	(340.86)
iii)	(Excess) / Short provision for Income Tax - earlier years	0.40	(17.56)	-	(17.56)
		(567.95)	36.81	71.66	153.86
X	Profit / (Loss) for the period / year (VIII-IX)	(1,573.40)	218.84	432.12	780.28
XI	Other Comprehensive Income (OCI)				
A)	(i) Items that will not be reclassified to profit or loss				
	- Remeasurement gain / (loss) on defined benefit plans	0.29	1.26	3.73	(2.36)
	- Net gain/(loss) on equity instruments through OCI	-	(12.55)	7.98	(4.56)
	(ii) Income tax relating to the above items	(0.20)	2.82	(2.84)	1.82
	Subtotal (A)	0.09	(8.47)	8.87	(5.10)
B)	(i) Items that will be reclassified to profit or loss				
	- Exchange differences in translating the financial statements of foreign operations	4.99	1.06	1.58	(15.27)
	- Net gain/(loss) on debt instruments through OCI	33.02	(116.20)	(2.56)	(92.82)
	(ii) Income tax relating to the above items	(8.31)	29.24	0.64	23.36
	Subtotal (B)	29.70	(85.90)	(0.34)	(84.73)
	Other Comprehensive Income / (Loss) (A + B)	29.79	(94.37)	8.53	(89.83)
XII	Total Comprehensive Income / (Loss) for the period / year (X+XI)	(1,543.61)	124.47	440.65	690.45
	Profit / (Loss) for the period attributable to:				
	Owners of the Company	(1,573.72)	216.34	431.72	773.21
	Non-controlling interests	0.32	2.50	0.40	7.07
		(1,573.40)	218.84	432.12	780.28
	Other Comprehensive Income / (Loss) for the period attributable to:				
	Owners of the Company	29.89	(94.30)	8.45	(89.89)
	Non-controlling interests	(0.10)	(0.07)	0.08	0.06
		29.79	(94.37)	8.53	(89.83)
	Total Comprehensive Income / (Loss) for the period attributable to:				
	Owners of the Company	(1,543.83)	122.04	440.17	683.32
	Non-controlling interests	0.22	2.43	0.48	7.13
		(1,543.61)	124.47	440.65	690.45
XIII	Earnings per equity share (face value of Rs.2/- each) # (refer note 8)				
	Basic (Rupees)	(12.77)	1.76	4.80	6.99
	Diluted (Rupees)	(12.77)	1.75	4.80	6.98

Earnings per share for the interim period is not annualized.

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2021

Rs. in Crores

	Particulars	Quarter ended			Year ended	
		30 June 2021	31 March 2021	30 June 2020	31 March 2021	
		(Unaudited)	(Audited) (refer note 5)	(Unaudited)	(Audited)	
	Revenue from operations					
i)	Interest income	2,139.54	2,563.55	2,609.12	10,266.95	
ii)	Dividend income	-	-	0.02	0.02	
iii)	Rental income	4.72	4.02	3.36	17.11	
iv)	Fees and commission Income	16.85	27.43	8.34	70.73	
v)	Net gain on fair value changes	14.87	5.03	19.67	40.39	
I	Total Revenue from operations	2,175.98	2,600.03	2,640.51	10,395.20	
II	Other income	11.08	37.48	14.44	121.61	
III	Total income (I+II)	2,187.06	2,637.51	2,654.95	10,516.81	
	Expenses					
i)	Finance costs	1,017.94	1,088.68	1,264.61	4,733.19	
ii)	Fees and commission expense	5.74	6.53	2.32	31.14	
iii)	Impairment on financial instruments (refer note 9, 10, 11 and 12)	2,818.59	886.00	842.69	3,734.82	
iv)	Employee benefits expenses	269.83	281.98	224.54	1,015.23	
v)	Depreciation, amortization and impairment	27.10	30.48	31.54	125.88	
vi)	Other expenses	117.67	172.51	87.26	460.22	
IV	Total expenses	4,256.87	2,466.18	2,452.96	10,100.48	
V	Profit / (Loss) before exceptional items and tax (III-IV)	(2,069.81)	171.33	201.99	416.33	
VI	Exceptional item (refer note 7)	-	-	6.10	6.10	
VII	Profit / (Loss) before tax (V+VI)	(2,069.81)	171.33	208.09	422.43	
VIII	Tax expense :					
i)	Current tax	-	327.02	-	450.30	
ii)	Deferred tax	(541.45)	(290.16)	52.30	(347.52)	
iii)	(Excess) / Short provision for Income Tax - earlier years	0.40	(15.50)	-	(15.50)	
		(541.05)	21.36	52.30	87.28	
IX	Profit / (Loss) for the period / year (VII-VIII)	(1,528.76)	149.97	155.79	335.15	
X	Other Comprehensive Income (OCI)					
A)	(i) Items that will not be reclassified to profit or loss					
	- Remeasurement gain / (loss) on defined benefit plans	0.08	1.08	3.42	(2.82)	
	- Net gain / (loss) on equity instruments through OCI	-	(12.54)	7.98	(4.56)	
	(ii) Income tax relating to the above items	(0.02)	2.88	(2.87)	1.86	
	Subtotal (A)	0.06	(8.58)	8.53	(5.52)	
B)	(i) Items that will be reclassified to profit or loss					
	- Net gain / (loss) on debt instruments through OCI	33.02	(116.19)	(2.56)	(92.82)	
	(ii) Income tax relating to the above items	(8.31)	29.25	0.64	23.36	
	Subtotal (B)	24.71	(86.94)	(1.92)	(69.46)	
	Other Comprehensive Income / (Loss) (A + B)	24.77	(95.52)	6.61	(74.98)	
XI	Total Comprehensive Income / (Loss) for the period / year (IX+X)	(1,503.99)	54.45	162.40	260.17	
XII	Earnings per equity share (face value of Rs.2/- each) # (refer note 8)					
	Basic (Rupees)	(12.41)	1.22	1.73	3.03	
	Diluted (Rupees)	(12.41)	1.22	1.73	3.02	

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 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 26 July 2021.
- 3) The Consolidated financial results for the quarter ended 30 June 2021 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 (99.41%), 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 ended 30 June 2021 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 amount shown as exceptional item for the quarter ended 30 June 2020 and year ended 31 March 2021 in standalone and consolidated statement of profit and loss pertain to settlement as per 51:49 Joint Venture agreement between the Company along with Mahindra Asset Management Company Private Limited (MAMCPL) and Mahindra Trustee Company Private Limited (MTCPL), then wholly-owned subsidiaries of the Company, with Manulife Asset Management (Singapore) Pte. Ltd. (Manulife).

Pursuant to this agreement -

- i) Manulife has made an equity investment aggregating to US \$ 35.00 million to acquire 49% of the share capital of MAMCPL & MTCPL;
 - ii) The Company has sold 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) to Manulife and 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 has been carried forward in the results for the year ended 31 March 2021; and
 - iii) 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 and as a result, recognized a pre-tax profit of Rs. 228.54 crores, as an exceptional item on the date of settlement and the same is carried forward in the results for the year ended 31 March 2021.
- 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 of shares made during the second quarter of the financial year ended 31 March 2021.
 - 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, in the previous year, 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. Taking into consideration the impact arising from the COVID-19 pandemic on the economic environment, the Company has, during the quarter, continued to undertake a risk assessment of its credit exposures and in addition to the model determined ECL provision, it has recorded a total additional ECL overlay of Rs 2,708.91 crores as on 30 June 2021 (as on 31 March 2021: Rs. 2,316.36 crores) in the Standalone Balance sheet and Rs.2,733.39 crores (as on 31 March 2021: Rs.2,413.81 crores) in the Consolidated Balance sheet, to reflect deterioration in the macroeconomic outlook and uncertainty in credit evaluations. The deferred tax asset created on losses for the current quarter is likely to be reversed in the foreseeable future as the Company expects to make profits in subsequent quarters. 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.
 - 10) In accordance with the regulatory expectation of the RBI to bring down the net NPA ratio below 4%, the Company had recorded an additional provision of Rs.1,320 crores on Stage 3 loans during the quarter and year ended 31 March 2021. As at 30 June 2021, the gross advances and net NPA amounted to Rs.63,583 crores and 7.8% respectively. The Company believes that compliance with the RBI's expectations relating to net NPA ratio is required only at year end /the time of declaration of dividends, as is set out by the RBI in its circular on Declaration of dividends by NBFCs' dated 24 June 2021. The Company will ensure such compliance.
 - 11) 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 30 June 2021 and accordingly, no amount is required to be transferred to impairment reserve.

- 12) During the current period, to relieve COVID-19 pandemic related stress, the Company has invoked resolution plans for eligible borrowers based on the parameters laid down in accordance with the resolution policy approved by the Board of Directors of the Company and in accordance with the guidelines issued by the RBI dated 6 August 2020 and 5 May 2021.

i) Disclosure as per format prescribed under circular no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020

Type of borrower	Rs. in crores				
	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons*	3	43.59	-	5.00	1.20
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	3	43.59	-	5.00	1.20

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

ii) Disclosure as per format prescribed under notification no. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 (for restructuring of accounts of Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances having exposure less than or equal to Rs.25 crores).

No. of accounts restructured	Amount (Rs in Crores)
259	19.59

iii) Disclosure on Resolution Framework 2.0 implemented in terms of RBI circulars RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 and RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 dated 5 May 2021

During the quarter ended 30 June 2021, the Company has implemented resolution plans in 59,455 loan accounts (Consolidated: 2,52,416 loan accounts) with a total outstanding of Rs 2,172.00 crores (Consolidated: Rs 4,040.81 crores) as on 30 June 2021. Of these, total loan accounts which were restructured during the quarter, for 56,090 cases (Consolidated: 2,22,271 cases), having an outstanding amount of Rs. 2,069.00 crores (Consolidated: Rs.3,825.85 crores), basis their credit assessment and the terms of restructuring, the Company has classified such loan accounts as non-impaired (Stage 2 under Ind AS 109, Financial Instruments). The Company has evaluated the same basis life time repayment history of the borrowers and other qualitative factors, which have been approved by the Audit Committee of the Company in line with RBI circular no.RBI/2019-20/170DOR (NBFC).CC.PD.No.109 /22.10.106/2019-20 dated 13 March 2020.

- 13) Pursuant to the Share Subscription, Share Purchase and Shareholders' Agreement dated 20th August, 2019 with Ideal Finance Limited, Sri Lanka ("Ideal Finance") and its existing shareholders for investment of the third and final tranche for acquisition of shares of Ideal Finance from its existing shareholders, the Company has completed the acquisition of the balance 20% of the Equity Share Capital aggregating 2,91,29,032 Equity Shares of Ideal Finance from its existing shareholders on 8 July 2021, resulting in an increase in the Company's stake in Ideal Finance from 38.20% to 58.20%. Consequent to this investment, Ideal Finance has become a Subsidiary of the Company effective 8 July, 2021. Since the transaction was completed post 30 June 2021, there is no change in status as at current reporting date for the purpose of preparation and presentation of consolidated financial statements of the Company for the quarter ended 30 June 2021. The change in status from associate to subsidiary shall be effective from next quarter.
- 14) 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.
- 15) 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 of India (NSE).

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

Date : 26 July 2021

Place : Mumbai

Ramesh Iyer
Vice-Chairman & Managing Director

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		Year ended	
	30 June 2021	31 March 2021	30 June 2020	31 March 2021
	(Unaudited)	(Audited) (refer note 5)	(Unaudited)	(Audited)
(a) Segment Revenue				
- Financing activities	2,521.18	2,975.30	3,040.15	11,971.46
- Others	60.56	97.28	41.67	281.11
Total	2,581.74	3,072.58	3,081.82	12,252.57
Less : Inter-segment revenue	14.90	34.21	13.14	82.07
Net revenue	2,566.84	3,038.37	3,068.68	12,170.50
(b) Segment Results (Profit / (Loss) before tax) :				
- Financing activities	(2,163.49)	216.20	487.20	840.18
- Share of profit of associate & joint ventures	16.89	14.08	13.42	39.54
- Others	5.25	25.37	3.16	54.42
Total	(2,141.35)	255.65	503.78	934.14
Add : Other unallocable income net of unallocable expenditure	-	-	-	-
Net Profit / (Loss) before tax	(2,141.35)	255.65	503.78	934.14
(c) Segment Assets :				
- Financing activities	77,943.77	83,614.47	84,520.04	83,614.47
- Others	631.80	641.38	545.53	641.38
- Other unallocable assets	1,985.52	1,345.14	800.27	1,345.14
Total	80,561.09	85,600.99	85,865.84	85,600.99
(d) Segment Liabilities :				
- Financing activities	66,100.06	69,590.73	73,243.75	69,590.73
- Others	126.03	134.74	116.39	134.74
- Other unallocable liabilities	-	-	-	-
Total	66,226.09	69,725.47	73,360.14	69,725.47

For and on behalf of the Board of Directors
Mahindra & Mahindra Financial Services LimitedDate : 26 July 2021
Place : MumbaiRamesh Iyer
Vice-Chairman & Managing Director