

Mahindra & Mahindra Financial Services Limited

Quarter Result June-2009

Overview

- MMFSL is a Mahindra and Mahindra subsidiary, one of India's leading tractor and utility vehicle manufacturer
- The Company is one of India's leading non-bank finance companies focused on the rural and semi-urban sector
- MMFSL finances purchase of utility vehicles, tractors, cars and commercial vehicles
- The Company's goal is to be the preferred provider of financing services in the rural and semi-urban areas of India
- The Company has 436 branches covering 25 states and 2 union territories in India
- Since inception the Company has entered into over 1,013,000 customers contracts
- FITCH has assigned AA(ind) rating and CRISIL has assigned a AA- rating to the Company's long term debt reflecting a high degree of safety
- Estimated Value of Assets Financed have increased from Rs.1496 Crs to Rs.1617 Crs year-on-year basis.
- Assets under Management have increased from Rs. 8014crs to Rs.8586crs year-on-year basis.
- MMFSL recorded total revenues of INR 3,293 million and profit after tax of INR 400 million for the quarter ended June 30, 2009 and had Total assets of INR 75,466 million as of June 30, 2009

Business Strengths

Knowledge of the rural and semi-urban markets

Extensive branch network

Relationship with M&M

Quick approval and simple administration procedures

Client Relationship

Dealer relationships

Business Strategy

Continue to maintain market position in rural and semi urban automobile financing

Significant experience of the local characteristics of the rural and semi-urban markets across India

Simple documentation and prompt loan approval procedures

Nationwide network of branches and locally recruited employees help develop and maintain customer relationships

A recognisable brand in the rural and semi-urban markets of India

Business Strategy

Diversify Product Portfolio

Started financing non-M&M vehicles in 2002

Commenced insurance broking business in MIBL in Fiscal 2005

Commenced financing Commercial Vehicles in 2006

Commenced mutual fund distribution business

Commenced housing loans business in MRHFL in Oct 2007

Extensive Distribution Network

- MMFSL has an extensive distribution network with presence in 25 states and 2 union territories in India through 436 branches
 - Our market categorised into five zones and 16 regions with branches reporting into their respective regional office
 - Branches provided authority to approve loans within prescribed guidelines

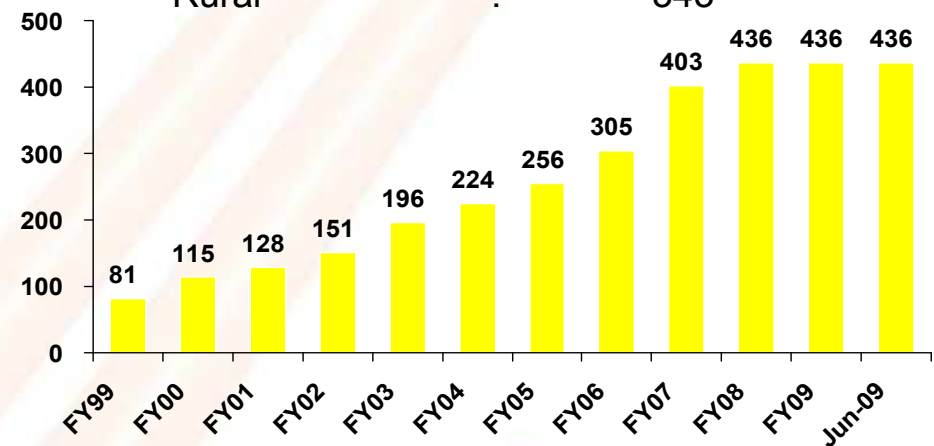
Coverage



Branch Network

Total Branches (as on 30.06.09): 436

Metro	:	4
Urban/Semi Urban	:	89
Rural	:	343



Funding

- MMFSL has consistently enjoyed a good credit rating enabling it to borrow funds at competitive rates
- FITCH has assigned AA(ind) rating and CRISIL has assigned a AA- rating to the Company's long term debt, which is also linked to credit rating of M&M
- Total Consortium Size increased from Rs. 7,500 Million to Rs. 10,000 Million

	FITCH Rating
Long Term / Subordinated debt	AA(ind)

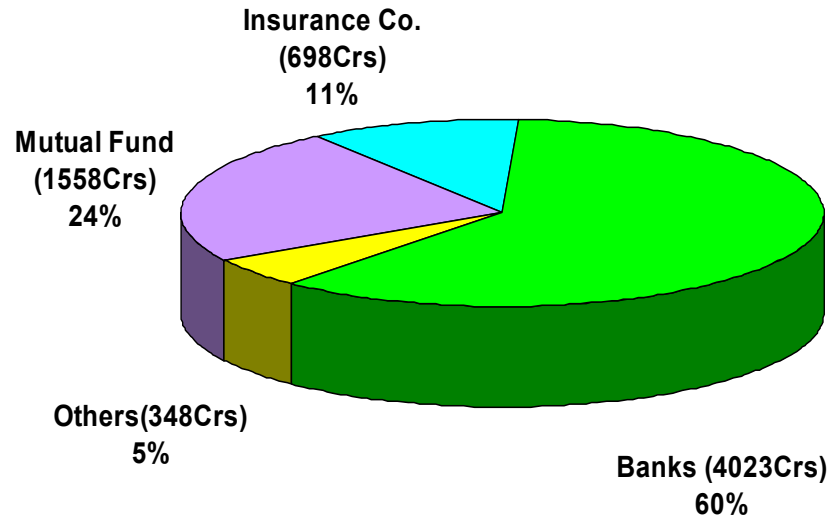
	CRISIL Rating
Fixed Deposit Programme	FAA
Short Term	P1+
Long Term / Subordinated debt	AA-

As on date

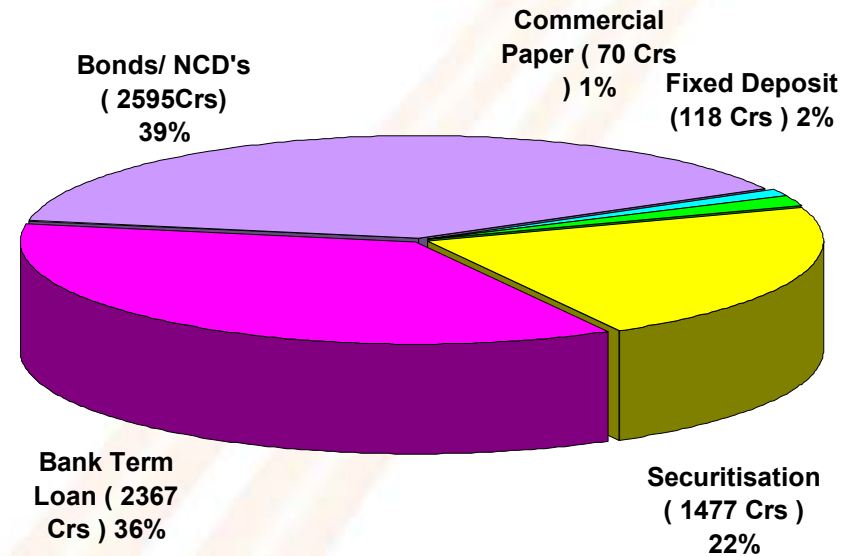
Source of Borrowing

(as on 30th June 2009)

Fund Mix on the basis of Investor profile



Fund Mix on the basis of Instrument.



Asset Securitisation/Assignment

- MMFSL securitises parts of its loan portfolio to improve its cash flows and reduce borrowings
- The company did its first securitisation / Assignment transaction in FY02 and has done 38 securitisation / Assignment transactions till date aggregating Rs. 41.59 bn

Rs. Million	FY05	FY06	FY07	FY08	FY09
Receivables Securitised / Assigned	4,528	5,563	6,100	8,099	10,362
Consideration Received	4,243	5,147	5,608	7,303	9,151
Net Income from Securitisation	193	489	538	1,074	1,043

Challenges

- Ave. cash collection/day-Rs. 125 mn
- More than one Bank A/c per location
- Small denomination notes/ mutilated notes
- Non-acceptance of cash
- Huge cash collection charges
- High revenue leakage

Profit & Loss Statement

(Rs.million)	June- 08	June- 09	March- 09
Income from Operations	2946	3202	13648
Other Income	48	91	198
Total Income	2994	3293	13846
Interest Cost	1103	1210	5099
Administrative Cost	1451	1457	5404
Depreciation	21	24	87
Total Expenditure	2575	2691	10590
PBT	419	602	3256
PAT	268	400	2145

Balance Sheet: Liabilities

(Rs.million)	June- 08	June- 09	March- 09
Net Worth	13406	15082	14679
Equity Share Capital	954	958	957
Reserves & Surplus	12452	14124	13722
Employee Stock Option O/S	12	13	13
Secured Loans	39333	41669	44668
Unsecured Loans	12430	9833	7462
Current Liabilities & Provs.	6955	8869	7617

Balance Sheet: Assets

(Rs.million)	June- 08	June- 09	March- 09
Fixed Assets	305	351	357
Investments	58	1248	1097
Intangible Assets	12	14	18
Sundry Debtors	10	--	8
Other Current Assets	36	46	25
Cash & Bank Balance	2132	2261	2763
Loans & Advances & others	68267	69630	68384
Deferred Tax Asset	1316	1916	1787

Disbursements Mix

Segments	June- 08	June- 09	March- 09
Auto/ Utility vehicles	37%	39%	40%
Tractors	23%	22%	22%
Cars	26%	25%	25%
Commercial Vehicles	7%	6%	6%
Refinance & Others	7%	8%	7%

* Tentative Percentages

Segment Wise: Break up of AUM

Segments	June- 08	June- 09	March- 09
Auto/ Utility vehicles	38%	38%	38%
Tractors	25%	24%	25%
Cars	23%	24%	24%
Commercial Vehicles	7%	8%	7%
Refinance & Others	7%	6%	6%

* Tentative Percentages

Brief highlights of MIBL

(Rs.million)	June- 08	June- 09	March- 09
Total Income	62	77	231
Net Premium	460	545	1598
PBT	30	45	101
PAT	19	30	65
No. of Customers for the Period (Nos.)	68,371	67,700	288,453
No. of Employees (Nos.)	400	314	329

Consolidated Profit & Loss Statement

(Rs.million)	June- 08	June- 09	March- 09
Income from Operations	2990	3275	13817
Other Income	48	85	187
Total Income	3038	3360	14004
Interest Cost	1105	1212	5109
Administrative Cost	1466	1475	5463
Depreciation	22	24	88
Total Expenditure	2593	2711	10660
PBT	445	649	3344
PAT	283	432	2197

Consolidated Balance Sheet: Liabilities

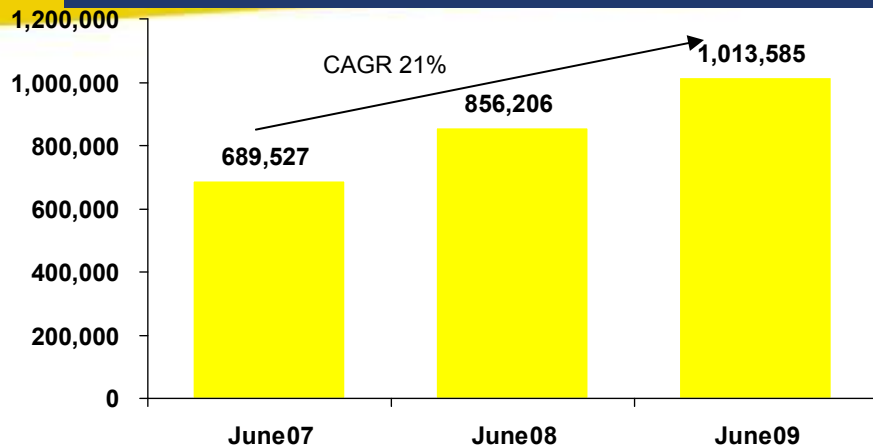
(Rs.million)	June- 08	June- 09	March- 09
Net Worth	13501	15245	14810
Equity Share Capital	954	958	957
Reserves & Surplus	12547	14287	13853
Employee Stock Option O/S	12	13	13
Minority Interest	--	16	15
Secured Loans	39433	41810	44819
Unsecured Loans	12367	9740	7384
Current Liabilities & Provs.	6969	8883	7638

Consolidated Balance Sheet: Assets

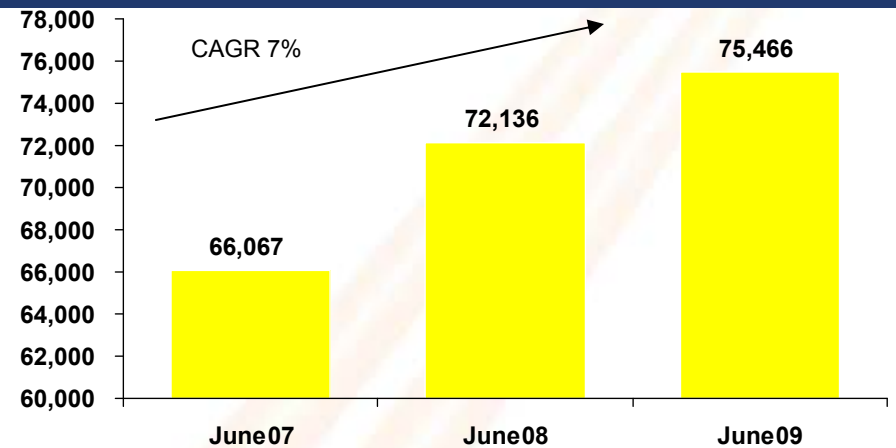
(Rs.million)	June- 08	June- 09	March- 09
Fixed Assets	310	358	363
Investments	3	1123	972
Intangible Assets	12	15	18
Sundry Debtors	45	15	16
Other Current Assets	36	47	24
Cash & Bank Balance	2209	2280	2792
Loans & Advances & others	68350	69953	68706
Deferred Tax Asset	1317	1916	1788

Robust Growth

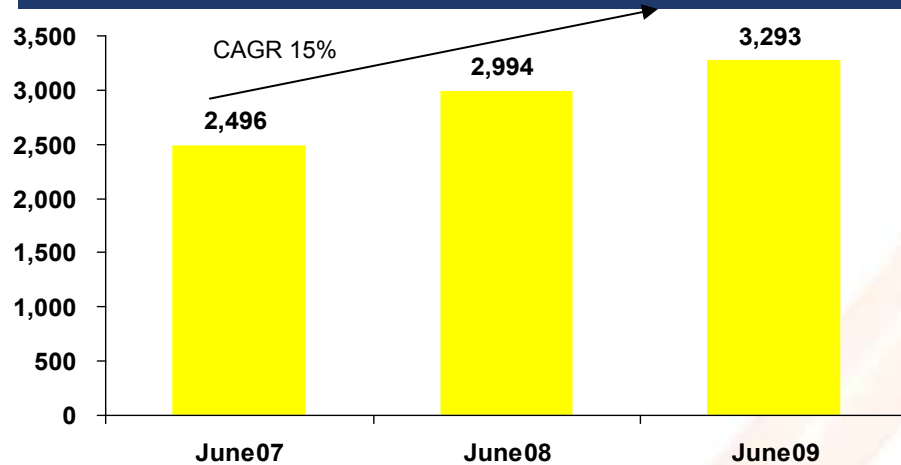
Cumulative no. of Customer Contracts (Nos.)



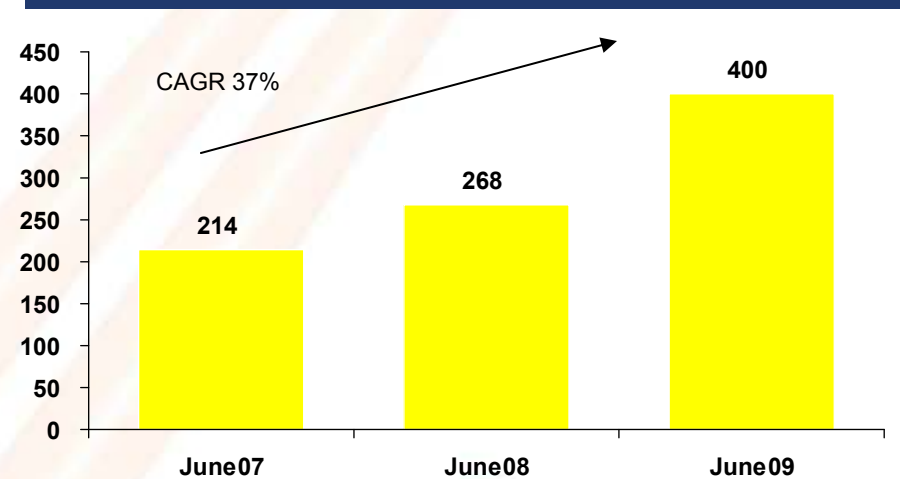
Total Assets (INR million)



Total Income (INR million)



Profit after Tax (INR million)



Summary of Results

(Rs.million)	June- 08	June- 09	March- 09
Total Income	2994	3293	13846
Profit before tax	419	602	3256
Profit after tax	268	400	2145
Dividend (%)	--	--	55
Equity Share Capital	954	958	957
Reserves & Surplus	12452	14124	13722
Net Worth	13406	15082	14679
EPS (Basic)	2.80	4.18	22.46
Market Capitalisation	26352	26246	20252
No. of Branches	437	436	436
New Contracts During the period (Net) (Nos)	40541	40092	157,828
No. of employees	4632	4806	4959

Ratio Analysis

	June- 08	June- 09	March- 09
PBT/Total Income	14.0%	18.3%	23.5%
PBT/Total Assets	1.3%	2.5%	4.4%
RONW (Avg. Net Worth)	4.2%	8.6%	15.4%
Overheads/Total Assets	3.6%	3.6%	3.6%
Debt / Equity	3.86:1	3.40:1	3.54:1
Book value multiple	2.0	1.7	1.4
Capital Adequacy	19.9%	18.8%	19.5%
Tier I	16.6%	17.2%	17.4%
Tier II	3.3%	1.6%	2.1%
Book Value (Rs.)	140.5	157.5	153.4

Provisioning Norms

Duration (months)	RBI Norms	Duration (months)	MMFSL
> 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 MMFSL NPA provisioning norms are more stringent than RBI norms for loan.			

NPA*

(Rs.million.)	June- 08	June- 09	March- 09
Gross Non - Performing Assets	7,501	7,934	6,909
Less: NPA Provisions	4,417	5,591	4,966
Net Non – Performing Assets	3,084	2,343	1,943
Total Assets (Incl. NPA Provision)	76,554	81,057	79,404
Gross NPA to Total Assets(%)	9.8%	9.8%	8.7%
Net NPA to Total Assets(%)	4.3%	3.1%	2.6%
Coverage Ratio(%)	58.9%	70.5%	71.9%

* Excluding Securitised portfolio

Spread Analysis

	June- 08	June- 09	March- 09
Total Income/Average Assets	16.1%	16.9%	19.1%
Interest / Average Assets	6.1%	6.3%	6.9%
Gross Spread	10.0%	10.6%	12.2%
Overheads/Average Assets	3.7%	3.7%	3.7%
Write offs & NPA provisions / Average Assets	4.9%	4.2%	3.9%
Net Spread	1.4%	2.7%	4.6%

Key Risks & Management Strategies

- | | |
|--------------------------------|---|
| ■ Volatility in interest rates | Matching of Asset Liabilities |
| ■ Rising competition | Increasing Branch Network |
| ■ Funds at competitive rates | Improving Credit Rating & Asset Quality |
| ■ Dependence on M&M | Increasing Non-M&M Portfolio |
| ■ Vagaries of nature | Increasing Geographical Spread |
| ■ Controlling write-offs | Improving the Portfolio Mix |
| ■ Employee retention | Job Rotation / ESOP / Group Opportunity |
| ■ Handling cash | Insurance & Effective Internal Control |

Treasury & Risk Management

Treasury Management

- The treasury department undertakes liquidity management by maintaining optimum level of liquidity and complying with RBI requirement of asset liability management.
- The surplus funds are invested in accordance with the investment policy of the board
 - Surplus funds are invested in Government securities, liquid debt based mutual funds and bank fixed deposits
- As of June 30, 2009, Rs. 135 million was invested in Government securities and Rs. 987 million was invested in certificate of deposits

Risk Management

- The Risk management team is a eight member team which identifies, assesses and monitors the principal risks of the Company, in accordance with the defined policies and procedures
- The Audit Committee overseas the risk management policies and procedures and also reviews the credit risk of the Company
- The Asset Liability Management Committee reviews risk management policies in relation to various risks including liquidity, interest rate, investment policies and strategy
- We have also appointed a number of audit firms across the country to review and audit our branch operations and their audit reports are reviewed by the Audit Committee

Key Investment Themes

Immense potential in the rural and semi urban markets

Early entry and knowledge of the rural and semi urban market

M&M Parentage

Strong Capital Base

Extensive Branch Network / Dealer Relationships

Consistent financial performance

Client Base

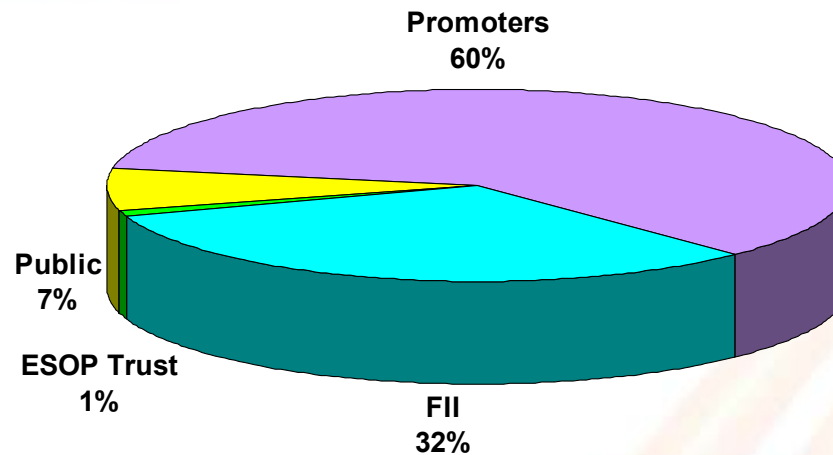
Prudent loan approval and administration procedures

Ability to borrow at competitive rates

Experienced Board and executive management team

Shareholding Pattern

(as on 30th June 2009)



- Incorporated in 1991 mainly to finance Mahindra vehicles by Mahindra & Mahindra Ltd.
- The Company inducted a financial investor, Copa Cabana in January 2006. Copa Cabana, a 100% subsidiary of Chrys Capital III, LLC paid INR 600 mn for purchasing a 4.16% stake in MMFSL
- 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 10.9 million shares to two private equity funds TPG Axon Capital and Standard Chartered Private Equity in February 2008, all at a price of Rs. 380/Share.

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