

Mahindra & Mahindra Financial Services Limited

**Quarter Result
December-2009**

Overview

- MMFSL is a subsidiary of Mahindra and Mahindra Ltd., 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 442 branches covering 25 states and 2 union territories in India
- Since inception the Company has entered into over 1,124,000 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 442 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

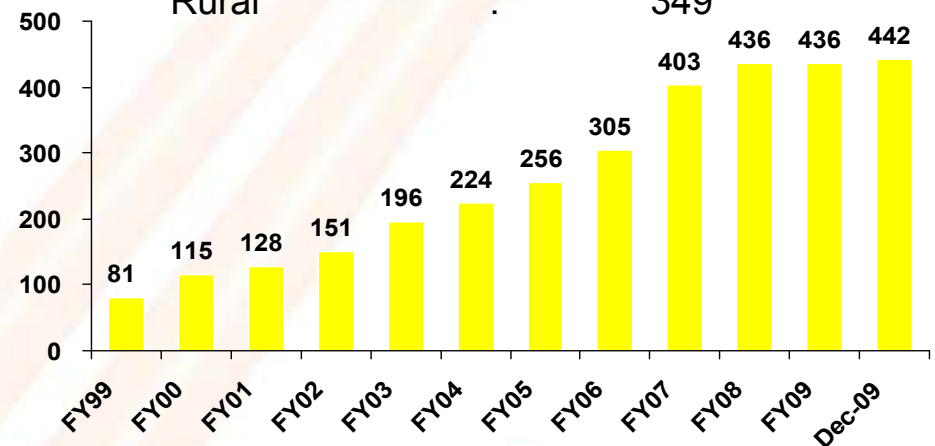
Coverage



Branch Network

Total Branches (as on 31.12.09): 442

Metro	:	4
Urban/Semi Urban	:	89
Rural	:	349



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)

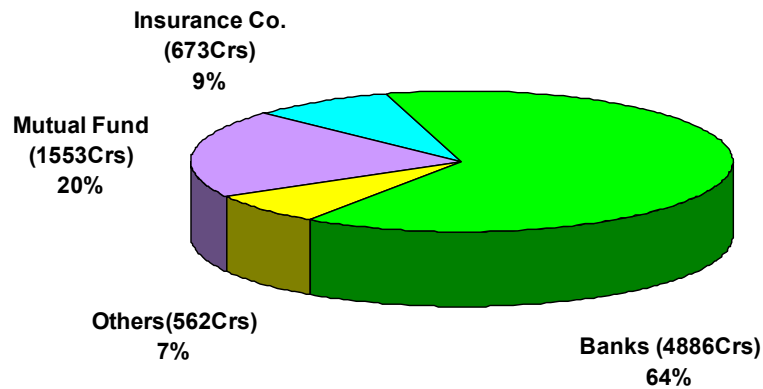
	CRISIL Rating
Fixed Deposit Programme	FAA
Short Term	P1+
Long Term / Subordinated debt	AA-

As on date

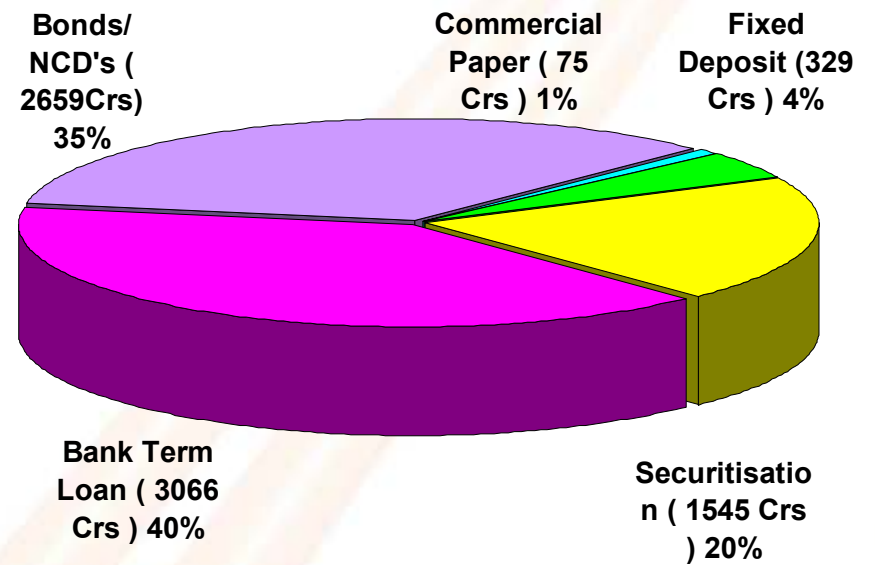
Source of Borrowing

(as on 31st December 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 41 securitisation / Assignment transactions till date aggregating Rs. 46.45 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. 144 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 Q3 FY10

Q3 Highlights

- Total Income up by 13% at Rs. 402 Crs
- PAT up by 111% at Rs. 93 Crs
- Value of Assets Financed up by 74% at Rs. 2373 Crs

Apr09-Dec09 (Nine Months) Highlights

- Total Income up by 11% at Rs. 1094 Crs
- PAT up by 91% at Rs. 202 Crs
- Estimated Value of Assets Financed for the nine months up by 28% from Rs.4843 Crs to Rs.6177 Crs year-on-year basis.
- Assets under Management have increased from Rs.8303 Crs to Rs.9650 Crs year-on-year basis.

Profit & Loss Statement

(Rs.million)	Dec- 09	Dec- 08	March- 09
Income from Operations	10671	9755	13648
Other Income	267	115	198
Total Income	10938	9870	13846
Interest Cost	3777	3827	5099
Administrative Cost	4052	4329	5404
Depreciation	71	62	87
Total Expenditure	7900	8218	10590
PBT	3038	1652	3256
PAT	2025	1065	2145

Balance Sheet: Liabilities

(Rs.million)	Dec- 09	Dec- 08	March- 09
Net Worth	16707	14206	14679
Equity Share Capital	958	955	957
Reserves & Surplus	15749	13251	13722
Employee Stock Option O/S	15	14	13
Secured Loans	47406	45209	44668
Unsecured Loans	13886	8528	7462
Current Liabilities & Provs.	7614	7070	7617

Balance Sheet: Assets

(Rs.million)	Dec- 09	Dec- 08	March- 09
Fixed Assets	409	343	357
Investments	1809	57	1097
Intangible Assets	9	18	18
Sundry Debtors	--	8	8
Other Current Assets	108	109	25
Cash & Bank Balance	2317	1997	2763
Loans & Advances & others	78855	70935	68384
Deferred Tax Asset	2121	1560	1787

Disbursements Mix

Segments	Dec- 09	Dec- 08	March- 09
Auto/ Utility vehicles	36%	41%	40%
Tractors	20%	22%	22%
Cars	29%	24%	25%
Commercial Vehicles	8%	7%	6%
Refinance & Others	7%	6%	7%

* Tentative Percentages

Segment Wise: Break up of AUM

Segments	Dec- 09	Dec- 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)	Dec- 09	Dec- 08	March- 09
Total Income	233	172	231
Net Premium	1433	1226	1598
PBT	131	68	101
PAT	86	43	65
No. of Customers for the Period (Nos.)	228,192	221,813	288,453
No. of Employees (Nos.)	353	390	329

Highlights of Mahindra Rural Housing Finance Ltd.

- Shareholding Pattern: MMFSL- 87.5%, NHB- 12.5%
- Loans sanctioned till Dec09: Rs.1118 Mn
- Net Profit for the period Apr-Dec09: Rs.9.0 Mn
- Sanction from NHB for Refinancing Rs. 250 Mn for 7 years
- Currently Operating from 6 States

Consolidated Profit & Loss Statement

(Rs.million)	Dec- 09	Dec- 08	March- 09
Income from Operations	10887	9878	13817
Other Income	240	111	187
Total Income	11127	9989	14004
Interest Cost	3781	3833	5109
Administrative Cost	4094	4383	5463
Depreciation	72	63	88
Total Expenditure	7947	8279	10660
PBT	3180	1710	3344
PAT	2121	1097	2197

Consolidated Balance Sheet: Liabilities

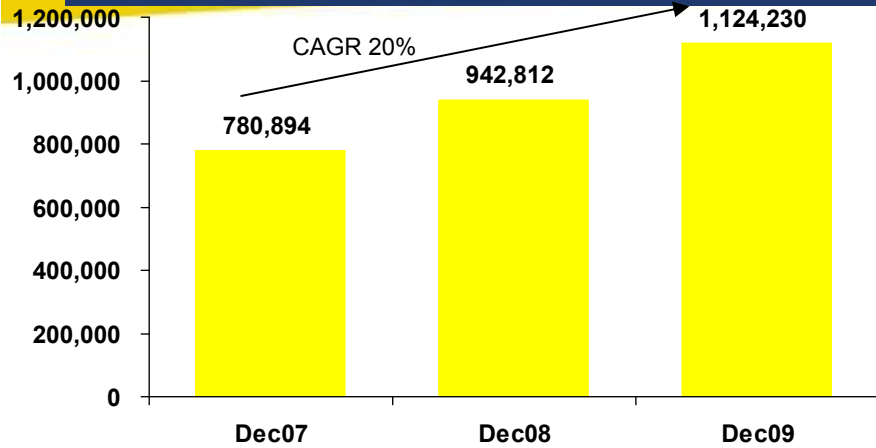
(Rs.million)	Dec- 09	Dec- 08	March- 09
Net Worth	16934	14320	14810
Equity Share Capital	958	955	957
Reserves & Surplus	15976	13365	13853
Employee Stock Option O/S	15	14	13
Minority Interest	16	5	15
Secured Loans	47527	45359	44819
Unsecured Loans	13754	8450	7384
Current Liabilities & Provs.	7650	7135	7638

Consolidated Balance Sheet: Assets

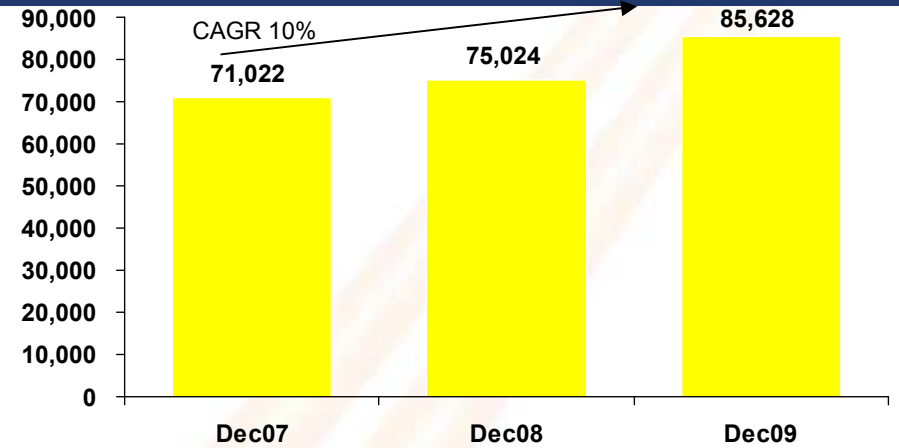
(Rs.million)	Dec- 09	Dec- 08	March- 09
Fixed Assets	418	348	363
Investments	1684	1	972
Intangible Assets	9	19	18
Sundry Debtors	18	29	16
Other Current Assets	93	108	24
Cash & Bank Balance	2336	2009	2792
Loans & Advances & others	79216	71209	68706
Deferred Tax Asset	2122	1560	1788

Robust Growth

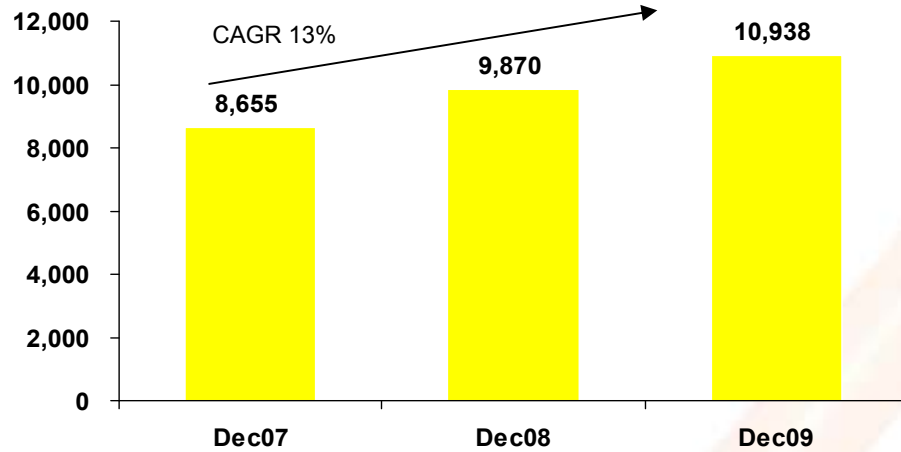
Cumulative no. of Customer Contracts (Nos.)



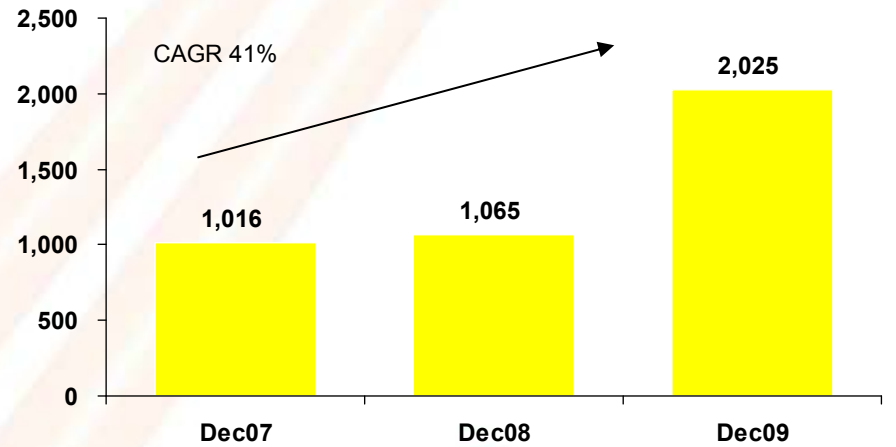
Total Assets (INR million)



Total Income (INR million)



Profit after Tax (INR million)



Summary of Results

(Rs.million)	Dec- 09	Dec- 08	March- 09
Total Income	10938	9870	13846
Profit before tax	3038	1652	3256
Profit after tax	2025	1065	2145
Dividend (%)	--	--	55
Equity Share Capital	958	955	957
Reserves & Surplus	15749	13251	13722
Net Worth	16707	14206	14679
EPS (Basic)	21.15	11.16	22.46
Market Capitalisation	33198	24564	20252
No. of Branches	442	442	436
New Contracts During the period (Net) (Nos)	150,737	127,147	157,828
No. of employees	4500	4983	4959

Ratio Analysis

	Dec- 09	Dec- 08	March- 09
PBT/Total Income	27.8%	16.7%	23.5%
PBT/Total Assets	4.4%	2.6%	4.4%
RONW (Opening Net Worth)	17.5%	9.7%	16.3%
RONW (Avg. Net Worth)	16.3%	9.3%	15.4%
Overheads/Total Assets	3.5%	3.7%	3.6%
Debt / Equity	3.66:1	3.76:1	3.54:1
Book value multiple	2.0	1.7	1.4
Capital Adequacy	19.4%	18.9%	19.5%
Tier I	16.8%	16.8%	17.4%
Tier II	2.6%	2.1%	2.1%
Book Value (Rs.)	174.5	148.8	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.)	Dec- 09	Dec- 08	March- 09
Gross Non - Performing Assets	7,988	8,082	6,909
Less: NPA Provisions	5,987	5,225	4,966
Net Non – Performing Assets	2,001	2,857	1,943
Total Assets (Incl. NPA Provision)	91,615	80,250	79,404
Gross NPA to Total Assets(%)	8.7%	10.1%	8.7%
Net NPA to Total Assets(%)	2.3%	3.8%	2.6%
Coverage Ratio(%)	75.0%	64.6%	71.9%

* Excluding Securitised portfolio

Spread Analysis

	Dec- 09	Dec- 08	March- 09
Total Income/Average Assets	17.9%	17.9%	19.1%
Interest / Average Assets	6.2%	6.9%	6.9%
Gross Spread	11.7%	11.0%	12.2%
Overheads/Average Assets	3.8%	3.8%	3.7%
Write offs & NPA provisions / Average Assets	3.1%	4.3%	3.9%
Net Spread	4.8%	2.9%	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 December 31, 2009, Rs. 240 million was invested in Government securities and Rs. 1444 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 oversees 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

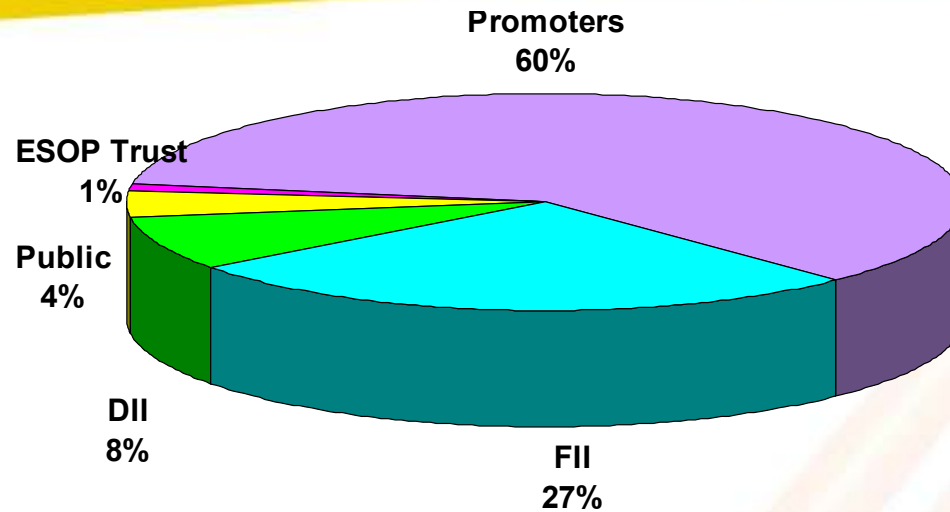
Prudent loan approval and administration procedures

Ability to borrow at competitive rates

Experienced Board and executive management team

Shareholding Pattern

(as on 31st December 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