

# Financial Results – FY 2021-22 Quarter 3, Standalone & Consolidated Results

Finance

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**Mumbai, February 2, 2022:** 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 ended December 31, 2021.

## Standalone:

- PAT at Rs. 894 Crore during the quarter, against a Loss of Rs. 274 Crore in Q3FY21
- Disbursement grows 28% Y-o-Y; Stable Loan book sequentially at Rs. 63,944 Crore
- Improved collection led to reduction in Gross Stage 3 by 1.4% Q-o-Q; Net Stage 3 at 5.6%
- Stage 2 declined sequentially by 1.9% to 17.8%

**FY 2022 Q3 Standalone Results:** The key highlights of the Financial Performance are:

- Operating Profit for the quarter at Rs. 1,062 Crore grew 5% sequentially and 4% YoY reflecting improved operating performance. Impairment reversals led to healthy Profit after tax at Rs. 894 Crore for the quarter as against Loss of Rs. 274 Crore during Q3 FY21
- Total Income was at Rs. 2,543 Crore for the quarter, a decline of 1% YoY. Net Interest Income at Rs. 1,580 Crore increased by 14% YoY reflecting widening of spread
- The Gross Stage 3 showed steady recovery from 12.7% in September to 11.3% in December, thereby releasing Rs. 437 Crore from the Stage 3 provisions
- With increased economic activity and collection efforts being strong, Overheads to Average Assets were at 2.85% during the quarter

**The chart below shows movement in Stage 3 & Stage 2 AUM during Q3 FY22**

- The Company's Capital Adequacy stands at a healthy 26.8%. It maintains a provision coverage on Stage 3 loans at 53.2%.
- As of December quarter end, the Company carried a total liquidity buffer of over Rs. 11,000 Crore. With adequate macro liquidity and uptick in economic activity, the Company plans to progressively reduce the chest in coming quarters.

### **FY 2022 Nine-Months Standalone Results:**

The Total Income declined by 8% at Rs. 7,252 Crore during the nine-month period ended December 31, 2021, as against Rs. 7,879 Crore during the corresponding nine-month period ended last year.

The Profit after Tax stood at Rs. 388 Crore during the nine-month period ended December 31, 2021, as against Profit After Tax of Rs. 185 Crore during the corresponding nine month period last year, a growth of 109%.

Consolidated:

### **FY 2022 Q3 Consolidated Results**

The Total Income remained stable at Rs. 2,986 Crore during the quarter ended December 31, 2021, as against Rs. 2,993 Crore during the corresponding quarter last year. The Profit After Tax (PAT) stood at Rs. 992 Crore during the quarter ended December 31, 2021, as against Loss (after Tax) of Rs. 223 Crore during the corresponding quarter last year.

### **FY 2022 Nine-Months Consolidated Results:**

The Total Income declined by 7% at Rs. 8,503 Crore during the nine-month period ended December 31, 2021, as against Rs. 9,132 Crore during the corresponding nine-month period ended last year.

The Profit after Tax stood at Rs. 522 Crore during the nine-month period ended December 31, 2021, as against Profit After Tax of Rs. 561 Crore during the corresponding ninemonth period last year, a decline of 7%.

The increase in equity stake in Ideal Finance Limited [now known as Mahindra Ideal Finance Limited (MIFL)] from 38.2% to 58.2% has resulted in revaluation of the Company's existing equity stake in MIFL, which led to a one-time revaluation gain of Rs. 21 Crore, which is shown as Exceptional Item in the 9M FY22 consolidated financials.

PBT for the nine-month period ended December 31, 2020 included an exceptional item in the nature of capital gain of Rs. 229 Crore recognized in the statement of profit and loss on the basis of fair valuation of retained interest of 51% post stake dilution of 49% in its subsidiaries, Mahindra Manulife Investment Management Private Limited [formerly known as Mahindra Asset Management Company Private Limited] and Mahindra Manulife Trustee Private Limited [formerly known as Mahindra Trustee

Company Private Limited], vide Joint Venture agreement with Manulife Asset Management (Singapore) Pte. Ltd. (Manulife).

## **Operations**

Q3 witnessed some normalcy returning. Mobility improved further and there was better visibility on cash flows - both farm & infra and demand for vehicles. These positive trends reflected in the Company's Q3 disbursement. For the Q3 (Oct-Dec 2021), total disbursement stood at Rs. 8,032 Crore, a 28% growth year-on-year (and a 24% growth sequentially), while collection efficiency during the quarter stands at 95%, as compared to Q3 of last year at 88%.

In the tractor financing segment, we have witnessed a rise in market share by expanding our presence. This has led us regaining the No. 1 position in tractor financing. With our smart branches, we are offering very attractive programs for new product lines.

With the millennium mindset changing, consumers want to be asset-light, thereby making our leasing and subscription business, Quiklyz, the new popular way to own the vehicle.

## **Assets and provisioning**

- The gross business assets were at Rs. 63,944 Crore as on December 2021, as against Rs. 66,525 Crore as on December 31, 2020. Sequentially, there has been a marginal increase. With uptick in disbursements, we expect further growth in our business assets.
- In the backdrop of intensified collection efforts and accelerated repossessions/ settlements, the Gross Stage 3 witnessed sequential improvement from 12.7% to 11.3% as at December end. The Company expects further improvements in quarters to come. Stage 2 also showed a similar declining trend sequentially from 19.7% to 17.8% at December end.
- As of December 2021, the provision coverage for Stage 3 assets was healthy at 53.2%, well ahead of the model provisions. Consequently, the Net Stage 3 was at 5.6% as on 31 December 2021. By year end, the Company aims to bring this ratio below 4%.
- As of December 31, 2021, the restructured loans stood at Rs. 4,378 Crore. The Company carried a cumulative provision of Rs. 873 Crore (19.9% coverage) on such contracts as of December 31, 2021.
- The cumulative management overlay as on 31 December 2021 stood at Rs. 2,038 Crore.
- The Collection War Room set-up in Q2FY22 was fully functional during the quarter.

## **RBI circular on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications**

On November 12, 2021, the Reserve Bank of India issued a circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP). The Gross NPA as per IRACP norms was Rs. 10,897 crores as on December 31, 2021, after giving effect to the above circular. As the Company continues to follow IND-AS accounting, there is no impact on gross stage 3 which was at Rs. 7,223 crores as on December 31, 2021. The cumulative impairment provision under IND-AS as on December 31, 2021 was higher by Rs. 1,877 crores in comparison to the requirements under the IRACP norms after giving due effect to the above circular. The management believes that enhanced collection and legal efforts, including repossessions and settlements should help reduce Gross NPA (IRACP) by March-22 end. The Company may require to make an additional provision in the range of Rs. 500 crores to Rs. 1,500 crores in Q4FY22 in order to bring the Net NPA under IRACP norms below 6.0%.

## **Subsidiaries**

### **Mahindra Rural Housing Finance Limited (MRHFL)**

During the quarter ended December 31, 2021, MRHFL registered income at Rs. 352.6 Crore as against Rs. 354.5 Crore during the corresponding quarter last year, a decline of 1% over the same period previous year. The Profit After Tax (PAT) registered was Rs. 66.9 Crore during the quarter ended December 31, 2021, as against Rs.11.4 Crore during the corresponding quarter last year.

MRHFL continues to follow IND-AS accounting, hence there is no impact on Gross Stage 3 assets with respect to the RBI Circular dated 12<sup>th</sup> November 2021. MRHFL maintains total provisions of Rs. 754 Crore under IND-AS. These adequately cover the provision requirement of Rs. 669 Crore under the IRACP requirements.

As of December 31, 2021, the restructured loans stood at Rs. 2,577 Crore. MRHFL carried a cumulative provision of Rs. 337 Crore (13.1% coverage) on such contracts as of December 31, 2021.

MRHFL has cumulative management overlay of Rs. 80.2 Crore as on 31 December 2021 for covering the contingencies that may arise due to the COVID 19 pandemic.

### **Mahindra Insurance Brokers Limited (MIBL)**

During the quarter ended December 31, 2021, MIBL registered income at Rs. 97 Crore as against Rs. 81 Crore during the corresponding quarter last year, a growth of 20% over the same period previous year. The Profit After Tax (PAT) registered was Rs. 18 Crore during the quarter ended December 31, 2021, as against Rs. 15 Crore during the corresponding quarter last year.

### **Mahindra Manulife Investment Management Private Limited (MMIMPL)**

During the quarter ended December 31, 2021, MMIMPL earned total income of Rs. 8.5 Crore as compared to Rs. 8.4 Crore in the same period previous year. MMIMPL incurred a loss of Rs. 9.0 Crore compared to a loss of Rs. 8.0 Crore during the same period of the previous year.

The Average Assets under Management (AUM) of MMIMPL for December-21 quarter were Rs. 7,911 Crore, up from Rs. 6,687 Crore for September 2021. About 64% of the closing AUM comprises Equity Mutual Fund AUM.

### **Mahindra Manulife Trustee Private Limited (MMTPL)**

During the quarter ended December 31, 2021, MMTPL earned total income of Rs 0.2 Crore compared to Rs. 0.1 Crore during the same period previous year. MMTPL made a profit of Rs. 0.1 Crore compared to a breakeven (no profit / no loss) position during the same period of the previous year.

### **Mahindra Ideal Finance Limited [“MIFL”] (formerly known as Ideal Finance Limited)**

Consequent upon Ideal Finance Limited becoming a subsidiary of the Company effective from July 8, 2021, its name has been changed to Mahindra Ideal Finance Limited with effect from January 28, 2022.

During the quarter ended December 31, 2021, MIFL registered income at LKR 344.1 Million as against LKR 257 Million during the corresponding quarter last year, registering a growth of 34% over the same period previous year. The Profit After Tax (PAT) during the quarter ended December 31, 2021, was LKR 76.6 Million as against LKR 53.6 Million during the corresponding quarter last year, a growth of 43% over the same period previous year.

## **Mahindra Finance USA (MFUSA)**

During the quarter ended December 31, 2021, MFUSA registered income at USD 14.2 Million as against USD 15.2 Million during the corresponding quarter last year, registering a decline of 7% over the same period previous year. The Profit After Tax (PAT) during the quarter ended December 31, 2021, registered was USD 4.1 Million as against USD 7.9 Million during the corresponding quarter last year, registering a decline of 48% over the same period previous year.

## **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 7.3 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 1,388 offices and reaches out to customers spread over 3,80,000 villages and 7,000 towns across the country.

Mahindra Finance has been ranked 54<sup>th</sup> among India's Best Companies to Work 2021 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 (formerly known as Mahindra Asset Management Company Private Limited) acts as the Investment Manager of Mahindra Manulife Mutual Fund (formerly known as Mahindra Mutual Fund). On 29<sup>th</sup> April, 2020 Mahindra Finance divested 49% stake in its wholly-owned subsidiary, Mahindra Manulife Investment Management

Private Limited to Manulife Investment Management (Singapore) Pte. Ltd., to form a 51:49 joint venture.

Mahindra Manulife Trustee Private Limited (MMTPL), (formerly known as Mahindra Trustee Company Private Limited) acts as a Trustee to Mahindra Manulife Mutual Fund (formerly known as Mahindra Mutual Fund). On 29th April, 2020 Mahindra Finance divested 49% stake in its wholly-owned subsidiary, Mahindra Manulife Trustee Private Limited to Manulife Investment Management (Singapore) Pte. Ltd. to form a 51:49 joint venture.

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.

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

Learn more about Mahindra Finance on [www.mahindrafinance.com](http://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](http://www.mahindra.com) / Twitter and Facebook: @MahindraRise/ For updates subscribe to <https://www.mahindra.com/news-room>

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