

Mahindra Finance - Financial Results – FY21 Q2 & H1, Standalone & Consolidated

Finance

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Standalone:

AUM crosses Rs. 81,500 Crores, up 12%

F21-H1 Income stood at Rs. 5,304 Crores, up 7%

F21-H1 PBT stood at Rs. 620 Crores, up 10%

F21-H1 PAT stood at Rs. 459 Crores, up 43%

Mumbai, October 26, 2020: 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, announced today the unaudited financial results for the quarter and half year ended September 30, 2020.

F-2021 Q2 Standalone Results

The **Total Income increased by 4%** at **Rs.2,650 Crores** during the quarter ended September 30, 2020, as against Rs.2,541 Crores during the corresponding quarter last year. **The Profit Before Tax (PBT) stood at Rs.412 Crores** during the quarter ended September 30, 2020, as against Rs.458 Crores during the corresponding quarter last year, a decline of **10%** over the same period previous year. **The Profit After Tax (PAT) stood at Rs.304 Crores** during the quarter ended September 30, 2020, as against Rs.252 Crores during the corresponding quarter last year, a growth of **21%** over the same period previous year. The decline in PBT during Q2 of the current year is primarily attributable to higher level of impairment provisions/losses of Rs.433 Crores during this quarter through management overlay to reflect deterioration in the macroeconomic outlook arising out of COVID-19

pandemic related disruptions.

F-2021 H1 Standalone Results

The **Total Income increased by 7%** at **Rs.5,304 Crores** during the half year ended September 30, 2020, as against Rs.4953 Crores during the corresponding period last year. **The Profit Before Tax (PBT)** stood at **Rs.620 Crores** during the half year ended September 30, 2020, as against Rs.563 Crores during the corresponding period last year, a growth of **10%** over the same period previous year. **The Profit After Tax (PAT)** stood at **Rs.459 Crores** during the half year ended September 30, 2020, as against Rs.320 Crores during the corresponding period last year, a growth of **43%** over the same period previous year, even after providing Rs.910 Crores, through management overlay to reflect deterioration in the macroeconomic outlook arising out of COVID19 pandemic related disruptions, during the first half.

F-2021 Q2 Consolidated Results

The **Total Income increased by 5%** at **Rs.3,071 Crores** during the quarter ended September 30, 2020, as against Rs.2,936 Crores during the corresponding quarter last year. **The Profit Before Tax (PBT)** stood at **Rs.488 Crores** during the quarter ended September 30, 2020, as against Rs.507 Crores during the corresponding quarter last year, a decline of **4%** over the same period previous year. **The Profit After Tax (PAT)** stood at **Rs.353 Crores** during the quarter ended September 30, 2020, as against Rs.264 Crores during the corresponding quarter last year, a growth of **34%** over the same period previous year. The decline in PBT during Q2 of current year is primarily attributable to higher level of impairment provisions/losses of Rs.282 Crores during this quarter through management overlay to reflect deterioration in the macroeconomic outlook arising out of COVID-19 pandemic related disruptions.

F-2021 H1 Consolidated Results

The **Total Income increased by 6%** at **Rs.6,139 Crores** during the half year ended September 30, 2020, as against Rs.5,775 Crores during the corresponding period last year. **The Profit Before Tax (PBT)** stood at **Rs.991 Crores** during the half year ended September 30, 2020, as against Rs.667 Crores during the corresponding period last year, a growth of 49% over the same period previous year. **The Profit After Tax (PAT)** stood at **Rs.785 Crores** during the half year ended September 30,

2020, as against Rs.372 Crores during the corresponding period last year, a growth of 111% over the same period previous year, even after providing Rs.946 Crores, through management overlay to reflect deterioration in the macroeconomic outlook arising out of COVID-19 pandemic related disruptions, during the first half.

PBT for H1 F2021 includes an exceptional item in the nature of capital gain of Rs.229 Crores 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

During the period ended September 30, 2020, the Company's customer base has crossed **6.9 Million**.

The **Total value of assets financed** for the half year ended September 30, 2020, was **Rs.8,888 Crores**.

The rural market has remained sufficiently insulated from the COVID-19 pandemic and is recovering from its impact. Almost all the Company's branches are up and running, except in the major metros. After a few months of disruption due to COVID-19 pandemic and subsequent lockdown, we see that markets are now beginning to look up and the sentiments are turning positive. Businesses are returning back to normal and customer footfalls at the dealerships and our branches have substantially improved. Agri demand continues to be strong on the back of a good monsoon and harvest. We expect demand to further pick-up in the upcoming festival season. The Government focus on infrastructure and mining sectors is likely to further shore up demand, going forward.

Tractors, passenger cars and Light Commercial Vehicles (LCVs) are seeing healthy demand. Pre-owned vehicles will continue to be a growth driver. The Company also expects to see an increase in digitally enabled lending and collections in rural and semi-urban markets. The Company had already embarked on a digital strategy and is equipped to facilitate financing as well as repayment of installments, via the digital route.

Impairment provisioning is done as per Expected Credit Loss (ECL) method in Ind AS, which requires provisioning in three stages. The **Gross Stage 3** levels stood at **7.0%** as at September 30, 2020, against 7.9% as at corresponding reporting date last year. The **Net Stage 3** levels stood at **4.7%** as at September 30, 2020, against 6.4% as at corresponding reporting date last year. The Stage 3 provisioning **coverage ratio** stood at **35.1%** as at September 30, 2020, against 19.5% as at corresponding reporting date last year. The Company has complied with the prudential guidelines issued by the Reserve Bank of India and has been making accelerated provision.

During the quarter ended September 30, 2020, the Company has considered an additional charge of Rs.433 Crores (half year ended September 30, 2020: Rs.910 Crores) due to a management overlay, to reflect deterioration in the macroeconomic outlook. As at September 30,2020, the cumulative amount of management overlay provisions stood at Rs. 1,484 Crores.

The Company has initiated various cost rationalization measures and expects a benefit from the same in the future.

The standalone **Assets Under Management (AUM)** stood at **Rs.81,682 Crores** as on September 30, 2020, as against Rs.72,732 Crores as on the corresponding reporting date last year, registering a **growth of 12%**.

The Company maintains a very healthy capital adequacy of 25.1% and has adequate Capital and Financial Resources to run its business.

The Company's capital and debt position is strong and the ALM position is well balanced.

SUBSIDIARIES

Mahindra Insurance Brokers Limited (MIBL)

During the quarter ended September 30, 2020, MIBL registered income at Rs.60.1 Crores as against Rs.78.2 Crores during the corresponding quarter last year, a decline of 23% over the same period previous year. **The Profit Before Tax (PBT)** registered was Rs.5.0 Crores during the quarter ended September 30, 2020, as against Rs.14.7 Crores during the corresponding quarter last year, a decline of 66% over the same period previous year. **The Profit After Tax (PAT)** registered was Rs.3.7 Crores during the quarter ended September 30, 2020, as against Rs.10.8 Crores during the

corresponding quarter last year, a decline of 66% over the same period previous year.

During the half year ended September 30, 2020, MIBL registered income at Rs.101.3 Crores as against Rs.157.8 Crores during the corresponding period last year, a decline of 36% over the same period previous year. **The Profit Before Tax (PBT)** registered was Rs.7.7 Crores during the half year ended September 30, 2020, as against Rs.23.5 Crores during the corresponding period last year, a decline of 67% over the same period previous year. **The Profit After Tax (PAT)** registered was Rs.5.6 Crores during the half year ended September 30, 2020, as against Rs.16.9 Crores during the corresponding period last year, a decline of 67% over the same period previous year.

Mahindra Rural Housing Finance Limited (MRHFL)

During the quarter ended September 30, 2020, MRHFL registered income at Rs.377.20 Crores as against Rs.370.42 Crores during the corresponding quarter last year, a growth of 2% over the same period previous year. **The Profit Before Tax (PBT)** registered was Rs.82.75 Crores during the quarter ended September 30, 2020, as against Rs.61.07 Crores during the corresponding quarter last year, a growth of 36% over the same period previous year. **The Profit After Tax (PAT)** registered was Rs.57.41 Crores during the quarter ended September 30, 2020, as against Rs.28.77 Crores during the corresponding quarter last year, a growth of 100% over the same period previous year.

During the half year ended September 30, 2020, MRHFL registered income at Rs.762.41 Crores as against Rs.733.47 Crores during the corresponding period last year, a growth of 4% over the same period previous year. **The Profit Before Tax (PBT)** registered was Rs.139.42 Crores during the half year ended September 30, 2020, as against Rs.102.13 Crores during the corresponding period last year, a growth of 37% over the same period previous year. **The Profit After Tax (PAT)** registered was Rs.105.10 Crores during the half year ended September 30, 2020, as against Rs.57.52 Crores during the corresponding period last year, a growth of 83% over the same period previous year. The Company has a cumulative management overlay of Rs. 190.39 Crores as at September 30, 2020 for covering the contingencies that may arise due to the COVID – 19 pandemic.

Mahindra Manulife Investment Management Private Limited (MMIMPL)

During the quarter ended September 30, 2020, MMIMPL earned total income of Rs.7.36 Crores as compared to Rs.4.31 Crores in the same period previous year. The company incurred a loss of

Rs.4.31 Crores compared to a loss of Rs.8.84 Crores during the same period previous year.

During the half year ended September 30, 2020, MMIMPL earned total income of Rs.13.71 Crores as compared to Rs 8.44 Crores in the same period previous year. The company incurred a loss of Rs.9.73 Crores compared to a loss of Rs.17.40 Crores during the same period previous year. The Average Assets under Management (AUM) of MMIMPL for the quarter ended September 30, 2020 was Rs.5,036 Crores across 14 schemes which showed a decline of 3.5% over the same period previous year. Of these assets, the Company managed Rs. 1,888 Crores of average equity assets in the quarter year ended September 30, 2020 compared to Rs. 1,521 Crores in the same period last year.

Mahindra Manulife Trustee Private Limited (MMTPL)

During the quarter ended September 30, 2020, MMTPL earned total income of Rs.0.06 Crores compared to Rs 0.05 Crores during the same period previous year. The company incurred a loss of Rs 0.01 Crores equivalent to the loss of the same period previous year.

During the half year ended September 30, 2020, MMTPL earned total income of Rs.0.11 Crores maintaining same level as in the corresponding previous year to Rs.0.11 Crores. The company incurred a loss of Rs. 0.07 Crores compared to a loss of Rs. 0.03 Crores during the same period previous year.

Mahindra Finance USA, LLC (MFUSA)

During the quarter ended September 30, 2020, MFUSA registered income at USD 15.93 Million as against USD 17.50 Million during the corresponding quarter last year, registering a decline of 9% over the same period previous year. **The Profit Before Tax (PBT)** during the quarter ended September 30, 2020, registered was USD 0.95 Million as against USD 4.41 Million during the corresponding quarter last year, registering a decline of 78% over the same period previous year.

The Profit After Tax (PAT) during the quarter ended September 30, 2020, registered was USD 0.68 Million as against USD 3.33 Million during the corresponding quarter last year, registering a decline of 80% over the same period previous year.

During the half year ended September 30, 2020, MFUSA registered income at USD 32.35 Million as against USD 35.02 Million, registering a decline of 8% over the same period previous year. **The Profit Before Tax (PBT)** during the half year ended September 30, 2020, registered was USD 6.68 Million as against USD 9.34 Million during the corresponding period last year, registering a decline of 28% over the same period previous year. **The Profit After Tax (PAT)** during the half year ended September 30, 2020, registered was USD 4.96 Million as against USD 7.06 Million, a decline of 30% over the same period previous year.

Ideal Finance Ltd (IFL)

During the quarter ended September 30, 2020, IFL registered income at LKR 265 Million as against LKR 234 Million during the corresponding quarter last year, registering a growth of 13% over the same period previous year. **The Profit Before Tax (PBT)** registered during the quarter ended September 30, 2020, was LKR 73 Million as against LKR 42 Million during the corresponding quarter last year, registering a growth of 74% over the same period previous year. **The Profit After Tax (PAT)** during the quarter ended September 30, 2020, was LKR 50 Million as against LKR 26 Million during the corresponding quarter last year, a growth of 92% over the same period previous year.

During the half year ended September 30, 2020, IFL registered income at LKR 481 Million as against LKR 454 Million during the corresponding period last year, registering a growth of 6% over the same period previous year. **The Profit Before Tax (PBT)** registered during the half year ended September 30, 2020, was LKR 110 Million as against LKR 77 Million during the corresponding period last year, registering a growth of 43% over the same period previous year. **The Profit After Tax (PAT)** during the half year ended September 30, 2020, was LKR 75 Million as against LKR 45 Million during the corresponding period last year, a growth of 67% 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 6.9 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 over 1,250 offices and reaches out to customers spread over 3,80,000 villages and

7,000 towns across the country.

Mahindra Finance is the only Financial Institution from India to be listed on the Dow Jones Sustainability Index in the Emerging Market Category 2019. Mahindra Finance has been ranked 25th among India's Best Companies to Work 2020 and Ranked 6th on the list of Best Large Workplaces in Asia 2020 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 29th 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.

The Company has recently formed a Joint Venture in Sri Lanka, by acquiring a 38.2% stake in Ideal Finance Ltd. This JV will focus on providing a diversified suite of financial services to the Sri Lankan market. Learn more about Mahindra Finance on www.mahindrafinance.com / Twitter and Facebook: @MahindraFin

About Mahindra

The Mahindra Group is a USD 19.4 billion federation of companies that enables people to rise through innovative mobility solutions, driving rural prosperity, enhancing urban living, nurturing new businesses and fostering communities. It enjoys a leadership position in utility vehicles, information technology, financial services and vacation ownership in India and is the world's largest tractor company by volume. It also enjoys a strong presence in renewable energy, agribusiness, logistics and real estate development. Headquartered in India, Mahindra employs over 2,56,000 people across 100 countries.

Learn more about Mahindra on www.mahindra.com / Twitter and Facebook: @MahindraRise

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