

Mahindra & Mahindra Financial Services Limited

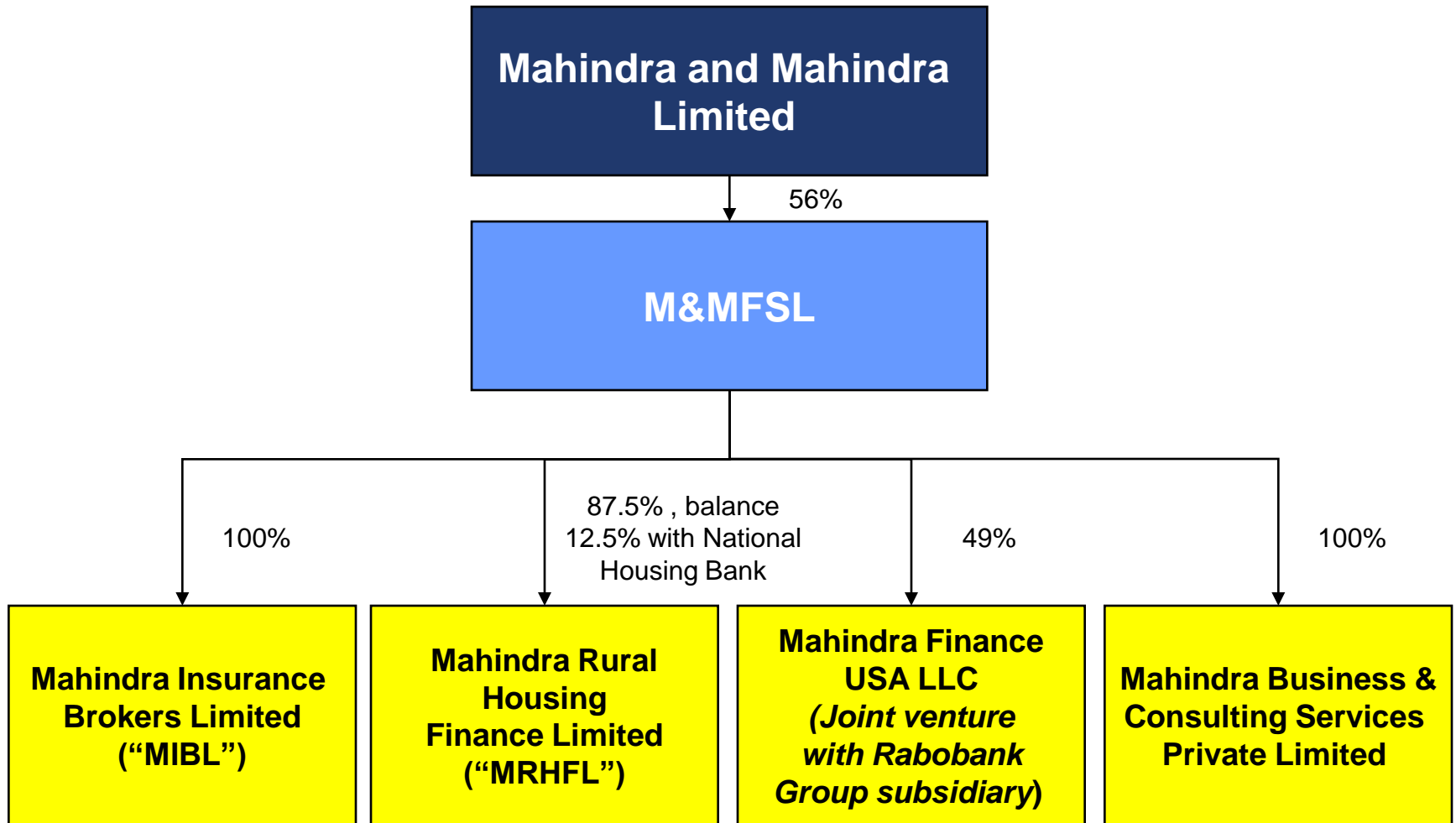
**Quarter Result Update
JUNE - 2012**

Company overview

Background

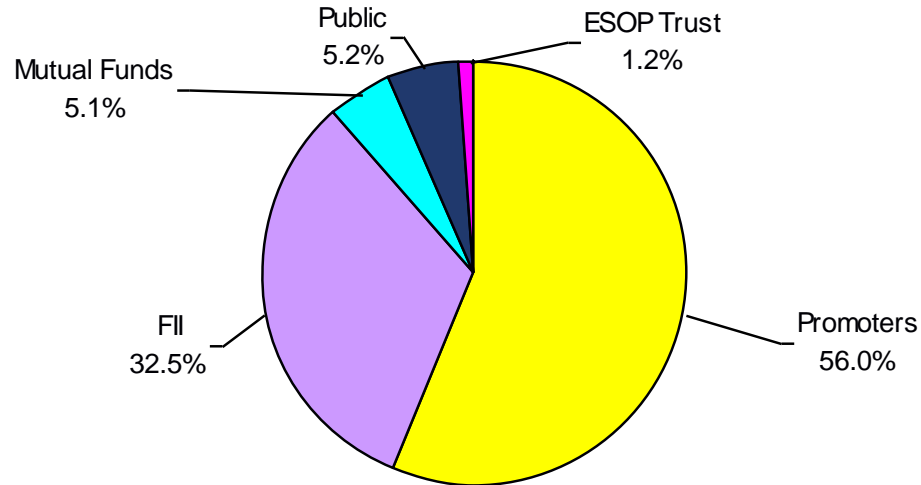
- Mahindra & Mahindra Financial Services Limited (M&MFSL) is a subsidiary of Mahindra and Mahindra Limited (Mcap: Rs 421 billion)*, one of India's leading tractor and utility vehicle manufacturers
- M&MFSL (Mcap: Rs 70 billion)* is one of India's leading non-banking finance companies focused in the rural and semi-urban sector
- Primarily in the business of financing purchase of new and pre-owned auto and utility vehicles, tractors, cars, commercial vehicles and construction equipments
- M&MFSL's vision is to be a leading provider of financial services in the rural and semi-urban areas of India
- Has 615 offices covering 24 states and 4 union territories in India, with over 2.1 million vehicle finance customer contracts since inception, as of June 30, 2012
- CRISIL has assigned AA+/Stable, FITCH has assigned AA+(ind)/ Stable 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, 2012)



- 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 Eastspring Investments India Equity open Ltd, JP Morgan Funds, Fidelity Investment Trust, Valiant Mauritius Partners Ltd and Cartica Capital Ltd.

Industry overview

Vehicle finance industry continues to shine with rural sales

Growth in New Vehicle Finance Disbursements

(Rs. billion)	FY09E	FY10E	FY11E	FY12P	FY16P	CAGR FY11-FY16P
Cars	260	349	502	523	1154	18%
Utility Vehicles	80	108	158	183	335	16%
Commercial Vehicles	194	272	402	496	996	20%
Two-Wheelers	72	84	99	117	180	13%
Total	606	813	1161	1319	2,665	18%

Source: CRISIL Research, Update Retail Finance - Auto, November 2011

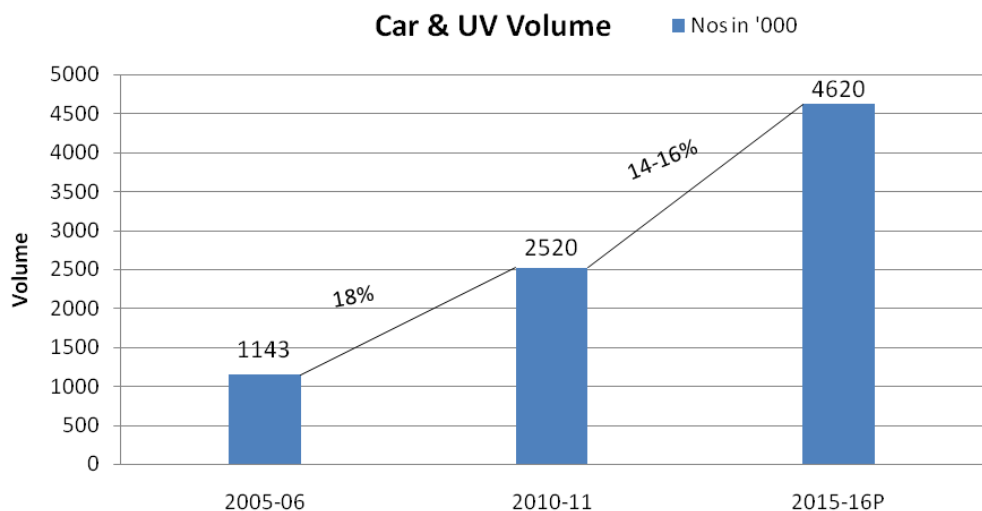
Maruti Rural Sales have picked up pace

Year	Contribution
2007-08	3.5%
2008-09	9%
2009-10	17%
2010-11	20%
2011-12	26%

Source: The Economic Times, dated 18 Apr 2012

- Currently, In India, 9 out of every 1000 people own a car as against 15 in China and 140 in Brazil
- By 2015-16, In India, 19 in every 1000 people are expected to own a car

Domestic Car and UV Industry to grow at a CAGR of 14-16%



- Long term growth to be driven by increase in income of households
- Addressable market is expected to grow at a CAGR of 14% to reach 122 Mn households in 2015-16 from 64 Mn in 2010-11
- Small Cars segment is expected to grow marginally faster than sedan at a CAGR of 15-17%

(Volume in '000)	<u>2005-06</u>		<u>2010-11</u>		<u>2015-16P</u>	
	Volumes	CAGR	Volumes	CAGR	Volume	CAGR
Small Cars	662	9.7%	1546	18.5%	3167	15-17%
Sedan Cars	220	17.7%	437	14.7%	840	13-15%
Total Cars	882	17.6%	1983	17.6%	4007	14-16%

Overall Demand Drivers

- Increase in affordability
- Growth in Addressable Market
- New Launches
- Increase in dealerships and access to Finance
- Reduction in holding period, which increases the demand for second vehicles
- Growth in Economic Activity
- Infrastructure development, structural changes and government initiatives

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

Leveraging existing customers base through Direct Marketing Initiatives

Continue to attract and retain talented employees

Effective use of technology to improve productivity

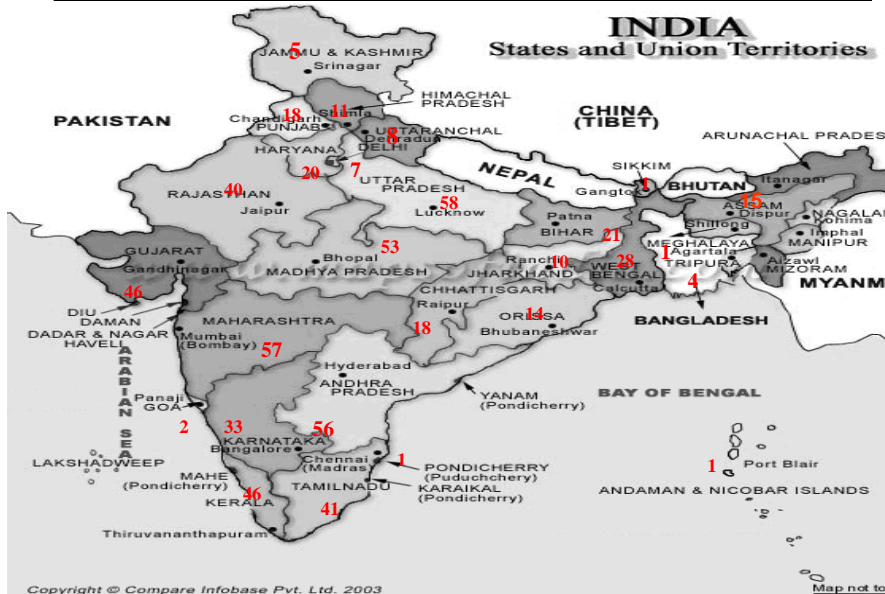
Product portfolio and knowledge catering to rural and semi-urban markets

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, multi-utility vehicles, tractors and commercial 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
SME Financing	<ul style="list-style-type: none">Loans for varied purposes like project finance, equipment finance and working capital finance

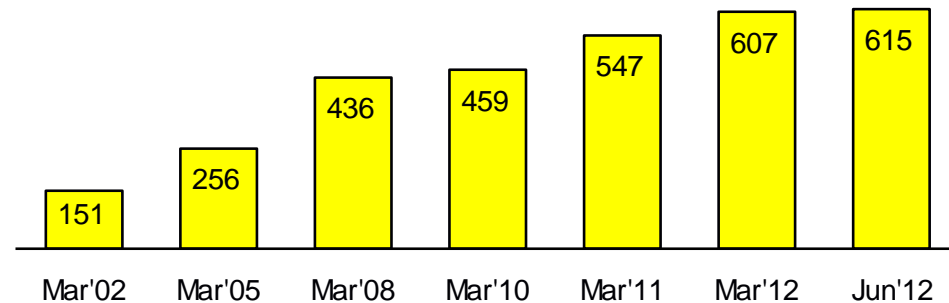
Extensive branch network

- M&MFSL has an extensive branch network with presence in 24 states and 4 union territories in India through 615 offices as of June 30, 2012
 - Branches have authority to approve loans within prescribed guidelines

Coverage



Branch Network as of



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)	Stable

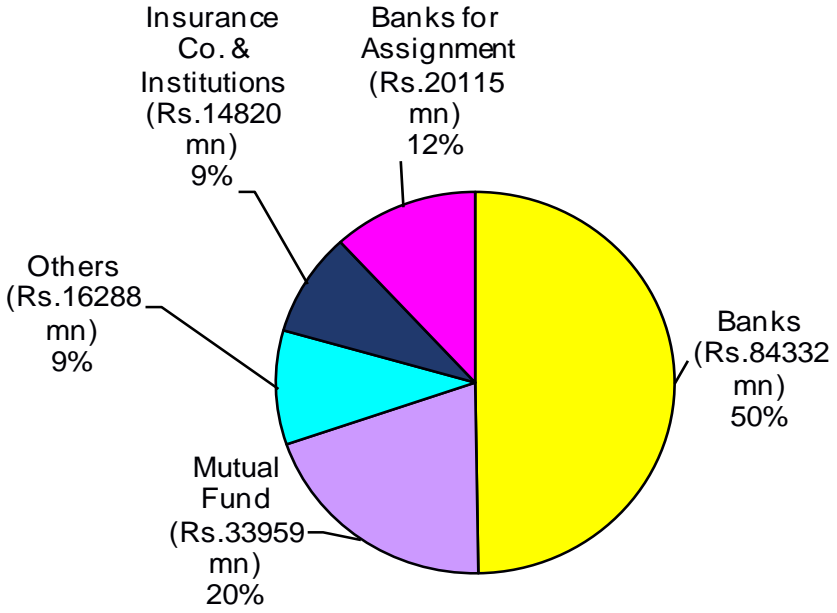
Source of Borrowing

(as on June 30, 2012)

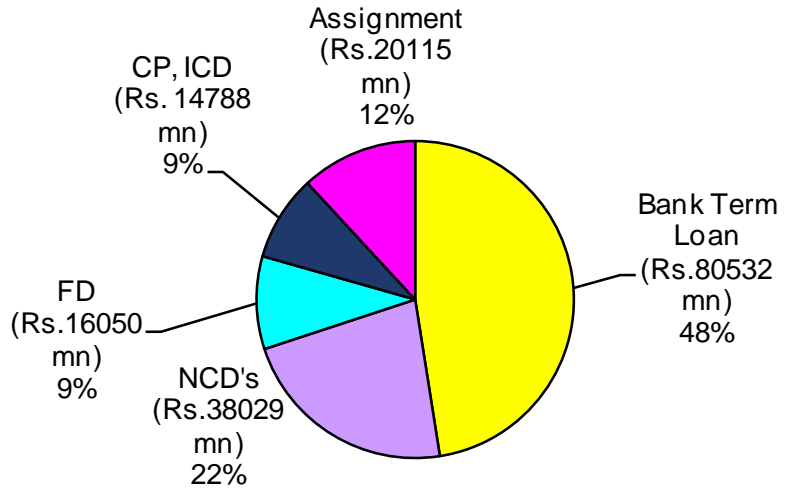
Figures on standalone basis

Fund Mix on the basis of Investor profile

Fund Mix on the basis of Instrument



Total : Rs.169514 million

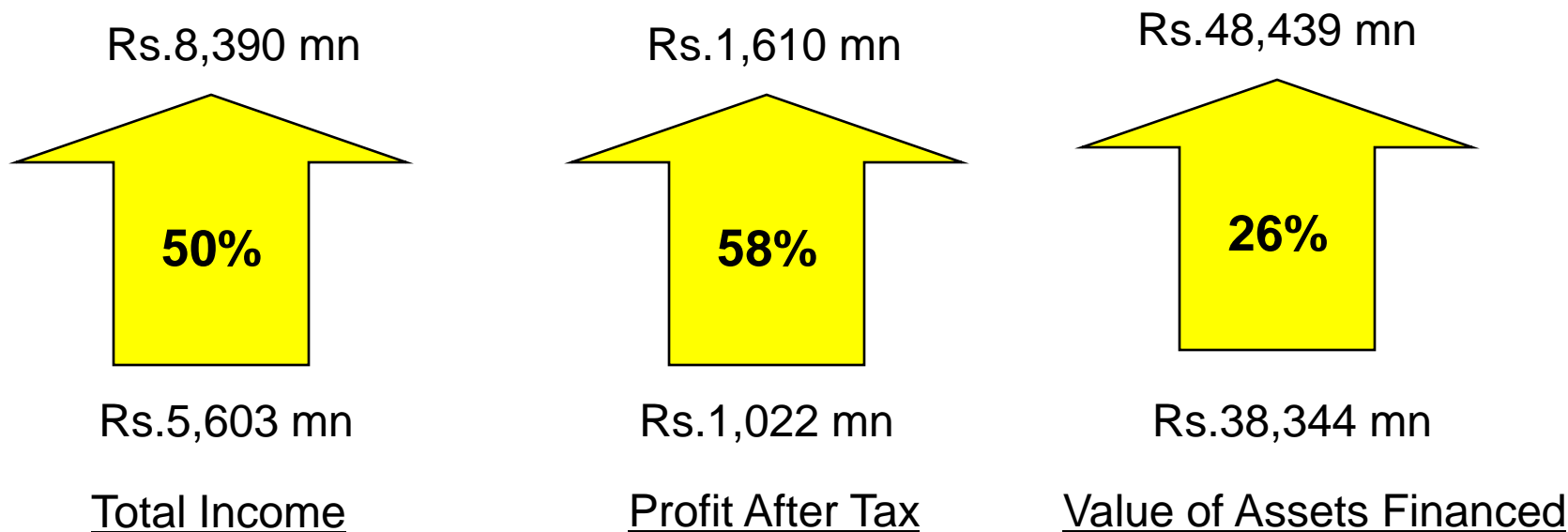


Total : Rs.169514 million

Financial Information

Highlights for Q1- FY13 Vs Q1- FY12

Figures on standalone basis

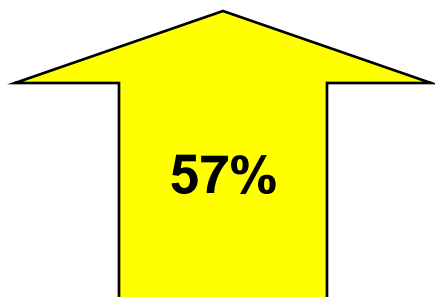


➤ Assets under Management have increased from Rs.157,717 Mn to Rs.217,441 Mn year-on-year basis.

Highlights for Q1- FY13 Vs Q1- FY12

Figures on standalone basis

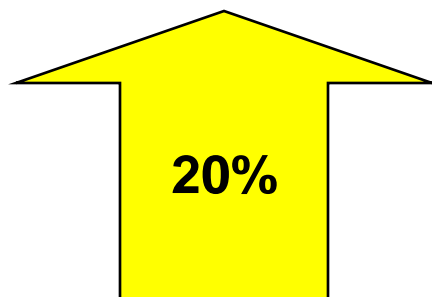
Rs.15.68



Rs.9.97

EPS

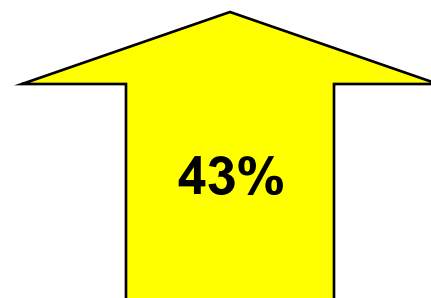
Rs.31,057 mn



Rs.25,906 mn

Net Worth

Rs.4,915 mn



Rs.3,443 mn

Net Interest Income

Standalone Profit & Loss Statement

Particulars (Rs. million)	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
Income from operations	8,351	5,538	27,681
Other income	39	65	265
Total income	8,390	5,603	27,946
Interest cost	3,475	2,160	11,203
Administrative cost	2,437	1,863	7,173
Provision on Standard Assets	31	23	121
Depreciation	52	44	196
Total expenditure	5,995	4,090	18,693
PBT	2,395	1,513	9,253
PAT	1,610	1,022	6,201

Standalone Balance Sheet

LIABILITIES (Rs. million)	As on June – 12	As on June – 11	As on March – 12
Shareholder's funds	31,135	25,944	29,510
Secured loans	112,120	86,651	117,660
Unsecured loans	37,279	16,503	21,951
Current liabilities & provisions	19,244	16,968	16,495
TOTAL	199,778	146,066	185,616

ASSETS (Rs. million)	As on June- 12	As on June- 11	As on March – 12
Fixed Assets	1,011	863	1,000
Investments	2,772	2,338	5,025
Cash & Bank balance	2,457	2,136	2,452
Other Current assets	228	198	164
Loans & Advances	191,282	138,348	174,963
Deferred tax asset	2,028	2,183	2,012
TOTAL	199,778	146,066	185,616

Mahindra Rural Housing Finance Limited

Particulars (Rs. million)	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
Loans disbursed	707	592	2,668
No. of Customer Contracts (Nos)	8,480	5,759	33,172
Outstanding loan book	5,897	3,665	5,352
Total income	275	170	857
PBT	33	23	161
PAT	25	17	119

- Shareholding pattern: M&MFSL- 87.5%, NHB- 12.5%
- Currently operating in 9 States

Mahindra Insurance Brokers Limited

Particulars (Rs. million)	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
Total income	180	89	465
Net premium	1,209	1,001	4,138
PBT	104	26	201
PAT	70	17	135
No. of Policies for the Period (nos.)	158,969	146,130	703,730
No. of employees (nos.)	430	391	451

Consolidated Profit & Loss Statement

Particulars (Rs. million)	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
Income from operations	8,827	5,749	28,853
Other income	33	58	251
Total Income	8,860	5,807	29,104
Interest cost	3,587	2,185	11,399
Administrative cost	2,626	1,991	7,755
Provision on Standard Assets	33	24	134
Depreciation	55	45	203
Total Expenditure	6,301	4,245	19,491
PBT	2,559	1,562	9,613
PAT	1,723	1,055	6,445

Consolidated Balance Sheet

LIABILITIES (Rs. million)	As on June – 12	As on June – 11	As on March – 12
Shareholder's funds	32,085	26,524	30,311
Minority Interest	80	49	77
Secured loans	120,878	89,370	124,650
Unsecured loans	37,041	16,387	21,814
Current liabilities & provisions	19,823	18,275	17,356
TOTAL	209,907	150,605	194,208
ASSETS (Rs. million)	As on June – 12	As on June – 11	As on March – 12
Fixed Assets	1059	889	1,045
Investments	2,024	1,844	4,366
Cash & Bank balance	2,774	2,243	2,718
Other Current assets	280	346	206
Loans & Advances	201,717	143,091	183,840
Deferred tax asset	2,053	2,192	2,033
TOTAL	209,907	150,605	194,208

Break up of estimated value of Assets Financed

Segments	Quarter ended June-12	Quarter ended June-11	Full year ended March-12
Auto/ Utility vehicles	31%	30%	31%
Tractors	19%	22%	20%
Cars	27%	28%	27%
Commercial vehicles and Construction equipments	11%	12%	12%
Pre-owned vehicles and others	12%	8%	10%

Break up of AUM

Segments	As on June – 12	As on June – 11	As on March – 12
Auto/ Utility vehicles (M&M)	28%	30%	30%
Tractors (M&M)	20%	23%	20%
Cars and Non M&M UVs & SCVs	32%	31%	31%
Commercial vehicles and Construction equipments	13%	10%	12%
Pre-owned vehicles and others	7%	6%	7%

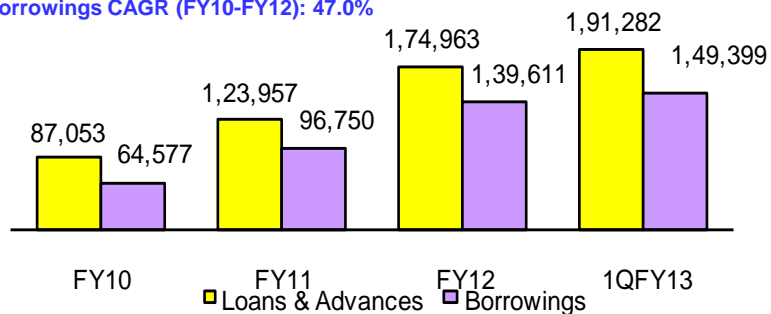
Established track record

Figures on standalone basis

Loans & Advances and Borrowings (Rs. million)

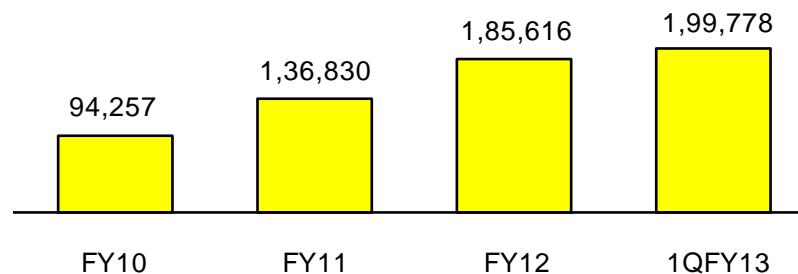
Loans & Advances CAGR (FY10-FY12): 41.8%

Borrowings CAGR (FY10-FY12): 47.0%



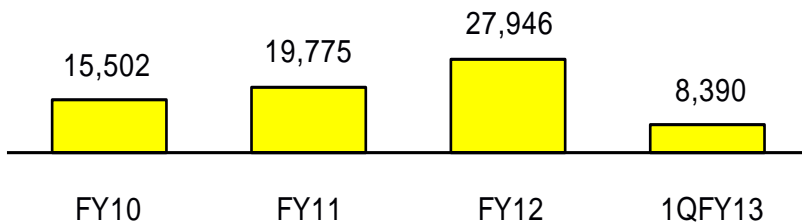
Total Assets (Rs. million)

CAGR(FY10-FY12): 40.3%



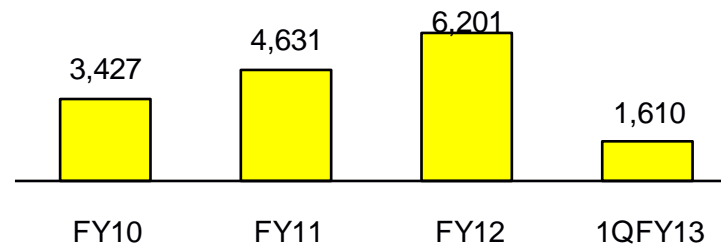
Total Income (Rs. million)

CAGR(FY10-FY12): 34.3%



Profit After Tax (Rs. million)

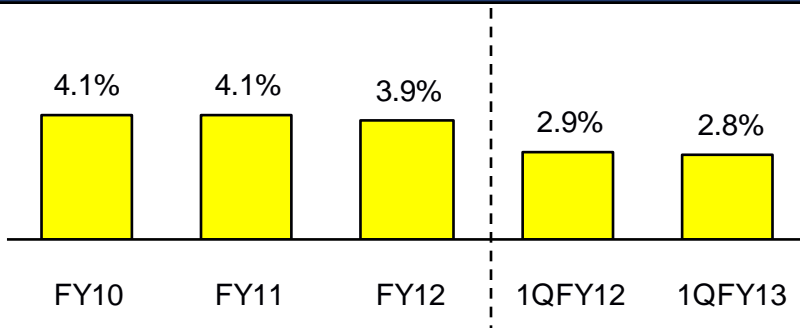
CAGR(FY10-FY12): 34.5%



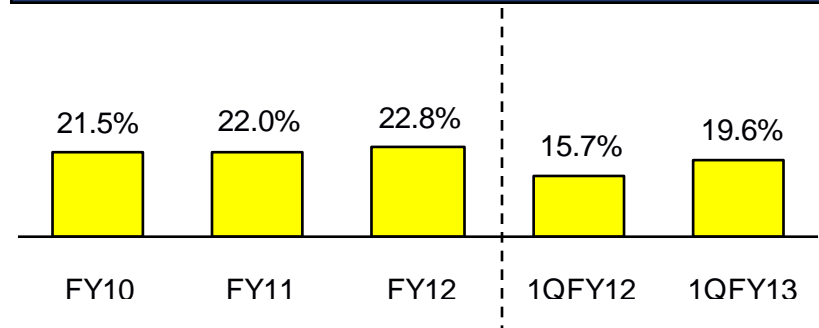
Established track record

Figures on standalone basis

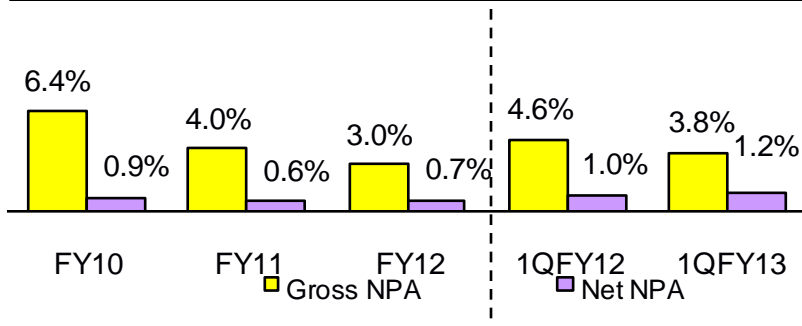
ROA (Avg. Assets) (%)



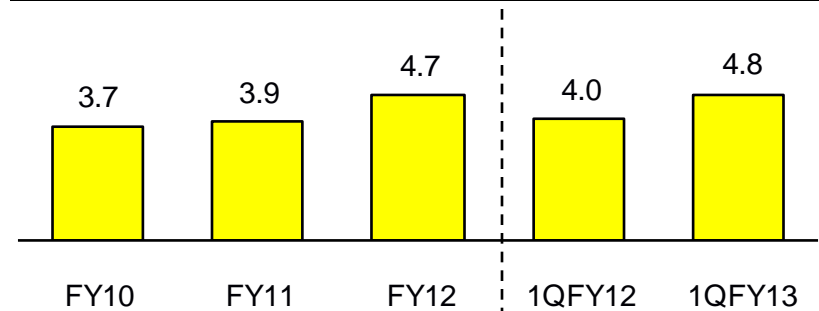
RONW (Avg. Net Worth) (%)



Gross NPA and Net NPA to Total Assets (%)



Leverage ratio



Summary of Results

Figures on standalone basis			
Particulars (Rs. million)	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
Total Income	8,390	5,603	27,946
Profit before tax	2,395	1,513	9,253
Profit after tax	1,610	1,022	6,201
Dividend (%)	--	--	140
Net Worth	31,057	25,906	29,440
EPS (Basic)	15.68	9.97	60.46
Market Capitalisation	67,103	65,205	69,723
Value of Assets Financed	48,439	38,340	195,043
No. of Branches	615	559	607
New Contracts During the period (Nos)	107,115	93,171	466,416
No. of employees (on rolls)	4,255	4,254	4,258
No. of employees (outsourced from MBSCPL)	5,587	4,615	5,457

Ratio Analysis

Figures on standalone basis

	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
PBT/Total Income	28.5%	27.0%	33.1%
PBT/Total Assets	4.0%	4.2%	5.1%
RONW (Avg. Net Worth)	19.6%	15.7%	22.8%
Overheads/Total Assets	3.4%	3.8%	3.2%
Debt / Equity	4.81:1	3.98:1	4.74:1
Capital Adequacy	17.4%	18.7%	18.0%
Tier I	14.7%	15.8%	15.1%
Tier II	2.7%	2.9%	2.9%
Book Value (Rs.)	302.3	252.7	286.7

Spread Analysis

Figures on standalone basis			
	Quarter ended June – 12	Quarter ended June – 11	Year ended March – 12
Total Income / Average Assets	16.8%	16.2%	17.7%
Interest / Average Assets	7.3%	6.2%	7.0%
Gross Spread	9.5%	10.0%	10.7%
Overheads / Average Assets	3.5%	4.0%	3.8%
Write offs & NPA provisions / Average Assets	1.7%	1.6%	0.9%
Standard Asset Provisions / Average Assets	0.1%	0.1%	0.1%
Net Spread	4.2%	4.3%	5.9%

NPA

Figures on standalone basis			
Particulars (Rs. million)	June – 12	June – 11	March – 12
Gross Non - Performing Assets	7,639	6,776	5,543
Less: NPA Provisions	5,364*	5,403	4,324
Net Non – Performing Assets	2,275	1,373	1,219
Total Assets (Incl. NPA Provision)	201,034	147,304	186,633
Gross NPA to Total Assets(%)	3.8%	4.6%	3.0%
Net NPA to Total Assets(%)	1.2%	1.0%	0.7%
Coverage Ratio(%)	70.2%	79.7%	78.0%

* NPA Provisions includes additional provisioning made on Two wheeler & Personal Loans

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 95% of our 615 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.
- Mahindra Finance Academy for training prospective and present employees at 5 locations.
- 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.

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 |

Regulatory Changes

- RBI finalized its much awaited guidelines on securitization & assignment transaction of standard assets and issued final guidelines on 07th May 2012

please visit <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7184&Mode=0>

- RBI released revised guidelines on Priority Sector Lending-Targets and Classification, incorporating recommendations of MV Nair committee on 20th July 2012

Please visit http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=26882

- Draft report of the working group on the Issues and Concerns in the NBFC Sector under chairmanship of Usha Thorat issued on 29th August 2011 (final guidelines awaited)

Please visit <http://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=647>

New Securitisation/ Assignment Guidelines

- As per new guidelines, securitisation route will be preferred over assignment route
- Base rate is not applicable to securitisation deals
- Final guidelines on Priority sector classification based on MV Nair committee recommendation released on 20th July 2012
 - Interest spread cap of 8% is higher than original recommendation of 6%
 - No cap on the amount which banks can buy through this route
 - Similarly there is no restriction on NBFCs on amount of securitisation/ assignment
- Pool buyout interest continues from investors as assets qualifies for PSL

Disclaimer

This presentation does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of Mahindra & Mahindra Financial Services Limited (the “Company”), nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment there for.

This presentation contains statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition of the Company. These statements can be recognized by the use of words such as “expects,” “plans,” “will,” “estimates,” “projects,” or other words of similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors and assumptions which the Company believes to be reasonable in light of its operating experience in recent years. The Company does not undertake to revise any forward-looking statement that may be made from time to time by or on behalf of the Company.

No representation, warranty, guarantee or undertaking, express or implied, is or will be made as to, and no reliance should be placed on, the accuracy, completeness or fairness of the information, estimates, projections and opinions contained in this presentation. Potential investors must make their own assessment of the relevance, accuracy and adequacy of the information contained in this presentation and must make such independent investigation as they may consider necessary or appropriate for such purpose. Any opinions expressed in this presentation are subject to change without notice. None of the Company, the placement agents, promoters or any other persons that may participate in the offering of any securities of the Company shall have any responsibility or liability whatsoever for any loss howsoever arising from this presentation or its contents or otherwise arising in connection therewith.

This presentation and its contents are confidential and should not be distributed, published or reproduced, in whole or part, or disclosed by recipients directly or indirectly to any other person. In particular, this presentation is not for publication or distribution or release in the United States, Australia, Canada or Japan or in any other country where such distribution may lead to a breach of any law or regulatory requirement. The information contained herein does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for securities for sale in the United States, Australia, Canada or Japan or any other jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to or for the benefit of US persons absent registration or an applicable exemption from registration.

CRISIL DISCLAIMER: CRISIL limited has used due care and caution in preparing this report. Information has been obtained by CRISIL from sources which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. No part of this report may be published/reproduced in any form without CRISIL's prior written approval. CRISIL is not liable for investment decisions which may be based on the views expressed in this report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Rating Division, which may, in its regular operations, obtain information of a confidential nature that is not available to CRISIL Research.

Thank you