

## Special Report

### M&M Financial Services

**CMP : ₹504**

**BSE CODE : 532720**

**Face Value : ₹2**

**BSE Volume : 53167**

**M**ahindra & Mahindra Financial Services is a non-banking finance company (NBFC) and provides financial services in rural and semi-urban areas across India. The company offers a range of retail products and services, including financing vehicles for commercial and personal use, tractors, small and medium enterprise loans and several other financial products. Through its housing finance subsidiary, Mahindra Rural Housing Finance, the company facilitates low and middle income households to build their own house. It also provides mutual fund distribution, fixed deposit schemes and personal loans. The company's subsidiary, Mahindra Insurance Brokers Limited, is involved in life and

#### Last Five Quarters (₹/Cr)

	Mar-18	Dec-17	Sept-17	June-17	Mar-17
Total Income	2059.99	1833.95	1660.79	1592.37	1825.45
Other Income	13.82	12.41	22.09	10.71	17.25
Operating Profit	1435.59	1229.91	879.53	807.34	1091.11
Interest	755.01	762.89	749.82	732.68	713.75
Net Profit	424.52	341.98	77.99	47.39	234.07
Equity	122.9	123.55	113.01	113.01	113.01

non-life insurance products through tie-ups with various insurance companies.

On the financial front, the company posted 12.85 per cent increase in its net sales to ₹2,059.99 crore in the fourth quarter of FY18 as against ₹1,825.45 crore in the same quarter of the previous fiscal. The PBIDT of the company increased by 32.40 per cent to ₹1,421.77 crore in the fourth quarter of FY18 as compared to ₹1,073.86 crore in the fourth quarter of FY17. The net profit of the company increased by 81.37 per cent to ₹424.52 crore in the fourth quarter of FY18 as against ₹234.07 crore in the fourth quarter of the previous fiscal.

On the annual front, the company posted a 15.76 per cent rise in its net sales to ₹7,147 crore in FY18 as against ₹6,173.91 crore in the previous fiscal. The PBIDT of the company increased by 24.09 per cent to ₹4,293.35 crore in FY18 as compared to ₹3,459.89 crore in FY17, respectively. The net profit of the company grew significantly by over 122 per cent to ₹891.88 crore in FY18 as against ₹400.24 crore in FY17.

On the valuation front, the company maintained a PE ratio of 35.35x as against the industry PE of 31.74x. Meanwhile, the company's peers Bajaj Finance and Shriram Transport Finance Company recorded a PE of 46.09x and 22.77x, respectively.

The company's gross NPAs witnessed an improvement to ₹47 billion in the fourth quarter of FY18 as against ₹62.2 billion in the second quarter of FY18 and ₹60.2 billion in the third

quarter of FY18. The company also recorded an AUM traction in the fourth quarter of FY18, rising to ₹551 billion as against ₹467.8 billion in the same quarter of the previous year.

The company also recorded a good growth in its core business in the previous quarters, over 12 per cent rise in its net interest income and significant improvement in asset quality. With the anticipation of a strong growth in rural cash flows in the current fiscal and improving quality of assets, the company is expected to record a notable growth in AUM in FY19.

