

PRESS RELEASE

Financial Results – Quarter 2 FY23-24, H1 FY23-24, Standalone & Consolidated Results

Mumbai, October 27, 2023: The Board of Directors of Mahindra & Mahindra Financial Services Limited (Mahindra Finance), a leading provider of financial services in the rural and semi-urban markets, at its meeting held today, announced the unaudited financial results for the quarter and half-year ended September 30, 2023.

Standalone:

Disbursement growth (Q2 FY24) at 13% YoY; sequential growth of 9%

Loan Book - Rs. 93,723 crore; YoY growth of 27%; sequential growth of 8.1%

Gross Stage 3 (GS 3) stable at 4.3% vs 4.3% in Q1FY24 (6.7% in Q2FY22);

Revenue at Rs. 6,366 crore (25% YoY growth);

PAT - Q2FY24: Rs. 235 crore (PY: Rs. 448 crore); H1FY24: Rs. 588 crore (PY: Rs. 671 crore) – decline led by provision reversals during Q2/H1 last year

FY 2024 Q2 Standalone Results:

The Key highlights of the Financial Performance:

- Disbursements during Q2 at Rs. 13,315 crores were up 13% YoY.
- Loan Book increased sequentially by 8.1% to Rs. 93,723 crore.
- Total Income was at Rs. 3,240 crore for the quarter, an increase of 24% YoY aided by growth in asset book.
- Net Interest Income at Rs. 1,674 crore increased by 9% YoY. Net Interest Margin for the quarter at 6.5% was impacted by higher borrowing rates coupled with change in portfolio mix in favour of better credit quality customers.
- Gross Stage 3 level was maintained at 4.3%, similar to June end level. Gross Stage 2 improved from 6.4% to 5.7% during the same period.
- The credit cost during Q2FY24 was at Rs. 627 crore (2.4% of average assets) as compared to Rs. 198 crores (1.0%) in Q2FY23. The net write-offs were lower at Rs. 351 crore compared to Rs. 543 crore during Q2FY23. Q2FY23 witnessed a sharp improvement in both Stage 2 and Stage 3 leading to a provision write-back of Rs. 345 crores. Both Stage 2 and Stage 3 have now stabilized at more normalized levels. The provision charge for Q2 FY24 was Rs. 276 crore.
- Profit after Tax (PAT) was at Rs. 235 crore for the quarter as against Rs. 448 crore during Q2 FY23.
- The Company's Capital Adequacy is healthy at 18.7%. Provision coverage on Stage 3 loans remained prudent at 61.2%.
- As of September end, the Company carried a total liquidity buffer of approximately Rs. 8,300 crore covering a little over 2.5 months' gross obligation.

FY 2024 H1 Standalone Results:

- Total Income was at Rs. 6,366 crore for the half year, an increase of 25%, as against Rs. 5,108 crores during the corresponding half year last year.
- Net Interest Income at Rs. 3,349 crore increased by 8% YoY. Net Interest Margin at 6.6%.
- Credit Costs during the half year was at Rs. 1,153 crores (2.3%) against Rs. 844 crores (2.1%) in the first half of previous year. The increase in credit costs is attributed to the sharp reversal in Gross Stage 2 in the previous year which is now at stable levels.
- PAT was at Rs. 588 crore during the half year ended September 30, 2023, as against Rs. 671 crore during the corresponding half year last year.
- For the full year FY24, the Company expects the credit charge in the range of 1.5% to 1.7%.

Consolidated:**FY 2024 Q2 Consolidated Results:**

Total Income increased by 28% to Rs. 3,863 crore during the quarter ended September 30, 2023, as against Rs. 3,029 crore during the corresponding quarter last year. The PAT stood at Rs. 287 crore during the quarter ended September 30, 2023, as against Rs. 492 crore during the corresponding quarter last year.

FY 2024 H1 Consolidated Results:

Total Income increased by 26% at Rs. 7,500 crore during the half year ended September 30, 2023, as against Rs. 5,943 crore during the corresponding half year last year. The PAT stood at Rs. 649 crore during the half year ended September 30, 2023, as against Rs. 732 crore during the corresponding half year last year.

Operations

Disbursement growth during the quarter was broad-based with a YoY growth of 13% and a sequential growth of 9%. We witnessed some slowdown in tractor disbursements during the current quarter largely led by uneven and sub-normal rainfall during monsoon in some parts of the sub-continent. In the first half, we disbursed Rs. 25,480 crore, a growth of 20% YoY, which led to a strong gross asset book size of Rs. 93,723 crore, resulting in growth of 13% during the first half of FY24.

Our market share position was maintained in Tractor, Pre-owned vehicles, Passenger vehicles and Three Wheelers segment. The SME asset book which is over Rs. 4,637 crore has grown 26% YoY and increased 4.1% sequentially. The book contributes 5% of the Business Assets.

Collection efficiency during the quarter remained strong at 96%, an improvement over the level observed in Q1 FY24 and marginal reduction over Q2FY23. With improving underwriting standards and focus on early bucket delinquency, the Company maintained its asset quality during the quarter with Stage-3 assets at 4.3% (4.3% as of June 2023), and Stage-2 assets, at 5.7% (an improvement over 6.4% as of June 2023). The Company continued its focus on

collections through use of digital payment channels and effective use of legal machinery. In absolute terms, however, the Gross Stage 3 assets went up from Rs. 3,770 crores as at June end to Rs. 4,024 crores as at September end. A large proportion of this increase is contributed by the tractor portfolio. The Company expects normalization during the second half.

The gap between GNPA (as per IRACP) and Gross Stage- 3 (as per IND-AS) is now range-bound and was at Rs. 1,199 crore as at September end (Rs. 1,144 crore as at June end). The restructured portfolio has now reduced to Rs. 1,502 crore at end of September 2023 from Rs. 1,860 crore as at the end of June 2023.

Balance Sheet remains strong with Capital adequacy at 18.7%. In addition, the company maintained a comfortable liquidity chest upwards of 2.5 months' requirements. The provision coverage on Stage 3 assets increased from 60.1% (as of June end) to 61.2% in current quarter.

The partnership with the State Bank of India to undertake co-lending for providing Priority Sector Loans will further bolster MMFSL's presence across India and help improve market share in pickups and small CVs segments. This association aims at reducing the turnaround time and contactless loan process. Furthermore, the company has acquired a 20% stake in Mahindra Insurance Brokers Ltd (MIBL) to make it a wholly-owned subsidiary.

Subsidiaries

Mahindra Rural Housing Finance Limited (MRHFL)

During the quarter ended September 30, 2023, MRHFL registered income at Rs. 331 crore as against Rs. 328 crore during the corresponding quarter last year, a growth of 1% over the same period previous year. The Profit After Tax (PAT) registered was Rs. 11.6 crore during the quarter ended September 30, 2023, as against Rs. 31.1 crore during the corresponding quarter last year.

Mahindra Insurance Brokers Limited (MIBL)

During the quarter ended September 30, 2023, MIBL registered income at Rs. 289 crore as against Rs. 94 crore during the corresponding quarter last year, a growth of 208% over the same period previous year. The Profit After Tax (PAT) during the quarter ended September 30, 2023, registered was Rs. 28.6 crore as against Rs. 6.1 crore during the corresponding quarter last year, a growth of 365% over the same period previous year.

Mahindra Manulife Investment Management Private Limited (MMIMPL)

During the quarter year ended September 30, 2023, MMIMPL registered total income at Rs 14.3 crore as against Rs. 10.1 crore during the corresponding quarter last year, a growth of 42% over the same period previous year. MMIMPL incurred a loss of Rs. 8.5 crore compared to a loss of Rs. 7.7 crore during the same period previous year.

The Average Assets under Management (AUM) of MMIMPL for the quarter ended September 30, 2023, was Rs. 12,582 crores across 21 schemes which showed an increase of 37% over the same period previous year. Of these assets, the Company managed Rs. 10,912 crores of average

equity assets in the quarter ended September 30, 2023, a growth of 52% compared to Rs. 7,169 crores in the same period last year.

Mahindra Manulife Trustee Private Limited (MMTPL)

During the quarter year ended September 30, 2023, MMTPL registered income at Rs 0.3 crore as against Rs. 0.2 crore during the corresponding quarter last year, a growth of 11% over the same period previous year. MMTPL's profit for the current as well as the previous year September quarter remained static at Rs. 0.1 crore.

Mahindra Ideal Finance Ltd (MIFL)

During the quarter ended September 30, 2023, MIFL registered income at LKR 588 Million as against LKR 460 Million during the corresponding quarter last year, a growth of 28% over the same period previous year. The Profit After Tax (PAT) registered was LKR 30 Million during the quarter ended September 30, 2023, as against LKR 18 Million during the corresponding quarter last year.

Mahindra Finance USA, LLC (MFUSA)

During the quarter ended September 30, 2023, MFUSA registered income at USD 20.6 Million as against USD 15.5 Million during the corresponding quarter last year, registering a growth of 33% over the same period previous year. The Profit After Tax (PAT) during the quarter ended September 30, 2023, registered was USD 4.5 Million as against USD 3.9 Million during the corresponding quarter last year, registering a growth of 15% over the same period previous year.

* LKR Closing Exchange Rate: 1 LKR = 0.2565 INR; USD Closing Exchange Rate: 1 USD = 83.11 INR

About Mahindra & Mahindra Financial Services Limited

Mahindra & Mahindra Financial Services Limited (Mahindra Finance), part of the Mahindra Group, is one of India's leading non-banking finance companies. Focused on the rural and semi-urban sector, the Company has over 9.5 million customers and has an AUM of over USD 11 Billion. The Company is a leading vehicle and tractor financier, provides loans to SMEs and also offers fixed deposits. The Company has 1,386 offices and reaches out to customers spread over 3,80,000 villages and 7,000 towns across the country.

Mahindra Finance has been ranked 59th among India's Best Companies to Work 2023 by Great Place to Work Institute.

Mahindra Insurance Brokers Limited (MIBL), the Company's Insurance Broking subsidiary is a licensed Composite Broker providing Direct and Reinsurance broking services.

Mahindra Rural Housing Finance Limited (MRHFL) a subsidiary of Mahindra Finance provides loans for purchase, renovation, construction of houses to individuals in the rural and semi-urban areas of the country.

Mahindra Finance CSR Foundation is a wholly owned subsidiary company, under the provisions of section 8 of the Companies Act, 2013 for undertaking the CSR activities of the Company and its subsidiaries.

Mahindra Manulife Investment Management Private Limited acts as the Investment Manager of Mahindra Manulife Mutual Fund.

Mahindra Manulife Trustee Private Limited (MMTPL), acts as a Trustee to Mahindra Manulife Mutual Fund.

Mahindra Ideal Finance Limited (MIFL) is a subsidiary of the Company in Sri Lanka, in which the Company owns 58.2% stake. MIFL focuses on providing a diversified suite of financial services to the Sri Lankan market.

The Company has a Joint Venture in the US, Mahindra Finance USA LLC, in partnership with De Lage Landen, a subsidiary of Rabo Bank, for financing Mahindra vehicles in the US.

Learn more about Mahindra Finance on www.mahindrafinance.com / Twitter and Facebook: @MahindraFin

About Mahindra

Founded in 1945, the Mahindra Group is one of the largest and most admired multinational federation of companies with 260,000 employees in over 100 countries. It enjoys a leadership position in farm equipment, utility vehicles, information technology and financial services in India and is the world's largest tractor company by volume. It has a strong presence in renewable energy, agriculture, logistics, hospitality and real estate.

The Mahindra Group has a clear focus on leading ESG globally, enabling rural prosperity and enhancing urban living, with a goal to drive positive change in the lives of communities and stakeholders to enable them to Rise.

Learn more about Mahindra on www.mahindra.com / Twitter and Facebook: @MahindraRise/ For updates subscribe to <https://www.mahindra.com/news-room>

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