BUILDING THE NATION

Rural का Leader
आज भी, कल भी

Mahindra FINANCE
Customer Profile

High End Farmer

Medium End Farmer

Low End Farmer

M & M

F

S

L
## Customer Profile

<table>
<thead>
<tr>
<th>Social Status/Characteristics</th>
<th>High End Farmer</th>
<th>Medium End Farmer</th>
<th>Low End Farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Holding</td>
<td>Large &gt;10 Acres</td>
<td>2 to 10 Acres</td>
<td>Small &lt;2 Acres</td>
</tr>
<tr>
<td>Haulage Application</td>
<td>0%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>First Time Buyer</td>
<td>0%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>Banking Habits</td>
<td>100%</td>
<td>70%</td>
<td>10%</td>
</tr>
<tr>
<td>Source Loan of Repayment (Affordability)</td>
<td>Present Income Affordability-100%</td>
<td>Present-30% Future Income Affordability-70%</td>
<td>Future Income Affordability-70%</td>
</tr>
</tbody>
</table>
## Customer Profile

<table>
<thead>
<tr>
<th>Social Status/Characteristics</th>
<th>High End Farmer</th>
<th>Medium End Farmer</th>
<th>Low End Farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking Habits</td>
<td>100%</td>
<td>70%</td>
<td>10%</td>
</tr>
<tr>
<td>Repayment Periodicity</td>
<td>Half Yearly</td>
<td>Half Yearly</td>
<td>Half Yearly</td>
</tr>
<tr>
<td>House</td>
<td>Pakka House</td>
<td>Pakka House</td>
<td>Semi Pukka</td>
</tr>
<tr>
<td>Mode of Repayment</td>
<td>PDC</td>
<td>70% PDC + 30% Cash</td>
<td>100% Cash</td>
</tr>
<tr>
<td>Repayment Track Record</td>
<td>Good</td>
<td>Good</td>
<td>Good but circumstantially delayed</td>
</tr>
</tbody>
</table>
FES Customer Segment

Farming
Farming & Hiring
Contract Segment

Finance Preference
Banks
Bank and Non Banking Finance Company
Non Banking Finance Company

Requirement
Low Rate & Long Term Funding
Medium Term
Low Rate High Funding

Challenge
Seasonality
Appraisal Skills
High Depreciation Low Resale
Farming

Finance Preference

Requirement

Challenge

Banks

Low Rate & Long Term Funding

Seasonality

Farming & Hiring

Bank and Non-Banking Finance Company

Medium Term

Appraisal Skills

Contract Segment

Non-Banking Finance Company

Low Rate High Funding

High Deprecation Low Resale

M&MFSL

M&MFSL

M&MFSL
Approach to Credit Decision

- Present Income from Agriculture: 30%
- Future Income from Agriculture (Earn & Pay): 70%
Parameters at the time of Credit Appraisal

• Application of the Product :- Haulage or Agriculture or Both (means to pay)

• Local Reference :- (to study intention to pay)
Channel Building for Customer Service & Understanding.
M&MFSL Product-De-Risking (Evolved in 15 Years)

- Non-M&M Cars in the same Rural Market (2000)
- Used Auto Business (2002)
- Liability Products (Mutual Fund Distribution) (2005)
- Rural Housing (2010)
- Heavy Commercial Vehicles (2012)
M&MFSL Geographical De-Risking

- Semi Urban
- Semi Urban + Rural
- Semi Urban + Rural + Urban
- Semi Urban + Rural + Urban + Remote Rural

1995 - 2013
M&MFSFL Customer Segment De-Risking

- Earn & Pay
- Earn & Pay + Middle Income
- Earn & Pay + Middle + Higher Income

1995 - 2013
Products for Customers under one Roof

**ASSETS**
- Tractor Loan
- Housing Loan
- Used Tractors
- Implements Funding
- Car Loans
- Commercial Vehicle (HCV & LCV)
- Construction Equipment
- Two Wheeler
- Personal Loans

**LIABILITIES**
- Insurance Products Distribution
- Fixed Deposits
- Mutual Fund Distribution
Business Sourced

M&MFSL

Direct Marketing
20%

Dealer
78%

Reference/Alternative Channels
2%

CUSTOMER
Control Aspects introduced

**Technology :-**
- Hand Held Device.
- Connect to Customer by SMS on Due Date.
- Automated Reminder tele -call
- Balance Confirmation

**People :-**
- Mentoring By Senior Management.
- Multi Tasking

**Process :-**
- Post Disbursement Documents
- Centralization of Stock Yard
- Auction Method for Disposal
- Strengthening of Legal

**Geography :-**
- Branch Network.
- Rural Centers.
Extensive branch network

- MMFSL has an extensive branch network with presence in 25 states and 4 union territories in India through 675 offices as of June 30, 2013
  - Branches have authority to approve loans within prescribed guidelines
Employee Management and Technology Initiatives

Employee engagement & training

- Training programs for employees on regular basis
- 5 days induction program on product knowledge, business processes and aptitude training
- Mahindra Finance Academy training programs for prospective and existing employees at 5 locations
- Assessment & Development Centre for promising employees
- Employee recognition programs such as – Dhruv Tara, Annual Convention Award and Achievement Box
- Participation in Mahindra Group’s Talent Management and Retention program

Technology initiatives

- Approximately 98% of our 675 offices are connected to the centralised data centre in Mumbai
- Through hand held devices connected by GPRS to the central server, we transfer data which provides
  - Prompt intimation by SMS to customers
  - Complete information to handle customer queries with transaction security
  - On-line collection of Management Information system on management’s dashboard
  - Recording customer commitments
  - Enables better internal checks & controls
### Example of a Product offering to Customer

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of Tractor</td>
<td>- Rs. 500000/-</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Implements</td>
<td>- Rs. 125000/-</td>
</tr>
<tr>
<td>Insurance</td>
<td>- Rs. 10000/-</td>
</tr>
<tr>
<td>Registration</td>
<td>- Rs. 10000/-</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>- Rs. 645000/-</strong></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Margin Money</td>
<td>- Rs. 230000/-</td>
</tr>
<tr>
<td>Amount Finance</td>
<td>- Rs. 415000/-</td>
</tr>
<tr>
<td><strong>Equated Half Yearly Installment</strong></td>
<td><strong>- Rs. 72,075/-</strong></td>
</tr>
</tbody>
</table>
Strong Growth Trajectory

Increasing Loan Book (Rs. Bn)
- FY11: 124.02
- FY12: 174.98
- FY13: 240.38

Growing Revenues (Rs. Bn)
- FY11: 19.78
- FY12: 27.95
- FY13: 38.95

Improving Profitability (1) (Rs. Bn)
- FY11: 4.63
- FY12: 6.20
- FY13: 8.83

Increasing Book Value Per Share (2) (Rs.)
- FY11: 47.9
- FY12: 56.7
- FY13: 78.3

Note:
1. PAT post exceptional items
2. Calculated as Shareholders funds/Number of shares
Consistent Financial Performance

Figures on standalone basis

Declining cost to income ratio (1) (%)
- FY11: 36.3%
- FY12: 35.4%
- FY13: 32.6%

Steady ROA (2) (%)
- FY11: 4.1%
- FY12: 3.9%
- FY13: 4.0%

Increasing RONW (3) (%)
- FY11: 22.0%
- FY12: 22.8%
- FY13: 23.5%

Robust Asset Quality
- FY11: 4.0%
- FY12: 3.0%
- FY13: 3.0%

Provision Coverage Ratio
- FY11: 86.4%
- FY12: 78.0%
- FY13: 65.9%

Note:
1 Cost to Income calculated as Operating Expenses (including depreciation)/(Net 23 Interest Income + Other Income).
2 Calculated based on average total assets.
3 Calculated based on average networth.
Tractor Business Till date

525000 Units

230 Billion Rs.
Tractor Disbursement-F-13

*50 Billion Rupees

** Value Rounded off
Customer Prosperity

We look at Customer

ASPIRATION

PURPOSE

CAPABILITY

SUPPORTED BY RISK  M&MFSL

CUSTOMER PROSPERITY
Thanks