

Mahindra & Mahindra Financial Services Limited

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PART - I

STATEMENT OF STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER / NINE MONTHS PERIOD ENDED 31ST DECEMBER, 2016

Rs. in Lacs

Particulars	Quarter ended			Nine months period ended		Year ended
	31st Dec 2016	30th Sep 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015	31st March 2016 (Audited)
1 Income from operations	149042.25	149161.01	140022.98	434845.96	418106.22	585316.11
Total Income from operations	149042.25	149161.01	140022.98	434845.96	418106.22	585316.11
2 Expenses:						
a) Employee benefits expense	16267.15	17104.24	13543.68	50122.44	40323.34	55880.74
b) Depreciation and amortization expense	1110.62	1073.31	1041.12	3248.16	3035.98	4088.81
c) Loan provisions and write off (refer note no.6 and 7)	41897.90	30420.26	34059.47	94771.59	94063.30	104952.98
d) Other expenses	19070.15	17491.15	14879.23	51348.58	40537.97	57840.20
Total expenses	78345.82	66088.96	63523.50	199490.77	177960.59	222762.73
3 Profit / (Loss) from operations before other income and finance costs and exceptional items (1-2)	70696.43	83072.05	76499.48	235355.19	240145.63	362553.38
4 Other income	1304.66	2407.43	845.34	4637.45	3434.70	5193.94
5 Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	72001.09	85479.48	77344.82	239992.64	243580.33	367747.32
6 Finance costs	74413.83	70856.21	66956.73	214368.25	196823.66	263929.19
7 Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(2412.74)	14623.27	10388.09	25624.39	46756.67	103818.13
8 Exceptional items	-	-	-	-	-	-
9 Profit / (Loss) from ordinary activities before tax (7-8)	(2412.74)	14623.27	10388.09	25624.39	46756.67	103818.13
10 Tax expense	(849.00)	5141.10	3671.44	9008.00	16524.07	36558.53
11 Net Profit / (Loss) from ordinary activities after tax (9-10)	(1563.74)	9482.17	6716.65	16616.39	30232.60	67259.60
12 Extraordinary items (net of tax expense)	-	-	-	-	-	-
13 Net Profit / (Loss) for the period / year (11-12)	(1563.74)	9482.17	6716.65	16616.39	30232.60	67259.60
14 Paid-up equity share capital (face value of Rs.2/- each)				11298.33	11288.12	11292.03
15 Reserves (excluding Revaluation Reserve as shown in the Balance Sheet of previous year)						597518.70
16 i) Earnings per share (before extraordinary items) (face value of Rs.2/- each) #						
a) Basic (Rs.)	(0.28)	1.68	1.19	2.94	5.36	11.92
b) Diluted (Rs.)	(0.27)	1.67	1.18	2.92	5.32	11.83
ii) Earnings per share (after extraordinary items) (face value of Rs.2/- each) #						
a) Basic (Rs.)	(0.28)	1.68	1.19	2.94	5.36	11.92
b) Diluted (Rs.)	(0.27)	1.67	1.18	2.92	5.32	11.83

Earnings per share for the interim period is not annualised.

STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER / NINE MONTHS PERIOD ENDED 31ST DECEMBER, 2016

Rs. in Lacs

Particulars	Quarter ended			Nine months period ended		Year ended
	31st Dec 2016	30th Sep 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015	31st March 2016 (Audited)
1 Income from operations	173456.48	172063.85	158369.11	502312.21	466724.50	655386.74
Total Income from operations	173456.48	172063.85	158369.11	502312.21	466724.50	655386.74
2 Expenses:						
a) Employee benefits expense	21301.92	22235.29	17289.70	64576.68	50217.85	70409.22
b) Depreciation and amortization expense	1321.38	1250.67	1167.07	3788.31	3363.74	4569.78
c) Loan provisions and write off (refer note no.6 and 7)	44213.08	32159.98	35213.57	101126.34	98154.98	109819.07
d) Other expenses	22186.25	20466.46	16890.16	59975.41	46322.21	65706.97
Total expenses	89022.63	76112.40	70560.50	229466.74	198058.78	250505.04
3 Profit / (Loss) from operations before other income and finance costs and exceptional items (1-2)	84433.85	95951.45	87808.61	272845.47	268665.72	404881.70
4 Other income	1370.03	2062.26	895.40	4495.58	2539.70	4365.01
5 Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4)	85803.88	98013.71	88704.01	277341.05	271205.42	409246.71
6 Finance costs	83049.40	78944.44	73006.12	238381.58	213240.34	286834.73
7 Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5-6)	2754.48	19069.27	15697.89	38959.47	57965.08	122411.98
8 Exceptional items	-	-	-	-	-	-
9 Profit / (Loss) from ordinary activities before tax (7-8)	2754.48	19069.27	15697.89	38959.47	57965.08	122411.98
10 Tax expense	1153.23	7312.68	5642.55	14587.49	20969.45	43671.83
11 Net Profit / (Loss) from ordinary activities after tax (9-10)	1601.25	11756.59	10055.34	24371.98	36995.63	78740.15
12 Extraordinary items (net of tax expense)	-	-	-	-	-	-
13 Net Profit / (Loss) for the period / year (11-12)	1601.25	11756.59	10055.34	24371.98	36995.63	78740.15
14 Minority interest	428.68	351.70	411.92	1,030.24	898.94	1,510.79
15 Net Profit / (Loss) after taxes and minority interest (13-14)	1172.57	11404.89	9643.42	23341.74	36096.69	77229.36
16 Paid-up equity share capital (face value of Rs.2/- each)				11298.33	11288.12	11292.03
17 Reserves (excluding Revaluation Reserve as shown in the Balance Sheet of previous year)						635647.75
18 i) Earnings per share (before extraordinary items) (face value of Rs.2/- each) #						
a) Basic (Rs.)	0.21	2.02	1.71	4.13	6.40	13.69
b) Diluted (Rs.)	0.21	2.01	1.70	4.10	6.35	13.58
ii) Earnings per share (after extraordinary items) (face value of Rs.2/- each) #						
a) Basic (Rs.)	0.21	2.02	1.71	4.13	6.40	13.69
b) Diluted (Rs.)	0.21	2.01	1.70	4.10	6.35	13.58

Earnings per share for the interim period is not annualised.

Notes:

- 1) The above financial results for the quarter and nine months period ended 31st December, 2016 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors of the Company at its meeting held on 24th January, 2017.
- 2) The results for the quarter and nine months period ended 31st December, 2016 have been subjected to a "Limited Review" by the Statutory Auditors of the Company.
- 3) The Consolidated financial results include the results of the subsidiaries Mahindra Insurance Brokers Ltd. (85%), Mahindra Rural Housing Finance Ltd. (87.50%), Mahindra Asset Management Company Private Limited (100%), Mahindra Trustee Company Private Limited (100%) and financial results of a (49%) Joint Venture company, Mahindra Finance USA LLC, in the United States.
- 4) The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard 17 dealing with Segment Reporting.
- 5) The Company has complied with the prudential guidelines issued by the Reserve Bank of India in respect of Income Recognition and Provision for Non-Performing Assets (NPAs).
- 6) a) The RBI vide its notification no DNBR. 011/CGM (CDS)-2015 dt. March 27, 2015 has revised the asset classification norms for NPAs and substandard assets under its prudential norms applicable to NBFCs in a phased manner commencing from financial year ended 31st March, 2016, upto the financial year ending 31st March, 2018 which would result in an additional provision. The Company follows prudential norms for income recognition, asset classification and provisioning for NPAs as prescribed by RBI for NBFCs and has also been making accelerated provision on a prudential basis.

In terms of the said revised norms, the Company is required to recognise Non-performing Assets based on four months overdue by the end of current financial year, which the Company has been following w.e.f. financial year ended 31st March, 2016. This has resulted in additional provision of Rs.2738.38 lacs (including income de-recognition) as compared to quarter ended 31st December, 2015 with a consequent impact on Profit before tax.

b) The Company, with effect from quarter ended 30th June 2016, has started considering the estimated realisable value of underlying security (which conforms to the RBI norms) for loan assets to determine 100% provisioning for assets which were 24 months overdue which has resulted in lower provision of Rs.17958.45 lacs for the nine months period ended 31st December, 2016 as against Rs.16934.32 lacs for the half year ended 30th September, 2016 with a consequent impact on the profit before tax.

The cumulative provisions made by the Company continues to be higher than the existing RBI norms.
- 7) Consequent upon withdrawal of the legal tender status of the existing Rs.500 and Rs.1000 denomination currency notes by the Government Of India and pursuant to circular no. DBR.No.BP.BC.37/21.04.048/2016-17 dated November 21, 2016 and DBR.No.BP.BC.49/21.04.048/2016-17 dated December 28, 2016 issued by the Reserve Bank of India which permits Regulated Entities to defer the down grade of an account that was standard as on November 1, 2016, but would have become NPA for any reason during the period November 1, 2016 to December 31, 2016 by 90 days from the date of such downgrade in the accounts categorised as term loans for business purposes and agriculture loans, secured or otherwise, the original sanctioned amount whereof is Rs.1 crore or less on the books of any bank or NBFC, the Company has deferred the classification of borrower accounts which were standard assets as on November 1, 2016 to sub-standard category, involving a provision of Rs.15274.52 lacs (including income de-recognition) on a standalone basis and Rs.17820.28 lacs (including income de-recognition) on a consolidated basis.
- 8) During the quarter ended 31st December, 2016, the Department of Sales Tax in the State of Maharashtra has initiated an investigation proceeding against the Company under Section 64 of the Maharashtra Value Added Tax Act, 2002, in relation to the taxability of sale of repossessed vehicles on behalf of the Company's customers from fiscal year 2011 to 30th October 2016. It has assessed the tentative tax payable for which the Company has made payment of Rs.2615.32 lacs under protest, however, a demand notice is yet to be received from the department.
- 9) During the quarter ended 31st December, 2016, the Company has made following additional investments :
 - i) Rs.439.12 lacs equivalent to US \$ 0.66 million in Mahindra Finance USA LLC, a Joint Venture company formed jointly with De Lage Landen Financial Services Inc. in the United States (nine months period ended 31st December, 2016 Rs. 2596.18 lacs equivalent to US \$ 3.88 million);
 - ii) Rs.25.00 lacs in Mahindra Trustee Company Private Limited, its subsidiary, by subscription to 2,50,000 equity shares of face value of Rs.10/- each, fully paid up, on a rights basis (nine months period ended 31st December, 2016 Rs.35.00 lacs).There is no consequent change in the Company's shareholding pattern.
- 10) All secured Non-convertible debentures issued by the Company are secured by paripassu charges on Aurangabad office and exclusive charge on receivables under loan contracts, owned assets and book debts to the extent of 100% of outstanding secured Non-convertible debentures.
- 11) During the current period, the Company has changed its policy for accounting of derivative transactions to align to the Guidance Note on Accounting for Derivative Transactions issued by the Institute of Chartered Accountants of India which is mandatory with effect from the current financial year. Consequently, mark to market loss of Rs.1511.14 lacs is charged to Statement of Profit & Loss for the quarter ended 31st December, 2016 (nine months period ended 31st December, 2016 Rs. 2690.55 lacs) in respect of derivative transactions outstanding as at 31st December, 2016.
- 12) Previous period/year figures have been regrouped / reclassified, wherever found necessary, to conform to current period/year classification.

**For and on behalf of the Board of Directors
Mahindra & Mahindra Financial Services Ltd.**

**Date : 24th January, 2017
Place : Mumbai**

**Ramesh Iyer
Vice-Chairman & Managing Director**