

Mahindra & Mahindra Financial Services Limited

**Analyst Meet
September-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, commercial vehicles and used 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 439 branches covering 25 states and 2 union territories in India
- Since inception the Company has entered into over 1,062,000 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

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

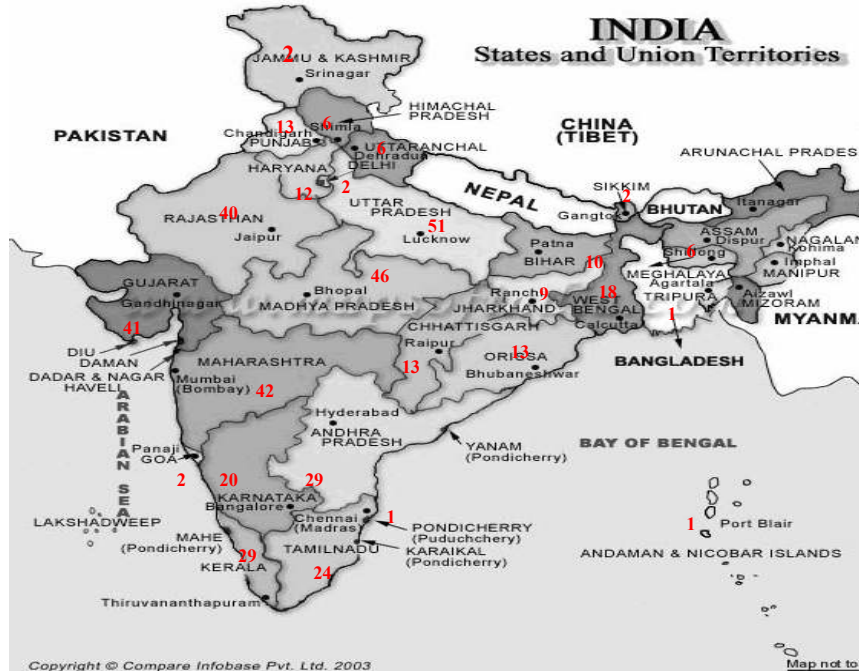
Commenced housing loans business in MRHFL in Oct 2007

Commenced Invoice discounting for M&M and other auto Suppliers

Extensive Distribution Network

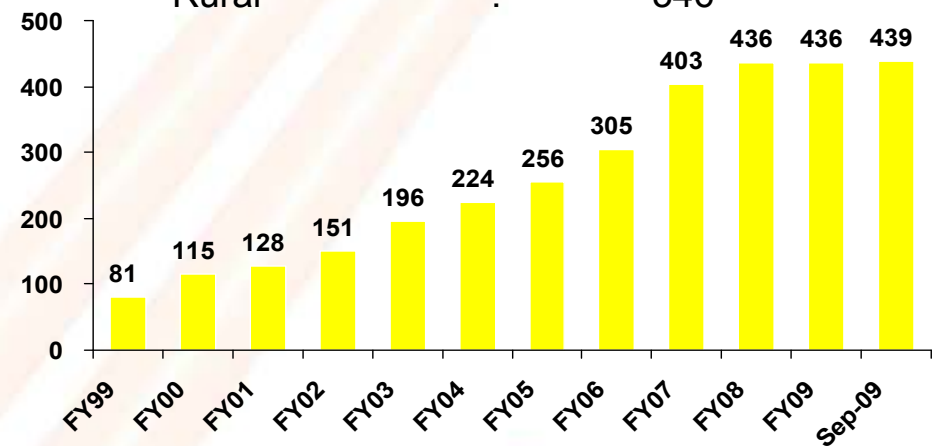
- MMFSL has an extensive distribution network with presence in 25 states and 2 union territories in India through 439 branches
 - Our market categorised into five zones and 16 regions with branches reporting into their respective regional office
 - Branches provided authority to approve loans within prescribed guidelines

Coverage



Branch Network

Total Branches (as on 30.09.09): 439
 Metro : 4
 Urban/Semi Urban : 89
 Rural : 346



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)

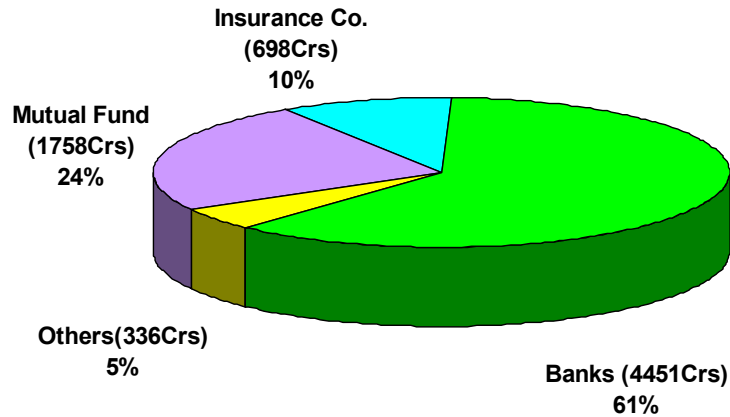
	CRISIL Rating
Fixed Deposit Programme	FAA
Short Term	P1+
Long Term / Subordinated debt	AA-

As on date

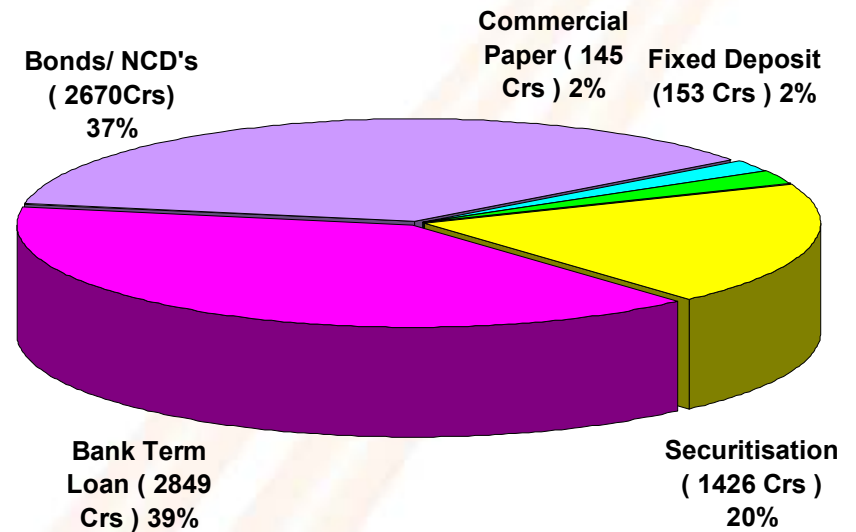
Source of Borrowing

(as on 30th September 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 39 securitisation / Assignment transactions till date aggregating Rs. 43.20 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

- Average cash collection/day - Rs. 127 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

Highlights for H1 FY10

- Crisil revises rating outlook from 'Negative' to 'Stable'
- Disbursement for Invoice discounting for H1 FY10 above Rs.80 Crores
- Estimated Value of Assets Financed have increased from Rs.3475 Crs to Rs.3804 Crs year-on-year basis.
- Assets under Management have increased from Rs. 8698crs to Rs.9290crs year-on-year basis.
- MMFSL recorded total revenues of INR 6,918 million and profit after tax of INR 1,092 million for the half year ended September 30, 2009 and had Total assets of INR 82,690 million as of September 30, 2009

Profit & Loss Statement

(Rs.million)	Sep- 09	Sep- 08	March- 09
Income from Operations	6732	6222	13648
Other Income	186	81	198
Total Income	6918	6303	13846
Interest Cost	2415	2414	5099
Administrative Cost	2822	2884	5404
Depreciation	45	40	87
Total Expenditure	5282	5338	10590
PBT	1636	965	3256
PAT	1092	620	2145

Balance Sheet: Liabilities

(Rs.million)	Sep- 09	Sep- 08	March- 09
Net Worth	15774	13760	14679
Equity Share Capital	958	955	957
Reserves & Surplus	14816	12805	13722
Employee Stock Option O/S	14	13	13
Secured Loans	47613	44561	44668
Unsecured Loans	10560	14088	7462
Current Liabilities & Provs.	8729	6624	7617

Balance Sheet: Assets

(Rs.million)	Sep- 09	Sep- 08	March- 09
Fixed Assets	406	354	357
Investments	261	58	1097
Intangible Assets	12	10	18
Sundry Debtors	--	6	8
Other Current Assets	77	53	25
Cash & Bank Balance	2700	2375	2763
Loans & Advances & others	77206	74772	68384
Deferred Tax Asset	2028	1418	1787

Disbursements Mix

Segments	Sep- 09	Sep- 08	March- 09
Auto/ Utility vehicles	35%	36%	40%
Tractors	19%	20%	22%
Cars	29%	29%	25%
Commercial Vehicles	9%	8%	6%
Refinance & Others	8%	7%	7%

* Tentative Percentages

Segment Wise: Break up of AUM

Segments	Sep- 09	Sep- 08	March- 09
Auto/ Utility vehicles	35%	39%	38%
Tractors	23%	24%	25%
Cars	28%	24%	24%
Commercial Vehicles	9%	8%	7%
Refinance & Others	5%	5%	6%

* Tentative Percentages

Highlights of Mahindra Insurance Brokers Ltd

(Rs.million)	Sep- 09	Sep- 08	March- 09
Total Income	145	117	231
Net Premium	944	829	1598
PBT	79	45	101
PAT	52	29	65
No. of Customers for the Period (Nos.)	143,722	149,932	288,453
No. of Employees (Nos.)	346	435	329

Highlights of Mahindra Rural Housing Finance Ltd.

- Shareholding Pattern: MMFSL- 87.5%, NHB- 12.5%
- Loans sanctioned till Sep09: Rs.885 Mn
- Sanction from NHB for Refinancing Rs. 250 Mn for 7 years
- Currently Operating from 6 States

Consolidated Profit & Loss Statement

(Rs.million)	Sep- 09	Sep- 08	March- 09
Income from Operations	6868	6300	13817
Other Income	172	80	187
Total Income	7040	6380	14004
Interest Cost	2418	2418	5109
Administrative Cost	2855	2918	5463
Depreciation	46	41	88
Total Expenditure	5319	5377	10660
PBT	1720	1003	3344
PAT	1149	641	2197

Consolidated Balance Sheet: Liabilities

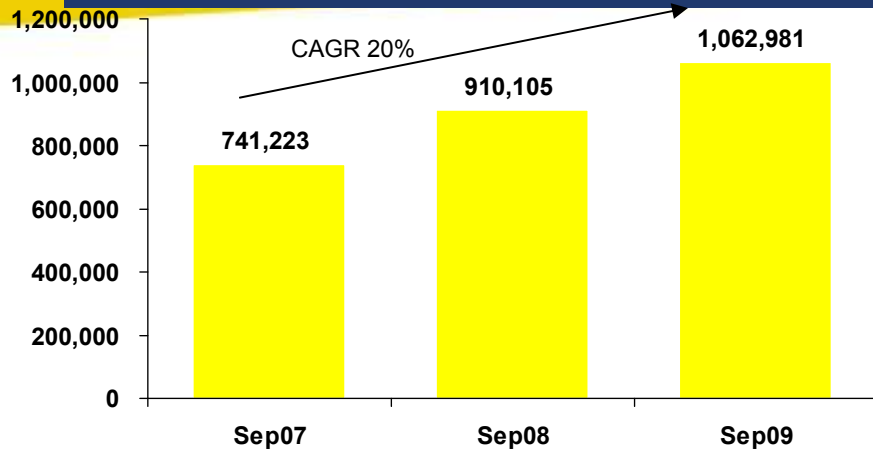
(Rs.million)	Sep- 09	Sep- 08	March- 09
Net Worth	15962	13861	14810
Equity Share Capital	958	955	957
Reserves & Surplus	15004	12906	13853
Employee Stock Option O/S	14	13	13
Minority Interest	16	--	15
Secured Loans	47744	44710	44819
Unsecured Loans	10435	14010	7384
Current Liabilities & Provs.	8762	6678	7638

Consolidated Balance Sheet: Assets

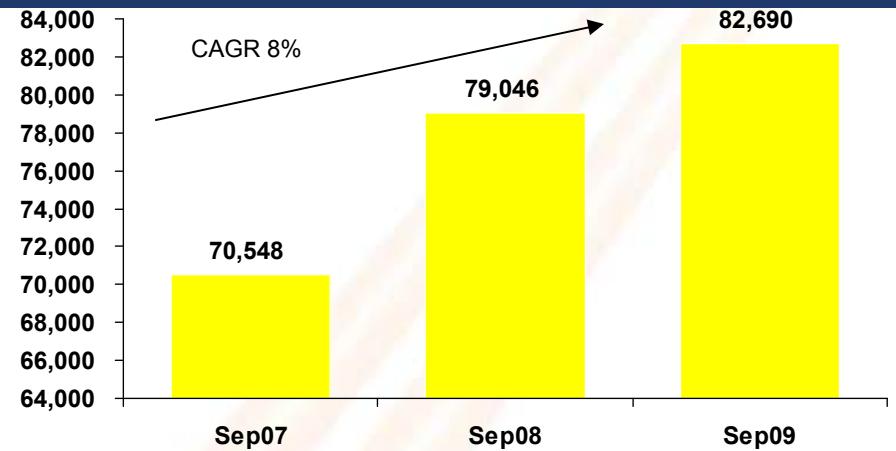
(Rs.million)	Sep- 09	Sep- 08	March- 09
Fixed Assets	414	359	363
Investments	135	3	972
Intangible Assets	12	10	18
Sundry Debtors	12	25	16
Other Current Assets	69	52	24
Cash & Bank Balance	2723	2426	2792
Loans & Advances & others	77539	74979	68706
Deferred Tax Asset	2029	1418	1788

Robust Growth

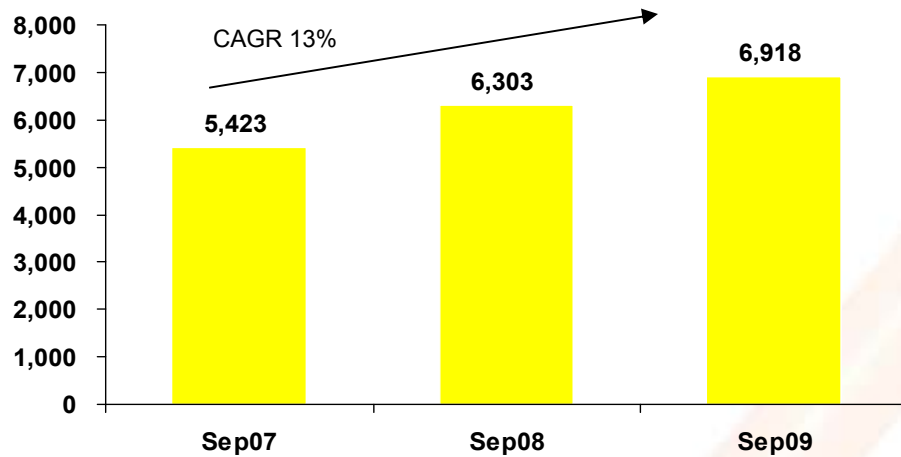
Cumulative no. of Customer Contracts (Nos.)



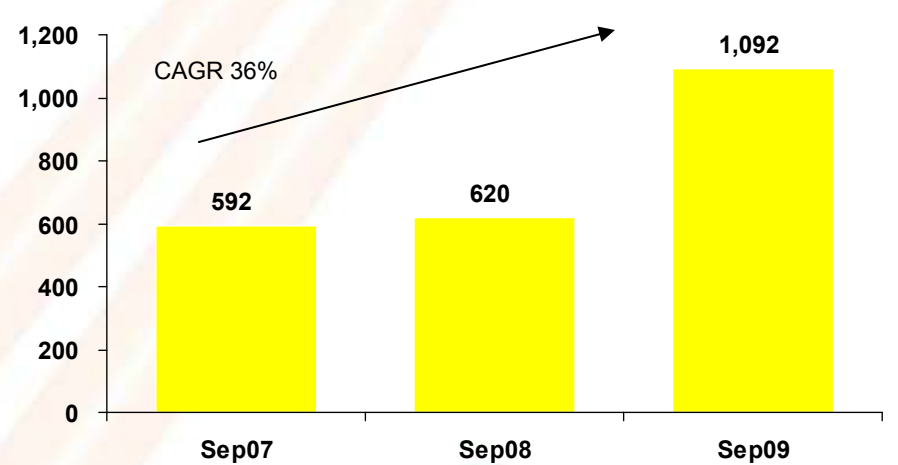
Total Assets (INR million)



Total Income (INR million)



Profit after Tax (INR million)



Summary of Results

(Rs.million)	Sep- 09	Sep- 08	March- 09
Total Income	6918	6303	13846
Profit before tax	1636	965	3256
Profit after tax	1092	620	2145
Dividend (%)	--	--	55
Equity Share Capital	958	955	957
Reserves & Surplus	14816	12805	13722
Net Worth	15774	13760	14679
EPS (Basic)	11.40	6.49	22.46
Market Capitalisation	22326	25175	20252
No. of Branches	439	438	436
New Contracts During the period (Net) (Nos)	89488	94440	157,828
No. of employees	4597	5177	4959

Ratio Analysis

	Sep- 09	Sep- 08	March- 09
PBT/Total Income	23.6%	15.3%	23.5%
PBT/Total Assets	3.5%	1.9%	4.4%
RONW (Avg. Net Worth)	12.7%	7.1%	15.4%
Overheads/Total Assets	3.6%	3.5%	3.6%
Debt / Equity	3.67:1	4.28:1	3.54:1
Book value multiple	1.4	1.8	1.4
Capital Adequacy	17.7%	17.8%	19.5%
Tier I	16.2%	15.8%	17.4%
Tier II	1.5%	2.0%	2.1%
Book Value (Rs.)	164.7	144.1	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.)	Sep- 09	Sep- 08	March- 09
Gross Non - Performing Assets	7,933	7,866	6,909
Less: NPA Provisions	5,648	4,729	4,966
Net Non – Performing Assets	2,285	3,137	1,943
Total Assets (Incl. NPA Provision)	88,338	83,775	79,404
Gross NPA to Total Assets(%)	9.0%	9.4%	8.7%
Net NPA to Total Assets(%)	2.8%	4.0%	2.6%
Coverage Ratio(%)	71.2%	60.1%	71.9%

* Excluding Securitised portfolio

Spread Analysis

	Sep- 09	Sep- 08	March- 09
Total Income/Average Assets	17.1%	16.4%	19.1%
Interest / Average Assets	6.0%	6.3%	6.9%
Gross Spread	11.1%	10.1%	12.2%
Overheads/Average Assets	3.8%	3.7%	3.7%
Write offs & NPA provisions / Average Assets	3.5%	4.2%	3.9%
Net Spread	3.8%	2.2%	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 September 30, 2009, Rs. 135 million was invested in Government securities

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

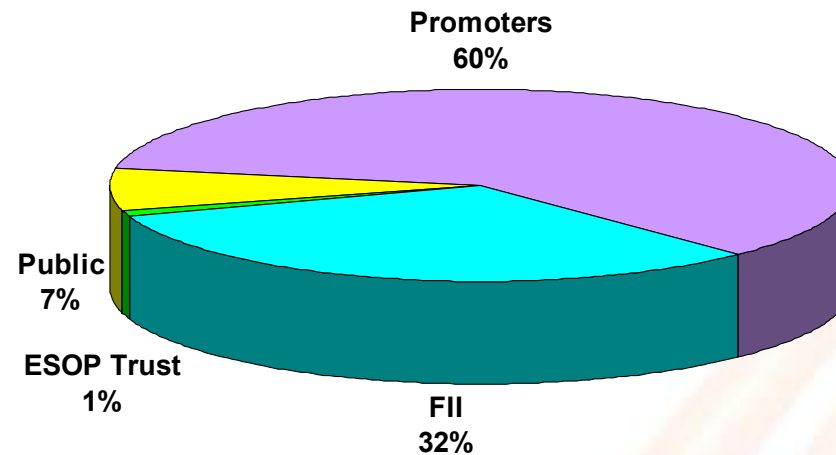
Prudent loan approval and administration procedures

Ability to borrow at competitive rates

Experienced Board and executive management team

Shareholding Pattern

(as on 30th September 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.

Thank you