

**FORM NO PAS-4 PRIVATE PLACEMENT  
OFFER LETTER**

**Series –AI 2018**

**Instrument – Secured Redeemable Non-  
Convertible Debentures**

**Investor- International Finance Corporation**

**Private and Confidential  
(Not for circulation)**

# Mahindra FINANCE

## MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

**Registered Office:** Gateway Building, Apollo Bunder, Mumbai 400 001

**Corporate Office :** 4<sup>th</sup> Floor, Mahindra Towers, Dr. G M Bhosale Marg, P.K. KurneChowk, Worli, Mumbai -400018

**Phone:** 66526000/07/08/09/10/53 **Fax:** 24953608/24900728

**CIN** -L65921MH1991PLC059642

**Website:**[www.mahindrafinance.com](http://www.mahindrafinance.com)

### FORM NO PAS-4

### PRIVATE PLACEMENT OFFER LETTER

*[Pursuant to section 42 and rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014]*

#### 1. GENERAL INFORMATION

a. *Name, address, website and other contact details of the company indicating both registered office and corporate office:-*

<b>Name:</b>	Mahindra & Mahindra Financial Services Limited ("Company" or "Issuer")
<b>Registered Office:</b>	Gateway Building, Apollo Bunder, Mumbai 400 001
<b>Corporate Office:</b>	4 <sup>th</sup> Floor, Mahindra Towers, Dr. G M Bhosale Marg, P.K. Kurne Chowk, Worli, Mumbai -400018
<b>CIN</b>	L65921MH1991PLC059642
<b>Compliance Officer:</b>	Ms. Arnavaz Pardiwalla
<b>Chief Financial Officer</b>	Mr. V Ravi
<b>Contact Person</b>	Mr. Dinesh Prajapati
<b>Phone No.:</b>	66526000/07/08/09/10/53
<b>Fax:</b>	24953608
<b>Website:</b>	<a href="http://www.mahindrafinance.com">www.mahindrafinance.com</a>
<b>Trustee to the Debenture holders:</b>	<b>Axis Trustee Services Ltd.</b> Axis House, 2nd Floor, Bombay Dyeing Mills Compound, Pandurang BudhkarMarg, Worli, Mumbai – 400 025 Tel: (022) 2425 5215/16 Fax:(022) 2425 4200 Email-Id: <a href="mailto:debenturetrustee@axistrustee.com">debenturetrustee@axistrustee.com</a>
<b>Registrar to the Issue:</b>	<b>Karvy Computershare Pvt. Ltd.</b> Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032. Tel: (040) 67162222 Fax:(040) 23001153 Email - Id : <a href="mailto:varghese@karvy.com">varghese@karvy.com</a>

<b>Auditors of the Issuer:</b>	<b>BSR Co. and LLP, Chartered Accountants</b> 5 <sup>th</sup> Floor, Lodha Excelus Apollo Mills Compound, N.M Joshi Marg, Mahalaxmi, Mumbai 400 011
<b>Arrangers of the issue</b>	<b>Not Applicable</b>

b. **Date of incorporation of the company**:-01<sup>st</sup> January, 1991

c. **Business carried on by the company and its subsidiaries with the details of branches or units, if any**:-

**A brief summary of business / activities of the Issuer company.**

**Overview**

We are one of the leading non-banking finance companies (“NBFCs”) with customers primarily in the rural and semi-urban markets of India. We are part of the Mahindra group, which is one of the largest business conglomerates in India. We are primarily engaged in providing financing for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles. We also provide housing finance, personal loans, financing to small and medium enterprises, insurance broking and mutual fund distribution services. In addition we, among other services, provide wholesale inventory-financing to dealers and retail-financing to customers in the United States for purchase of Mahindra group products through Mahindra Finance USA LLC, our joint venture with a subsidiary of the Rabobank group.

Our Company was incorporated in 1991 and commenced operations as a finance company in 1993. Our Company was registered as a deposit-taking NBFC in 1998 and have since established a pan-India presence, spanning 27 states and 4 union territories through 1,284 offices as of March 31, 2018. Our Company caters to the financing needs of retail customers and small and medium-sized enterprises. Our Company primarily focusses on providing financing for purchases of auto and utility vehicles, tractors, cars, commercial vehicles and construction equipment, pre-owned vehicles and SME and others which accounted for 26%, 18%, 20%, 13%, 14% and 9% of estimated total value of the assets financed, respectively, for the year ended March 31, 2018. We benefit from our close relationships with dealers and our long-standing relationships with OEMs, which allow us to provide on-site financing at dealerships.

Our Vision is to be a leading financial services provider in semi-urban and rural India. Our Mission is to transform rural lives and drive positive change in the communities.

As a supplement to our lending business, in May 2004, we started an insurance broking business through our subsidiary, MIBL. We provide insurance broking solutions to individuals and corporates through, MIBL. MIBL has a “composite broking license” from the Insurance Regulatory Development Authority of India, which allows MIBL to undertake broking of life, non-life and reinsurance products. It has been awarded the ISO 9001:2008 Certification for Quality Management Systems for services related to broking of life and non-life insurance products to corporate and retail customers. During Fiscal 2018, MIBL earned an income of ₹ 2,451 million and achieved a profit after tax of ₹ 522 million.

In October 2007, we commenced our housing finance business through our subsidiary MRHFL. We provide housing loans to individuals through, MRHFL, a registered housing

finance company, in which National Housing Bank presently owns a 11% equity share capital of MRHFL. We grant housing loans for purchase, construction, extension and renovation of house property. During Fiscal 2018, MRHFL's total income was ₹ 10,000 million and achieved a profit after tax of ₹ 1,455 million.

On September 27, 2010, our Company entered into an agreement with De Lage Landen Financial Services Inc., which is wholly-owned by the Rabobank group, to form a joint venture company in the United States, Mahindra Finance USA LLC. Mahindra Finance USA LLC was formed to provide, among other services, wholesale inventory financing to U.S. based dealers purchasing products of the Mahindra group and retail financing to customers for financing the purchase of the Mahindra group products. Our Company owns a 49.0% interest in Mahindra Finance USA LLC with the balance owned by De Lage Landen Financial Services Inc.

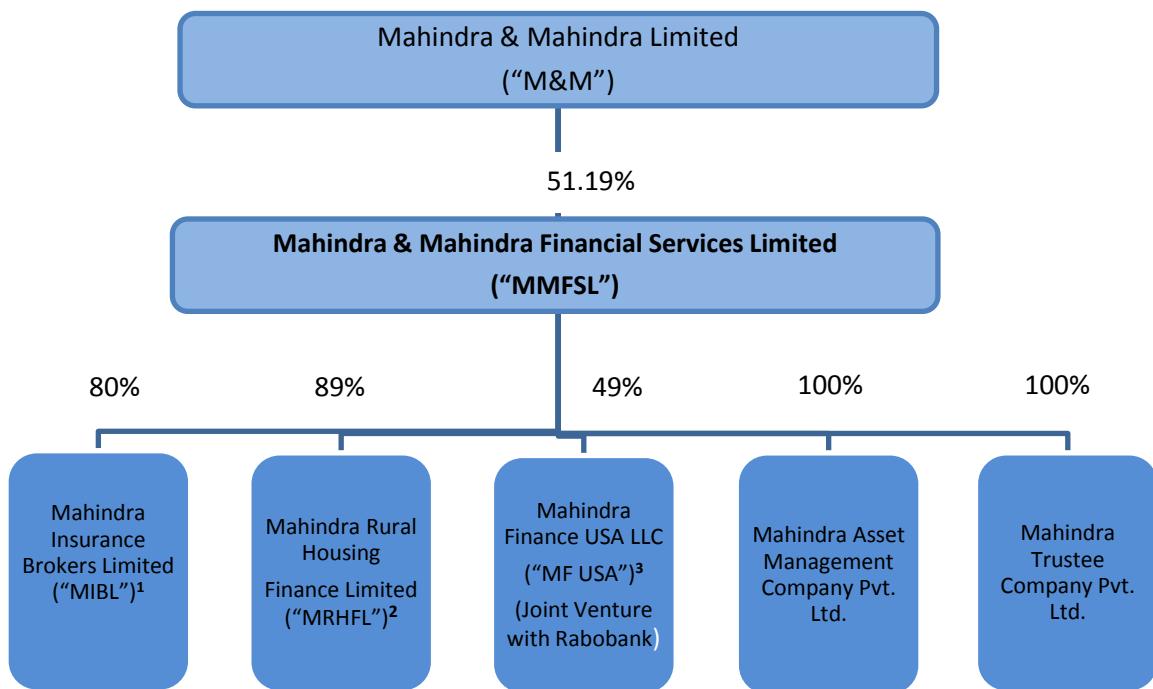
On 20 June 2013, Mahindra Asset Management Company Private Limited was incorporated and has been appointed as the asset management company of 'Mahindra Mutual Fund'. Mahindra Mutual Fund was constituted as a trust on 29 September 2015 and was registered with the Securities and Exchange Board of India ("SEBI") on 4 February 2016 under the registration code MF/069/16/01. MMFSL is the sponsor to the mutual fund and Mahindra Trustee Company Private Limited, a 100% subsidiary of MMFSL, is the trustee to the mutual fund. The maiden fund of the Mahindra Mutual Fund - 'Mahindra Liquid Fund' received approval from the SEBI on 20 June 2016 and was launched on 4 July 2016.

On standalone basis, for the Fiscal 2018, Fiscal 2017, Fiscal 2016, Fiscal 2015 and Fiscal 2014, the estimated total value of assets financed was ₹ 377,729 million, ₹ 316,591 million, ₹ 267,063 million, ₹ 243,311 million and ₹ 254,000 million, respectively, total income from operations was ₹ 71,471 million, ₹ 61,739 million, ₹ 58,531 million, ₹ 55,360 million, ₹ 49,216 million and ₹ 38,567 million, respectively and total profit after tax was ₹ 8,919 million, ₹ 4,002 million, ₹ 6,725 million, ₹ 8,317 million, ₹ 8,872 million and ₹ 8,826 million respectively.

On standalone basis, as of March 31, 2018, we maintained a NPA coverage ratio of 58.1%, net NPA of 3.8% of total assets, capital adequacy ratio of 21.9%, total loans and advances outstanding of ₹ 5,10,043.2 million and total assets of ₹ 5,43,678.1 million, compared to, as of March 31, 2017, we maintained a NPA coverage ratio of 61.8%, net NPA of 3.6% of total assets, capital adequacy ratio of 17.2%, total loans and advances outstanding of ₹ 4,23,563.3 million and total assets of ₹ 4,58,368.4 million.

## **Corporate Structure**

The following chart outlines our corporate structure as on 31<sup>st</sup> March, 2018:



- 1 MIBL is engaged in the business of direct insurance broking in the life and non-life insurance businesses. Inclusion Resources Pvt. Ltd. (IRPL), a subsidiary of XL Group, holds 20% of equity shares of MIBL.
- 2 MRHFL is engaged in the business of extending loans to customers for housing needs. The National Housing Bank holds 11% of the equity shares of MRHFL.
- 3 MF USA is engaged in the business of providing wholesale inventory-financing to dealers and retail-financing to customers in the United States for purchase of Mahindra Group products.
- 4 Mahindra Asset Management Company Private Limited is the asset management company of 'Mahindra Mutual Fund'. The maiden fund of the Mahindra Mutual Fund - 'Mahindra Liquid Fund' received approval from SEBI on 20 June 2016 and was launched on 4 July 2016.

### **Our Competitive Strengths**

Our competitive strengths are as follows:

#### ***Knowledge of rural and semi-urban markets***

We have over 20 years of operating experience primarily in rural and semi-urban markets, which has led to a significant understanding of local characteristics of these markets and has allowed us to address the unique needs of our customers. Of our Company's 1,284 offices spanning across 27 states and 4 union territories, as of March 31, 2018, majority cater to customers located in rural and semi-urban markets, majority cater to customers located in rural and semi-urban markets. We have adapted to markets that are affected by limitations of rural infrastructure and have developed a diversified customer base of farmers, car-owners, transport agencies, small businessmen and home-owners. For origination and collection, we hire employees with knowledge of the local markets and have also implemented a de-centralized process to approve loans that meet pre-determined criteria. Further, our field executives use hand-held general packet radio service ("GPRS") devices to record data while collecting loan payments at the customer's home or business location. This leads to face-to-face interaction that improves our understanding of the needs of our customers and enables us to be more responsive to local market demand. We believe that our knowledge of the rural and semi-urban markets is a key strength that has enabled us to become one of India's leading NBFCs.

We were early entrants into the rural and semi-urban markets, initially providing financing solely for products of M&M which has been selling its products in those markets for over 6 decades. Credit in these markets was principally provided by banks from the organised finance sector or by the local money lenders. There was a large section of the rural population which did not have access to credit largely due to their inability to meet the lending covenants of the banks or because they could not service the high rates of the money lenders. We identified this opportunity and positioned ourselves to service this population. We adopted simple and prompt loan approval and documentation procedures and set our offer rates between those of the banks and the money lenders. In addition, the markets we serve are largely cash driven and we understand the challenges and limitations of rural infrastructure and have created processes/systems to overcome such limitations and challenges. For example, our field executives collect cash at the customer's premises saving them the need to travel to one of our offices or a bank. These visits also enable us to develop our customer relationships and importantly allow us to understand their businesses. This understanding enables us to be proactive and develop future products for our customers. Our nationwide network, locally recruited employees, regular visits and our close relationship with the dealers enables us to understand the needs of our customers. We believe that due to our early entry, our client relationships and our relationship with OEMs, we have built a recognisable brand in the rural and semi-urban markets of India.

#### ***Extensive network of offices***

We operate an extensive network of our 1,284 offices spanning across 27 states and 4 union territories, as of March 31, 2018. The reach of our offices allows us to service our existing customers and attract new customers as a result of personal relationships cultivated through proximity and frequent interaction by our employees. Our widespread office network reduces our reliance on any one region in India and allows us to apply best practices developed in one region to other regions. Our geographic diversification also mitigates some of the regional, climatic and cyclical risks, such as heavy monsoons or droughts. In addition, our extensive office network benefits from a de-centralized approval system, which allows each office to grow its business organically as well as leverage its customer relationships by offering distribution of insurance products and mutual funds. We service multiple products through each of our offices, which reduces operating costs and improves total sales. We believe that the challenges inherent in developing an effective office network in rural and semi-urban areas provide us with a significant first mover advantage over our competitors in these areas.

### ***Streamlined Approval and Administrative Procedures and Effective Use of Technology***

We believe that we benefit from our streamlined company-wide approval and administrative procedures that are supplemented by our employee training and integrated technology. Our local offices are responsible for appraisal, disbursement, collection and delinquency management of loans. We require simple documentation to comply with the regulatory norms and for the collateral on the vehicle or equipment purchased. Typically, we disburse loan funds within two business days from receiving the complete loan application. Each of our security agreements contains alternate dispute resolution provisions for arbitration, re-possession and sale of assets that secure defaulting loans. We also require that the customer provides a guarantor as part of a reference check prior to disbursing the funds, a process which we believe acts as a social enforcement mechanism for timely repayment by customers.

We believe that our de-centralized streamlined origination process is successful because of our employee training and integrated technology. We train our employees to use soft skills and offer customised financial products based on the credit requirements and credit history of customers. Moreover, we are able to regularly monitor origination, disbursement and collection with our integrated technology. In addition, hand-held GPRS devices used by our employees provide us with installment collection, customer and certain risk management information in a prompt manner, thus enabling better monitoring. The recording of data in this manner enables us to provide intimation by SMS to customers in a prompt manner at every stage of the transaction and we believe, it also allows us to handle customer queries more efficiently.

### ***History of strong customer and dealer relationships***

We believe that we benefit from strong relationships with our customers, forged from long-term in-person customer contact, the reach of our office network, local knowledge and our continued association with automotive, farm equipment and car dealers. As part of our customer-centric approach, we recruit employees locally to increase our familiarity with the local customers and area. We believe that this personal contact, which includes visits by our employees to a customer's home or business to collect installment payments, increases the likelihood of repayment, encourages repeat business, establishes personal relationships and helps builds our reputation for excellent customer service. We also believe that our Company's close relationships with dealers help us develop and maintain strong customer relationships.

### ***Brand recall and synergies with the Mahindra group***

M&M, our Promoter and the flagship company of the Mahindra group has been selling automotive and farm equipment in semi-urban and rural markets for over 6 decades. The Mahindra group is one of the largest business conglomerates in India and has a strong presence in utility vehicles, tractors, information technology, financial services, aerospace, real estate, hospitality and logistics sectors. We believe that our relationship with the Mahindra group provides brand recall and we will continue to derive significant marketing and operational benefits.

### ***Access to cost-effective funding***

We believe that we are able to access cost-effective debt financing due to our strong brand equity, stable credit history, superior credit ratings and conservative risk management policies. Historically, we have secured cost-effective funding from a variety of sources. Our Company maintains borrowing relationships with several banks, mutual funds and insurance companies. We adhere to write-off and provisioning standards that are stricter than norms prescribed by RBI. Our long-term and subordinated debt is presently rated IND AAA, BWR AAA, CARE AAA and CRISIL AA+ by India Ratings & Research Private Limited, Brickwork Ratings India Private Limited, CARE Ratings Limited (Formerly Known as Credit Analysis & Research Limited) and CRISIL respectively. India Ratings & Research Private Limited and CRISIL has rated our short-term debt as IND A1+ and CRISIL A1+ respectively, which is the

highest rating for short-term debt instruments, and CRISIL has rated our fixed deposit program FAAA. For the Fiscal 2018 and Fiscal 2017, our average annualized interest cost of borrowed funds was 8.1% and 8.9%, respectively.

### **Experienced management team**

We have an experienced management team, which is supported by a capable and motivated pool of employees. Our senior managers have diverse experience in various financial services and functions related to our business. Our senior managers have an in-depth understanding of the specific industry, products and geographic regions they cover, which enables them to appropriately support and provide guidance to our employees. We also have an in-house experienced legal team consisting of qualified professionals, well-equipped to handle all our legal requirements ranging from loan and security documentation to recovery, repossession, security enforcement and related litigation, if any. In addition, our management has a track record of entering and growing new lines of business, such as insurance broking and housing finance. Our Board, including the independent directors, also has extensive experience in the financial services and banking industries in India.

## **Our Strategies**

Our business strategy is designed to capitalize on our competitive strengths to become the preferred provider of financing services to customers in the rural and semi-urban areas of India. Our key strategic priorities are as follows:

### ***Focus on the rural and semi-urban markets to grow our market share***

We plan to continue to expand our office network and increase the market share of our existing products and services in the rural and semi-urban markets of India. We intend to grow our market share by expanding our customer base and strengthening our relationships with dealers. We have grown our office network to 1284 offices as of March 31, 2018 from 657 offices as of March 31, 2013. In opening each office site, we analyze the local market and proximity to target customers. We believe our customers appreciate this convenience and that well-placed office sites allow us to attract new customers. In addition to our branch and region-based organisational structure, we have also formed a separate vertical for each of our key products, which works with our employees across offices to customize our products based on customers feed-back.

We also seek to expand our dealer relationships by strengthening our presence at dealers and by continuing to engage dealers beyond M&M for customer relationships. We believe that this strategy will increase our customer base and revenues and mitigate risks associated with deriving a substantial percentage of our vehicle financing revenues from purchasers of M&M vehicles. In order to enhance our dealer relationships, we also provide trade funding to assist with the working capital requirements of these dealers. We believe that we are in a position to leverage our existing distribution infrastructure to increase our penetration in markets where we already have a presence.

### ***Focus on effective use of technology***

As we continue to expand our geographic reach and scale of operations, we intend to further develop and integrate our technology to support our growth and improve the quality of our services. We intend to increase the number of offices connected to the centralized data centre in Mumbai. We also intend to expand our use of hand-held GPRS devices, which collect data used to monitor our operations and risk exposure. We have also rolled out an advanced version of the GPRS devices, which functions as a “mobile office” and is equipped with portable camera, scanning, voice recording and biometric features that allows our employees to originate loans, issue receipts and conduct know-your-customer checks at a customer’s home or business location. We believe that as we develop and integrate such programs into our business, we can further capitalize on the reach of our offices and increase our market

share. Our use of technology will also allow us to continue providing streamlined approval and documentation procedures and reduce incidence of error.

Further, our continued focus on the effective use of technology is aimed at allowing employees across our office network to collect and feed data to a centralized management system, providing our senior management with prompt operational data and assisting with treasury management. We believe that the accurate and timely collection of such data gives us the ability to operate our business in a centralized manner and develop better credit procedures and risk management

### ***Diversify product portfolio***

We also intend to further improve the diversity of our product portfolio to cater to the various financial needs of our customers and increase the share of income derived from sale of financial products. We intend to improve the diversity of our product portfolio both within our vehicle financing business as well as through the introduction and growth of other financial products. We intend to grow the share of our disbursements to pre-owned vehicles and light and heavy commercial vehicles to capture market share in what we believe is a growth area and improve the diversity of our loan exposure. We also intend to leverage our relationships—including with Maruti and its 'True Value' brand of pre-owned vehicles and M&M and its 'First Choice' brand of pre-owned vehicles—and our existing office network to diversify and expand our product portfolio.

Beyond our vehicle financing business, we intend to leverage our brand and office network, develop complementary business lines and become the preferred provider of financial products in rural and semi-urban markets—a one-stop shop for customers' financial needs. We have also launched a direct marketing initiative to target our existing and former customers to cater to all their financing requirements, thus generating new business and diversifying our loan portfolio. We expect that complementary business lines will allow us to offer new products to existing customers while attracting new customers as well. To this end, we hope to grow our housing finance, personal loans, gold loans and SME financing and increase distribution of mutual funds and insurance products. We will continue to focus on growing our rural housing portfolio through our subsidiary MRHFL, which in partnership with the National Housing Bank, we believe is in a unique position to cater to a large and untapped customer base.

### ***Continue to attract and retain talented employees***

As part of our business strategy, we are focused on attracting and retaining high quality talent. We recognize that the success of our business depends on our employees, particularly as we continue to expand our operations. We have successfully recruited and retained talented employees from a variety of backgrounds, including credit evaluation, risk management, treasury, technology and marketing. We will continue to attract talented employees through our retention initiatives and recruitment from local graduate colleges. Our retention initiatives include job rotation, secondments, quarterly reviews, incentive-based compensation, employee recognition programs, an employee stock option plan, training at our training facility and on-the-job training. We invest a significant amount of time and resources for training our employees, which we believe fosters mutual trust, improves the quality of our customer service and puts further emphasis on our continued retention.

## **Our Operations – Lending policy**

### **Initial Evaluation**

Once we identify a customer and complete his application, a field executive obtains information from the customer, including proof of identification and residence, background, potential of servicing the loan, other outstanding loans, loan type sought and the proposed use of the vehicle being financed. We also require that the customer provide a guarantor, typically another vehicle owner and preferably an existing or former customer of ours.

For a customer seeking to finance a pre-owned vehicle, our field executive prepares a vehicle inspection and evaluation report to determine the registration details, condition and market value of the vehicle. The field executive also prepares a field investigation report, which includes details of various movable and immovable properties of the applicant and guarantor. For an existing customer, the field executive also evaluates the customer's track record of payments.

The field executive then recommends whether the loan should be approved based on our prescribed guidelines and forwards a recommendation to the office manager for disbursement.

### **Approval Process**

Our office managers evaluate proposals received from field executives. Office managers primarily evaluate a customer's ability to repay, which includes permanency of residence, record of past repayment, income from other sources, entrepreneurial attitude, physical verification and operational viability of the proposed business, if applicable. To minimize the time required for approvals, we conduct know-your-customer procedures as required by the RBI in-house, use decentralized approval authority and standardized documentation and procedures across our offices. We typically approve loans within two days of receiving a complete application together with relevant supporting documents.

For the trade advances that we provide to authorized dealers, particularly for utility vehicles, tractors and cars, we also undertake background checks with the vehicle manufacturer, credit history, business volumes and seasonality. Our head office sets and communicates limits on trade advances for dealers.

For SME financing, there are four teams involved which include relationship, credit, risk and compliance. The relationship team collects the credit login information based on which it will visit the customer and does the assessment. The customer requirement is fulfilled with products defined in the credit policy. After the customer accepts the product structure, the proposal is provided to the approval authority as defined in the credit policy. Thereafter, the compliance team takes care of the execution of conditions of approval and the disbursement of the loan. The disbursement is conducted by the accounts team. All the activities, from login, approval, compliance and disbursement, are taken care of from our single software system. The credit policy and products are designed, taking into consideration the customer segments and industry segment.

### **Disbursement**

After confirming completion of the initial evaluation and approval process, our disbursing officers meet the customers to execute the loan documentation, ensuring that we gain security over the collateral. The disbursing officer verifies the know-your-customer checklist with the customer and verifies the completed checklist with information in our file. The disbursing officer explains the contents of the loan documents and based on customer's request, provides copies of the executed loan documents to the customer. In certain cases, we also require the customer to submit post-dated cheques typically covering the first 12 instalments prior to any loan disbursement. Options such as direct debit and Automated

Clearing House (ACH) are provided to our customers to facilitate ease in repayment. For pre-owned vehicles, we also require endorsement of the registration certificate and the insurance policy. We aim to appraise customers and complete disbursement within the shortest amount of time while adhering to our internal standards and regulatory requirements.

#### **Loan Administration and Monitoring**

At the outset of loan disbursement, we give our customers an option to pay using one of five methods—cash, cheque, demand drafts, ECS or ACH—at a frequency that is fixed after determining the customer's expected cash flow. Our field executives visit customers to collect installments as they become due. We track loan repayment schedules on a monthly basis through our central MIS department, which monitors installments due and loan defaults. We ensure that all customer accounts are reviewed by an office manager at regular intervals, with customers who have larger exposures or missed payments reviewed more frequently.

#### **Collection and Recovery**

Our field executives are responsible for collecting installments, with each field executive typically having responsibility for specified number of borrowers, depending on the volume of loan disbursements in the area. We consider opening a new office to handle additional customers in the region in an effort to ensure that each office can closely monitor its risks and collections.

We believe that our loan recovery procedure is well-suited to rural and semi-urban markets. The entire collection process is administered in-house. If a customer misses installment payments, our field executives identify the reasons for default and initiate action pursuant to our internal guidelines.

In the event of default under a loan agreement, we may initiate the process for re-possessing collateral. We typically use external agencies to re-possess collateral. Where appropriate, our loan asset re-construction department coordinates with our legal team and external lawyers to initiate and monitor legal proceedings.

**d. Brief particulars of the management of the company:-**

**Key Managerial Personnel of our Company**

***Mr. Ramesh Iyer, Vice-Chairman & Managing Director***

Mr. Iyer has been the Managing Director of our Company since April 30, 2001 and has been associated with our Company since inception. He is the President – Financial Services Sector and is also a member of Group Executive Board of M&M. Mr. Iyer is also on the board of several M&M Group companies as well as Mahindra Finance USA LLC, a joint venture between our Company and a subsidiary of the Rabo Bank Group.

Mr. Iyer has been conferred with the following awards: (i) Indian Achievers award for corporate leadership by Indian Achievers Forum; (ii) Business Leadership award by the Institute of Economic Studies, New Delhi; (iii) CEO with Human Resource Orientation award by Employer Branding Institute, CMO Asia with their strategic partner CMO Council; (iv) Udyog Rattan Award by the Institute of Economic Studies, New Delhi; (v) Rashtriya Udyog Pratibha Award by the Council for Economic Growth and Research, Pune; and (vi) Bhartiya Udyog Ratna award by the National Education and Human Resource Development Organisation, Mumbai. Mr. Iyer has featured in Business World's special report on –India's most Valueable CEOs. He has been ranked at Number 5 out of 65 in the Mid-Sized Companies (Revenue: Rs. 100 – Rs. 300 Billion) category and at Number 6 out of 65 in the same category based on one-year performance. He is also ranked at Number 20 out of 100, based on our Company's five year performance and Number 3 out of 12, based on ranking by sector in the Financial Sector.

***Mr. V. Ravi, Executive Director & Chief Financial Officer***

Mr. V. Ravi is a Chartered and Cost Accountant by profession. He had undertaken a long duration Global Managers Program from the Indian Institute of Management, Calcutta. Mr. V. Ravi is at present the Chief Financial Officer of our Company. Mr. Ravi has been associated with our Company since its inception and has been associated with the Mahindra Group for the past 26 years. He has served with Mahindra Ugine Steel Company Limited for nine years in Treasury, Finance and Diversification Projects prior to his induction in our Company way back in 1995. In his current capacity, he is responsible for Finance, Accounts, Audit, Systems, Legal and Fixed Deposit functions.

In addition to the above, Mr. Ravi was appointed as a member of the Asia Council of the Conference Board, USA and he has also served as a member of the Informal Advisory Group of the RBI.

***Dr. Jaideep Devare, Managing Director, MIBL***

Dr. Jaideep Devare is the Managing Director of MIBL and has been responsible for setting up, operationalizing and managing the organization since inception in 2004. Dr. Devare joined M&M in 1992 in Corporate Affairs, and has diverse experience across the various sectors of the Mahindra Group. His varied assignments include being a core team member of the Mahindra-Ford Project for setting up the joint venture with Ford Motor Company in India, Executive Associate - Office of the Managing Director of M&M, and Managing Director of Mahindra Auto Specialities Ltd.

Dr. Devare holds a Bachelor of Engineering (B.E.) degree in Production Engineering, with Honors, a Master of Management Studies (M.M.S.) degree with specialization in Finance, and a Doctorate of Philosophy (Ph.D) in Management.

***Mr. Anuj Mehra, Managing Director, MRHFL***

Mr. Anuj Mehra is currently the Managing Director of MRHFL a subsidiary of our Company. Mr. Anuj Mehra has obtained a Bachelor's Degree in Economics from Delhi University and has pursued post-graduation in management from Indian Institute of Management, Ahmedabad. Since passing out in 1982, he has had a rich and varied experience of around 26 years in the functional areas of Sales, Marketing, Finance and general Management across different industries (FMCG, Financial Services, Banking, Pharmaceutical and Real Estate).

Prior to joining MRHFL, Mr. Mehra was working with Mahindra Lifespace Developers Limited, a subsidiary of M&M.

***Mr. Vinay Deshpande, Chief People Officer***

Mr. Vinay Deshpande is the Chief People Officer for the financial services sector of the Mahindra group and in this capacity, he is responsible for the HR function in all the companies of this sector, namely our Company and our subsidiaries viz., MIBL, MRHFL.

Mr. Deshpande is a qualified HR professional from Symbiosis Institute of Business Management, Pune, where he completed his MBA. He brings to the table 29 years of experience and is versatile on all aspects of HR. In his earlier career, he was associated with Indian blue chip as well as multinational companies like ACC, L&T, Reliance, VIP Industries, Hoechst India and Bair India.

He is a member of Society for Human Resource Management (SHRM) and American Society for Training & Development (ASTD) and National HRD network. He is also a director on the board of Mindcrest (India) Private Limited, Mahindra BPO Services Private Limited.

***Mr. Rajnish Agarwal, Sr. Vice President – Operations***

Mr. Rajnish Agarwal is currently working as Vice President – Operations. He is a Graduate in Science from Lucknow University and has a master's degree in Management Studies from Mumbai University. He is also a member of Steering Committee. He has over 19 years of experience in retail credit auto loans, asset risk management, rural management, business and product development, channel and relationship management along with people management.

He has pursued short term courses in General Management and Business Leadership from reputed institutes such as Indian Institute of Management – Bangalore and Indian Institute of Management – Calcutta. He has won the Rise young potential leadership award in 2011.

***Mr. Gururaj Rao, Chief Information Officer***

Mr. Gururaj Rao is the Chief Information Officer of our Company, and is responsible for the Information Technology function of our Company along with its Subsidiaries.

Mr. Rao completed his Bachelor of Engineering from University of Bombay and subsequently completed his Master of Management Studies from Jamnalal Bajaj Institute of Management Studies. He also completed short term advanced courses in Technology from IIT Bombay and also completed Project Management certifications from PMI and Prince2. He has over 17 years of experience in various aspects of Banking, Insurance and Financial Services. In his earlier career, he was associated with the ICICI group (SCICI, ICICI, ICICI Bank, ICICI Prudential Life Insurance) and AV Birla Group (Birla Sun Life Insurance).

***Mr. R. Balaji, Sr. Vice President – Marketing & Strategy***

Mr. Balaji is a Bachelor of Technology in Aerospace Engineering from Indian Institute of Technology, Madras and a Post Graduate Diploma in Management from Indian Institute of Management, Calcutta. He has about 16 years of experience across marketing and strategy. He is at present the Vice President-Marketing & Strategy of our Company. Before moving to our Company, he was the General Manager - Corporate Strategy of M&M. Prior to joining the Mahindra group, he has spent nearly nine years in marketing assignments in ITC Agrotech Limited and Nestle India Limited.

***Mr. Rajesh Vasudevan, Sr. Vice President – Accounts***

Mr. Rajesh Vasudevan is at present Vice President – Accounts of our Company and is a commerce graduate from Mumbai University and a qualified Cost Accountant. Mr. Rajesh Vasudevan has around 22 years of experience in accounts and taxation with companies such as Tata Finance Limited and Asian Paints (India) Limited. In his current capacity he is responsible for the accounts and taxation functions.

***Mr. Dinesh Prajapati, Sr. Vice President - Treasury & Corporate Affairs***

Mr. Dinesh Prajapati, Vice President – Treasury & Corporate Affairs, is a Chartered and Cost Accountant by profession. Prior to joining our Company, he worked as an auditor in a company in the steel sector. He joined our Company in the year 1995 and is amongst the first few employees who helped the set-up of operations. He has over 15 years of experience in Accounting, Treasury, MIS and Budgeting, System Implementation and Functional Specification, Risk Management and Project Implementation Functions. He is presently heading the Treasury Function, Investor Relationship Cell and Risk Management Team. He was the Chairman of the shadow board from 2004 to 2006.

**e. Names, addresses, DIN and occupations of the directors as on 31<sup>st</sup> March, 2018:-**

Details of the current directors of the Company\*

Name, Designation and DIN	Age	Address	Director of the Company since	Details of other Directorship#	Occupation
<b>Mr. Dhananjay Mungale</b> Chairman & Independent Director DIN no. 00007563	65	10-A, Ameya Apartment, Off Kashinath Dhuru Road, Near Kirti College, Prabhadevi, Mumbai – 400 028.	01/03/1999		Consultant
<b>Mr. M. G. Bhide</b> Independent Director DIN no. 00001826	79	A/5, Bageshree, Shankar Ghanekar Marg, Prabhadevi, Mumbai – 400 025.	24/10/2000		Retired Bank Executive
<b>Mr. Piyush Mankad</b> Independent Director DIN no. 00005001	77	P/161, ATS Village, Sector 93A, Expressway, Noida, 201 301, Uttar Pradesh, India.	21/02/2005		Retired Civil Servant (IAS)
<b>Mrs. Rama Bijapurkar</b> Independent Director DIN no. 00001835	61	8,C-D, Mona Apartments,46F Bhulabhai Desai Road, Mumkai MUMBAI 400026.	14/06/2008		Independent Marketing Strategy Consultant
<b>Mr. V. S. Parthasarathy</b> Non-Executive, Non-Independent Director DIN no. 00125299	56	501- 502, Mayfair Bliss, Lena Cottage Co.Op.Hsg.Soc.Ltd, 7th Road, Khar (West), Mumbai – 400 052.	24/07/2014		Group CFO, Group CIO, Member of Group Executive Board, Mahindra & Mahindra Limited
<b>Mr. Chandrashekhar Bhaskar Bhave</b> Independent Director DIN no. 00059856	68	64, Tower 4, Pebble Bay, 1st Main, RMV Stage 2, Bengaluru – 560 094.	03/02/2015		Self Employed

<b>Mr. Ramesh Iyer</b> Vice-Chairman & Managing Director DIN no. 00220759	60	A- 801/802, Oberoi Gardens, Western Express Highway, Kandivli (East), Mumbai – 400 101.	30/04/2001		Company Director
<b>Mr. V. Ravi</b> Executive Director & Chief Financial Officer DIN No. : 00307328	59	A/4, New Samrat, Andheri Kurla Road, Plot No. 52 D, Andheri (East), Mumbai – 400 069.	25/07/2015		Company Director
<b>Dr. Anish Shah</b> Non-Executive, Non-Independent Director DIN No. : 02719429	49	2/21 Beach Queen 35/3 Azad road, Juhu Mumbai – 400 049.	18/03/2016		Group President (Strategy), Mahindra & Mahindra Limited

\* There is No director whose name is currently appearing in the RBI defaulter list and/or ECGC default list.

#### # Details of other Directorships as on 31<sup>st</sup> March 2018

Sr. No.	Name	Other Companies in which director is interested
1.	<b>Mr. Dhananjay Mungale</b>	1. Chowgule Steamships Ltd 2. I-nestor Advisores Private Ltd 3. Mentor Technologies Private Ltd 4. Mahindra & Mahindra Financial Services Limited, 5. Tamilnadu Petroproducts Limited, 6. NOCIL Ltd., 7. LICHFL Trustee Co. Pvt. Ltd., 8. Kalpataru Ltd., 9. Lavgan Dockyard Private Limited, 10. Mahindra CIE Automotive Limited, 11. J P Morgan Securities India Private Limited 12. Samson Maritime Limited 13. DSP Blackrock Investment Managers Pvt Ltd
2.	<b>Mr. Ramesh Iyer</b>	1. Mahindra & Mahindra Financial Services Limited, 2. Mahindra First Choice Wheels Limited, 3. Mahindra Insurance Brokers Limited, 4. NBS International Ltd., 5. Mahindra Rural Housing Finance Ltd., 6. Mahindra First Choice Services Limited, 7. Mahindra Finance USA LLC, 8. Finance Industry Development Council
3.	<b>Mr.V.S. Parthasarathy</b>	1. Mahindra & Mahindra Financial Services Ltd, 2. Mahindra Automotive North America Inc., 3. Mahindra USA Inc, 4. Mahindra Electric Mobility Ltd. 5. Mahindra Aerospace Private Limited 6. Mahindra Defence Systems Limited 7. Mahindra Tractor Assembly Inc. 8. CIE Automotive, S.A. 9. Mahindra Holidays & Resorts India Limited,

		10. New Democratic Electoral Trust 11. Peugeot Motorcycles SAS 12. Tech Mahindra Limited 13. Mahindra eMarket Limited 14. Bombay Chamber of Commerce and Industry
4.	<b>Mr. Manohar G. Bhide</b>	1. Mahindra & Mahindra Financial Services Limited, 2. J P Morgan Securities India Pvt. Ltd., 3. Mahindra Agri Solutions Limited, 4. Talwalkars Better Value Fitness Ltd, 5. Mahindra Trustee Company Private Limited.
5.	<b>Dr. Anish Shah</b>	1. Mahindra Trucks & Buses Limited 2. Mahindra Lifespace Developers Limited 3. Mahindra Ecole Centrale 4. Indian National Committee- United World College 5. Orizonte Business Solutions Limited 6. Confederation of Indian Industry ( western region) 7. Mahindra & Mahindra Financial Services Limited 8. PF Holdings BV 9. Mahindra Vehicle Sales and Service Inc.
6.	<b>Mr. Piyush G. Mankad</b>	1. DSP-Blackrock Investment Managers Pvt. Limited, 2. Mahindra & Mahindra Financial Services Limited, 3. Heidelberg Cement India Limited, 4. Hindustan Media Ventures Ltd., 5. DSP Blackrock Pension Fund Managers Private Limited
7.	<b>Mrs. Rama Bijapurkar</b>	1. Mahindra & Mahindra Financial Services Limited, 2. People Research on India's Consumer Economy, 3. Redington Gulf FZE 4. RBL Bank Limited (Formerly known as The Ratnakar Bank Limited) 5. National Payments Corporation of India 6. Emami Limited 7. Ambit Pvt. Limited 8. Nestle India Ltd.
8.	<b>Mr. Chandrashekhar B. Bhave</b>	1. Indian Institute For Human Settlements, 2. Mahindra & Mahindra Financial Services Limited 3. Avenue Supermarts Limited 4. Vistaar Financial Services Pvt Ltd.
9.	<b>Mr. V. Ravi</b>	1. Mahindra Insurance Brokers Limited, 2. Mahindra Rural Housing Finance Limited, 3. Mahindra Finance USA LLC, 4. Mahindra Asset Management Company Pvt. Ltd. 5. Mahindra & Mahindra Financial Services Limited

**f. Management's perception of risk factors:-**

**RISK FACTORS**

**1. The risk of non-payment or default by borrowers may adversely affect our financial condition and results of operations.**

We are one of the leading NBFCs in the rural and semi-urban markets of India and cater primarily to customers without formal credit histories and which typically have less financial wherewithal and may be particularly susceptible to adverse economic conditions. In addition, our customer portfolio principally consists of farmers, car-owners, transport agencies, small businessmen and home-owners with underdeveloped banking habits, and individual borrowers generally are less financially resilient than large corporate borrowers, and as a result, they can be more adversely affected by declining economics.

The borrowers and their guarantors under our loan agreements may default in their repayment obligations due to various reasons including insolvency, lack of liquidity, increase in operating costs, including fuel costs and business failure, including poor agricultural production. Besides macroeconomic conditions, we face risks specific to each line of business, which may also result in increased defaults. In addition, our customers often do not have credit histories supported by tax returns and other documents that would enable us to assess their creditworthiness, and we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation by our customers or employees. Furthermore, as a nationwide credit bureau has only recently become operational in India, there is less financial information available about individuals, particularly in our customer segment, which primarily consists of low to middle income earners. This segment also has limited access to other financing sources and is located in the rural and semi-urban markets. It may therefore be difficult to carry out precise credit risk analyses on all of our customers.

Although we follow certain procedures to evaluate the credit profiles of our customers at the time of sanctioning a loan, we typically rely on a system of referrals from the local community and the value of the vehicle provided as underlying collateral rather than focusing solely on the credit profile of our customers.

**2. Any disruption in our sources of funding could adversely affect our liquidity and financial condition.**

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from various sources, including shareholder funding, assigned and securitized receivables, and secured and unsecured loans, including rupee-denominated term loans and cash credit facilities from banks and financial institutions, non-convertible debentures, unsecured, non-convertible debentures, commercial paper, fixed deposits and inter-corporate deposits. Our business thus depends and will continue to depend on our ability to access a variety of funding sources. Our ability to raise funds on acceptable terms and at competitive rates depends on various factors including our current and future results of operations and financial condition, our risk management policies, our credit ratings, our brand equity, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy and the perceptions of investors and lenders of the demand for debt and equity securities of nonbanking financial companies ("NBFCs"). For example, regulatory developments in the past have affected NBFCs' access to select funding sources, and have affected their costs of borrowings including through funding from banks and the assignment and securitization transactions.

Changes in economic, regulatory and financial conditions or any lack of liquidity in the market could adversely affect our ability to access funds at competitive rates, which could adversely affect our liquidity and financial condition.

**3. Our inability to recover the full value of collateral or amounts outstanding under defaulted loans in a timely manner or at all could adversely affect our results of operations.**

For each vehicle financing arrangement, we sanction an amount of credit that is less than the value of the vehicle which we take as collateral. We regulate this amount through our restrictions on the loan to value ("LTV") ratio of each financing. We take other collateral such as houses for our housing finance business. The value of the collateral, however, may decline during the term of the loan for a variety of reasons, including depreciation and deterioration. As a result, if our customers default, we may receive less money from liquidating collateral than is owed under the relevant financing facility, and, in turn, incur losses, even where we successfully repossess and liquidate the collateral. While we require each customer to secure a guarantee, we may not be able to enforce or collect the amount owed under such guarantee, if at all.

We may also encounter difficulties in repossessing and liquidating collateral. When a customer defaults under a financing facility, we typically re-possess and then sell the collateral through an auction. There is no assurance, however, that we will be able to successfully repossess the collateral in the event of default under a loan agreement. We may also not be able to sell the collateral at a price sufficient to cover the amount owed under the financing facility, or at all. We may face additional delay and expense in conducting an auction to sell the collateral and may face significant delay in repossessing collateral, as litigation against defaulting customers, even if governed by an arbitration clause, can be slow and expensive in India. If we are unable or delay to repossess and liquidate the collateral securing loans in default, we may incur losses, which could adversely affect our results of operations and financial condition

**4. Our inability to compete effectively in an increasingly competitive industry may adversely affect our net interest margins, income and market share.**

We provide loans primarily to customers residing in rural and semi-urban markets. Our primary competitors have been private unorganized lenders who typically operate in rural and semi-urban markets and, increasingly, banks and NBFCs who have entered these markets. In addition to these private unorganized lenders, due to the significant growth in vehicle financing, we have recently begun to face competition from banks, NBFCs and housing finance companies, some of which may have superior technology, more resources, access to cheaper funding or existing office networks, have expanded their reach to rural and semi-urban markets and may have a better understanding of and relationships with customers in these markets. In addition, interest rate de-regulation and other liberalization measures affecting the vehicle financing sector, together with increased demand for capital, have resulted in increased competition.

Our ability to compete effectively will depend, in part, on our ability to maintain or increase our margins. Our margins are affected in part by our ability to continue to secure low-cost funding, and the interest rates at which we lend to our customers. Our ability to secure low-cost funding has been impacted by recent regulatory developments.

In light of this pressure, our ability to maintain or increase our margins will be dependent on our ability to pass on increases in the interest rates on our interest-bearing liabilities to our customers. Our ability to increase interest rates on the loans we extend, however, is limited by the increasing popularity of standardized and variable interest rate vehicle financing products, variable payment terms and lower processing fees. Moreover, any increases in the interest rates on the loans we extend may also result in a decrease in business or increase in our NPAs.

There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive vehicle finance industry in India. Increasing competition may adversely affect our net interest margins, income and market share, which in turn could have a material adverse effect on our financial condition and results of operations.

**5. If our Company's provisioning requirements are insufficient to cover our existing or future levels of non-performing loans, our ability to raise additional capital and debt funds as well as our results of operations and financial condition could be adversely affected.**

We adhere to provisioning requirements related to our loan portfolio pursuant to the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended (the "Prudential Norms"). These provisioning requirements may be less onerous than the provisioning requirements applicable to financial institutions and banks in other countries. The provisioning requirements may moreover require subjective judgments of our management. We cannot be sure that we will be able to improve our collections and recoveries in relation to our NPAs, or otherwise adequately control our level of NPAs in future. Moreover, as our loan portfolio matures, we may experience greater defaults in principle and /or interest repayments.

Though our own existing provisioning norms are more stringent than prescribed by the RBI, our provisioning requirements may be inadequate to cover increases in non-performing loans. The Master Directions require the NBFCs to make a provision of 0.40% of the outstanding in respect of standard assets which shall not be reckoned for arriving at net NPAs as well. The provisioning required for standard assets is 0.35 % as on March 31, 2017; and 0.40 % as on March 31, 2018 and thereafter. In addition, the Master Directions specify that from Fiscal 2018 and thereafter loans be classified as non-performing after being three months overdue.

If our provisioning requirements are insufficient to cover our existing or future levels of non-performing loans, our ability to raise additional capital and debt funds as well as our results of operations and financial condition could be adversely affected.

**6. We are affected by volatility in interest rates for both our lending and treasury operations, which could cause our net interest income to decline and adversely affect our return on assets and profitability.**

A significant component of our income is the interest income we receive from the loans we disburse. Our interest income is affected by any volatility in interest rates in our lending operations. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors, which have historically generated a relatively high degree of volatility in interest rates in India. Persistently high inflation in India may discourage the Government from implementing policies that would cause interest rates to decrease. Moreover, if there is an increase in the interest rates we pay on our borrowings that we are unable to pass to our customers, we may find it difficult to compete with our competitors, who may have access to low-cost deposit funds. Further, to the extent our borrowings are linked to market interest rates, we may have to pay interest at a higher rate than lenders that borrow only at fixed interest rates.

Fluctuations in interest rates may also adversely affect our treasury operations. In a rising interest rate environment, especially if the rise is sudden or sharp, we could be adversely affected by the decline in the market value of our securities portfolio and other fixed income securities. In addition, the value of any interest rate hedging instruments we may enter into in the future would be affected by changes in interest rates, which could adversely affect our ability to hedge against interest rate volatility. We cannot assure that we will continue to enter into such interest rate hedging instruments or that we will be able to enter into the

correct amount of such instruments to adequately hedge against interest rate volatility in the future.

Further, pursuant to our loan agreements with customers, we may lend money on a long-term, fixed interest rate basis, typically without including a provision that interest rates due under our loan agreements will increase if interest rates in the market increase. Any increase in interest rates over the duration of such loans may result in our losing interest income. Such increase will also affect the maturity period of the loan and may lead to increase in the amount of monthly installments due from borrowers and hence increasing the chances of default by the borrowers. Our inability to effectively and efficiently manage interest rate variations and our failure to pass on increased interest rates on our borrowings may cause our net interest income to decline, which would decrease our return on assets and could adversely affect our business, future financial performance and result of operations.

**7. A significant portion of our collections from customers is in cash, exposing us to certain operational risks.**

A significant portion of our collections from our customers is in cash. Large cash collections expose us to the risk of theft, fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. These risks are exacerbated by the high levels of responsibility we delegate to our employees and the geographically dispersed nature of our network. We primarily cater to customers in rural and semi-urban markets, which carry additional risks due to limitations on infrastructure and technology.

While we have implemented technology that tracks our cash collections, taken insurance policies, including fidelity coverage and coverage for cash in safes and in transit, and undertaken measures to detect and prevent unauthorized transactions, fraud or misappropriation, this may not be sufficient to prevent or deter such activities in all cases, which may adversely affect our operations and profitability. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. We may also be party to criminal proceedings and civil litigation related to our cash collections.

Our business is also susceptible to fraud by dealers, distributors and other agents with whom we deal on account of forgery of documents, multiple financing on same vehicle, customer identification and unauthorized collection of instalments on behalf of our Company.

Given the high volume of transactions involving cash processed by us, certain instances of fraud and misconduct by our representatives or employees may go unnoticed for some time before they are discovered and others successfully rectified. Even when we discover instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, there can be no assurance that we will recover any amounts lost through such fraud or other misconduct. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of such systems will result in losses that are difficult to detect or rectify.

The Government has by the Finance Act, 2017 introduced Section 269(ST) to the Income Tax Act which restricts cash transactions above Rs. 2.00 lakhs. Cash has been a preferred mode of payment for many of our customers and may continue to be in the future. Due to the amendments to the Income Tax Act, some of our high value collections may be affected till such time these customers start servicing our repayments through banking channels.

**8. Any downgrade in our credit ratings could increase borrowing costs and adversely affect our access to capital and lending markets and could also affect our interest margins, business, results of operations and financial condition.**

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of ratings agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Certain factors that influence our credit ratings may be outside of our control. For example, our credit ratings may depend on the financial performance and business prospects of M&M and its majority shareholding in our Company. India Ratings & Research Private Limited has assigned IND AAA/Stable rating, CARE Ratings Limited (Formerly known as Credit Analysis and Research Limited) has assigned CARE AAA; Stable rating and CRISIL has assigned CRISIL AA+/Stable rating to our long-term and subordinated debt. Brickwork has assigned BWR AAA rating with Stable Outlook to our long-term subordinated debt. CRISIL has rated our fixed deposit program FAAA/ Stable. Our short term debt / Commercial paper programme is rated CRISIL A1+ and IND A1+ by CRISIL Limited & India Ratings & Research Private Limited respectively, which is the highest rating for short-term debt instruments. These ratings may be suspended, withdrawn or revised at any time. Any revision or downgrading in the credit rating may lower the trading price of the NCDs and may also affect our ability to raise further debt.

Any downgrade in our credit ratings could increase borrowing costs and adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business and results of operations. In addition, any downgrade in our credit ratings could increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future. However, these ratings are not recommendations to buy, sell or hold securities and prospective investors should take their own decisions.

**9. We depend on the services of our management team and employees, our inability to recruit and retain them may adversely affect our business.**

Our future success depends substantially on the continued service and performance of members of our management team and employees. There is intense competition for experienced senior management and other qualified personnel, particularly office managers, field executives and employees with local knowledge in client procurement, loan disbursement and installment collections. If we cannot hire additional or retain existing management personnel and employees, our ability to expand our business will be impaired and our revenue could be adversely affected. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, divert management resources, adversely affect our origination and collection rates, increase our exposure to high-risk credit and impose significant costs on us. While we have an incentive based remuneration structure, employee stock option scheme and training and development programs designed to encourage employee retention, our inability to attract and retain talented professionals, or the resignation or loss of key management personnel, may have an adverse impact on our business and future financial performance.

**10. We face difficulties and incur additional expenses in operating in rural and semi-urban markets, where infrastructure may be limited.**

We cater primarily to customers in rural and semi-urban markets, which may have limited infrastructure, particularly for transportation and electricity. At offices in remote markets, we may face difficulties in conducting operations, such as accessing power facilities, transporting people and equipment, implementing technology measures. We may also face increased costs in conducting our business and operations, implementing security measures and expanding our advertising. We cannot assure you that such costs will not increase in the future as we expand our network in rural and semi urban markets, which could adversely affect our profitability.

Moreover, a significant number of our customers are farmers residing in rural and semi-urban areas and our results of operations are affected by risks specific to their businesses. For example, the agriculture industry in India is substantially dependent on monsoons. Extreme weather conditions such as drought, insufficient rainfall or floods may potentially affect the quality and quantity of farming production in a given year, thereby adversely affecting the ability of our farmer customers to repay their loans.

**11. A decline in our Company's capital adequacy ratio could restrict our future business growth.**

Pursuant to the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, as amended, we are required to maintain a capital adequacy ratio of at least 15.0% of our risk-weighted assets of our balance sheet and of risk adjusted value of off-balance sheet items, consisting of Tier I capital and Tier II capital, on an ongoing basis. The total Tier I capital, at any point is required to be at least 10% by March 31, 2017. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us or at all, which could result in non-compliance with applicable capital adequacy ratios and may adversely affect the growth of our business.

**12. Governmental and statutory regulations, including the imposition of an interest-rate ceiling, may adversely affect our operating results and financial position.**

As a deposit-taking NBFC, we are subject to regulation by Government authorities, including the RBI. The RBI, however, has not established a ceiling on the rate of interest that can be charged by NBFCs in the asset finance sector. Currently, the RBI requires that the board of directors of each NBFCs adopts an interest rate model that takes into account relevant factors such as the cost of funds, margin and risk premium. It is unclear whether NBFCs are required to comply with the provisions of state money lending laws that establish ceilings on interest rates.

The High Court of Kerala, in relation to a notice received by us from the Sales Tax Commissioner, Kerala, has held in an order that we are required to be registered under the Kerala Money Lenders Act, 1958. We have filed a special leave petition in the Supreme Court against this order and the matter is currently pending. The Supreme Court has granted an interim stay against the enforcement of this notice. In the event we are required to register under the Kerala Money Lenders Act, 1958 or any other state money lending laws, there may be interest rate ceiling caps and other restrictions on operations of our business. Further, we have also received such notices in some other states in the past. If any regulatory authority or court imposes any penalty against us or our Directors or our officers including for prior non-compliance with respect to state money lending laws, our business, results of operations and financial condition may be adversely affected.

**13. We are subject to supervision and regulation by the RBI as a systemically important deposit-taking NBFC, and changes in RBI's regulations governing us could adversely affect our business.**

We are subject to the RBI's guidelines on financial regulation of NBFCs, including capital adequacy, exposure and other prudential norms. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. The RBI's regulations of NBFCs could change in the future which may require us to restructure our activities, incur additional cost, raise additional capital or otherwise adversely affect our business and our financial performance.

The RBI, from time to time, amends the regulatory framework governing NBFCs to address concerns arising from certain divergent regulatory requirements for banks and NBFCs. Pursuant to two notifications dated December 6, 2006, (Notifications No. DNBS. 189 / CGM (PK)-2006 and DNBS.190 / CGM (PK)- 2006), the RBI amended the NBFC Acceptance of Public Deposits Directions, 1998, reclassifying deposit taking NBFCs, such as us. We are also subject to the requirements of the Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016, as amended.

The laws and regulations governing the banking and financial services industry in India have become increasingly complex and cover a wide variety of issues, such as interest rates, liquidity, investments, ethical issues, money laundering and privacy. Moreover, these laws and regulations can be amended, supplemented or changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with such laws and regulations, which could materially and adversely affect our business and our financial performance.

Compliance with many of the regulations applicable to our operations in India, including any restrictions on investments and other activities currently being carried out by us, involves a number of risks, particularly in markets where applicable regulations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and our business could be adversely affected. We are also subject to changes in laws, regulations and accounting principles and practices. There can be no assurance that the laws governing the financial services sector will not change in the future or that such changes or the interpretation or enforcement of existing and future laws and rules by governmental and regulatory authorities will not adversely affect our business and future financial performance.

Additionally, we are required to make various filings with the RBI, the Registrar of Companies and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. If we fail to comply with these requirements, or a regulator claims we have not complied with these requirements, we may be subject to penalties and compounding proceedings.

**14. We may be unsuccessful in expanding into new lines of business and implement our new business strategies, and such new strategies may not achieve desired result which could adversely affect our growth and business.**

We continue to pursue opportunities to expand into new lines of business. For example, to complement our existing mutual fund distribution business, we incorporated an asset management company and during Fiscal 2016, obtained a certificate of registration as a registered mutual fund from SEBI. This growth strategy, and other growth strategies we pursue, may put a strain on our resources and may require us to obtain new regulatory approvals. Moreover, neither we nor Mahindra & Mahindra Limited (our Promoter or M&M) has significant operational experience in the mutual fund or banking sectors. Pursuing these business opportunities, including the setting up of an asset management company and our investments in a mutual fund business, will require significant capital, which we may not be able to raise in a timely manner, or at all. There can be no assurance that we will be successful in expanding these new lines of business, which could adversely affect our business, operations and profitability.

We may pursue new business strategies in the future, including, amongst others, increasing our presence in India, opening new offices and increasing our presence in rural centres. We will continue to introduce new products and services, such as loans to small and medium enterprises in our existing lines of business. Pursuing these strategies involves inherent business risks, such as making incorrect judgments or assumptions as to target customer or customer acceptance of any of these strategies. In addition, we may need to make additional investments for advertisement to build brand awareness among our target customers for any new business areas that we may want to venture into. There is no

assurance that we will be successful in implementing any or all of these strategies. In the event that any of these business strategies fail, our overall financial performance may be adversely affected.

**15. Any failure, inadequacy and security breach in our computer systems and servers may adversely affect our business.**

Our operations depend on our ability to process a large number of transactions on a daily basis across our network of offices, most of which are connected through computer systems and servers to our head office. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services, particularly in the rural and semi-urban markets in which we primarily operate. Our business is particularly susceptible to such disruptions because of our reliance on handheld GPRS devices, expected implementation of mobile offices and the higher cost of installation and implementation of technology in the rural and semi-urban markets. Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, servers, software, including software licensed from vendors and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft including customer data, employee data and propriety business data, for which we could potentially be liable. Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our business.

**16. Our ability to assess, monitor and manage risks inherent in our business differs from the standards of some of our counterparts in India and in some developed countries**

The effectiveness of our risk monitoring and management is limited by the quality, timeliness and availability of data required for the assessment of the risks such as, information regarding market, customers, proposed policy changes, etc. These data may not be accurate or complete in all the cases thereby affecting our ability to access, monitor and manage the risk. Our hedging strategies and other risk management techniques may not be fully effective in mitigating all the types of risks that we face or may face in the market. Largely, our risk management is based on the study of historical market behaviour and as a result these studies may not predict the future risks exposures. Our risk management policies therefore may not in all cases adequately address unidentified or unanticipated risks. Our inadequacy in properly assessing the risks and hence moulding accordingly to ward of these risks may have an adverse effect on our business and results of operations.

**EXTERNAL RISKS****1. A slowdown in economic growth in India could cause our business to suffer.**

Any slowdown in the Indian economy or in the growth of any of the industries to which we provide financing to, or future volatility in global commodity prices, could adversely affect our borrowers and the growth of our business, which in turn could adversely affect our business, results of operations and financial condition.

India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Furthermore, conditions outside India, such as slowdowns in the economic growth of other countries, could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material adverse effect on our business, financial condition and results of operations.

**2. Political instability, changes in the Government or natural calamities may adversely affect economic conditions in India, which may impact our business, financial results and results of operations.**

The Government has traditionally exercised and continues to exercise influence over many aspects of the economy. Our business and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive Indian Governments have pursued policies of economic liberalisation and financial sector reforms. Various factors could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. Our financial performance may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government, social stability or other political, economic or diplomatic developments affecting India in the future.

India has experienced and may continue to experience natural calamities such as earthquakes, floods and drought. The extent and severity of these natural disasters determines their effect on the Indian economy. Such natural calamities could have a negative effect on the Indian economy, adversely affecting our business.

**3. Terrorist attacks, communal disturbances, civil unrest and other acts of violence or war involving India and other countries may adversely affect the financial markets and our business.**

Terrorist attacks and other acts of violence or war may adversely affect the Indian and worldwide financial markets. These acts may also result in a loss of business confidence and adversely affect our business, financial condition and results of operations. In addition, any deterioration in relations between India and its neighboring countries might result in concern about stability in the region, which may adversely affect the price of our NCDs.

India has also witnessed civil unrest including communal disturbances and riots in recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income. Such incidents may also create a greater perception that investment in Indian companies involves a higher degree of risk and may have an adverse impact on the price of our NCDs.

**4. Any downgrade of credit ratings of India may adversely affect our ability to raise debt financing.**

India's sovereign ratings reflect an assessment of the Indian government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

No assurance can be given that any statistical rating organisation will not downgrade the credit ratings of India. Any such downgrade could adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business and financial performance.

**5. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.**

Flows to foreign exchange reserves can be volatile, and past declines may have adversely affected the valuation of the Rupee. Further declines in foreign exchange reserves, as well as other factors, could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect our future financial performance and the market price of the NCDs.

**g. Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –**

- i) statutory dues;**
- ii) debentures and interest thereon;**
- iii) deposits and interest thereon;**
- iv) loan from any bank or financial institution and interest thereon.**

NIL

**h. Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process:-**

Arnavaz Pardiwalla  
Company Secretary  
Email: pardiwalla.arnavaz@mahindra.com  
Mahindra Towers, 4<sup>th</sup> Floor, Dr. G M Bhosale Marg, Worli, Mumbai - 400018  
022-66526035

## 2. PARTICULARS OF THE OFFER

- a. **Date of passing of board resolution:-** 25<sup>th</sup> April, 2018
- b. **Date of passing of resolution in the general meeting, authorizing the offer of securities:-** 14<sup>th</sup> June, 2018
- c. **Kinds of securities offered (i.e. whether share or debenture) and class of security:-**  
Unrated Unlisted Secured Redeemable Non-Convertible Debenture
- d. **Price at which the security is being offered including the premium, if any, along with justification of the price:-**  
Rs.10,00,000/- per Debenture. The Debentures are being issued at par

### Term Sheet

Security Name	8.24% - Mahindra & Mahindra Financial Services – 29 June 2023
Issuer	Mahindra & Mahindra Financial Services Limited
Type of Instrument	Secured Redeemable Non-convertible Debentures
Nature of Instrument	Secured
Seniority	Senior
Mode of Issue	Private Placement
Eligible Investors	International Finance Corporation
Issue Size	Rs. 643 Crs
Option to retain oversubscription (Amount )	N.A.
Objects of the Issue	On lending to small and medium term enterprises in low income and special category states.
Details of the utilization of the Proceeds	On lending to small and medium term enterprises in low income and special category states. The proceeds of this issuance will not be utilized for investment in real estate business, capital markets, purchase of land or any other restricted purposes under guidelines issued by the RBI and SEBI.
Coupon Rate	8.24% p.a
Step Up/Step Down Coupon Rate 1	N.A.
Coupon Payment Frequency	To be paid on 18 <sup>th</sup> May and 18 <sup>th</sup> November every year till maturity
Coupon payment dates	18 <sup>th</sup> May and 18 <sup>th</sup> November every year till maturity
Coupon Type	Fixed
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	N.A.
Day Count Basis	Actual/Actual. As per Debenture Trust Deed

Interest on Application Money	Not Applicable
Default Interest Rate	Default interest will be paid in accordance with the debenture trust deed dated December 26, 2017 executed between Company and the Trustee (as amended from time to time) ("Debenture Trust Deed").
Tenor	4 years 361 days from the Deemed Date of Allotment
Redemption Date	29/06/2023 (any redemption of the debentures prior to one year from the deemed date of allotment / investment will be with the prior approval of RBI or SEBI, if required under applicable law.)
Redemption Amount	Rs. 10,00,000/- per debenture
Redemption Premium /Discount	Nil
Issue Price	Rs.10,00,000/- per Debenture
Discount at which security is issued and the effective yield as a result of such discount.	N.A.
Face Value	Rs.10,00,000/- per Debenture
Minimum Application	6430 Debentures
Issue Timing	
1. Issue Opening Date	03/07/2018
2. Issue Closing Date	03/07/2018
3. Pay-in Date	03/07/2018
4. Deemed Date of Allotment	03/07/2018
Issuance mode of the Instrument	Demat
Trading mode of the Instrument	Demat
Settlement mode of the Instrument	Through RTGS / NEFT / Fund Transfer
Depository	NSDL
Business Day Convention	As per Debenture Trust Deed
Record Date	The record date for the purpose of determination of the persons entitled to receive interest / Principal in respect of the debentures shall be 14 calendar days before the date of Interest / principal payment.
Security (where applicable)  (Including description, type of security, type of charge, likely date of creation of security, minimum	Second ranking exclusive charge on the property mentioned below and first ranking exclusive charge on the book debts and future receivables originating from loan contracts and owned assets to the extent of 100% of Debentures outstanding:  The Office Premises No. B (Northern Side) admeasuring 576 sq. ft.

security cover, revaluation, replacement of security).	i.e. 53.51 sq. mtrs or thereabout (super built-up) on the Second Floor of the building known as Sanjeevani Chambers and constructed on Plot bearing CTS No. 20293 in Sanjeevani Complex, Adalat Road, Near Ratnaprabha Motors, Aurangabad in the State of Maharashtra.
	The security cover shall be 100% to be maintained in accordance with the provisions of the Debenture Trust Deed. The security will be effective from the date on which the executed Offer Document and Application Form are issued by the Issuer to the proposed investor
Transaction Documents	as per the Debenture Trust Deed
Conditions Precedent to Disbursement	as per the Debenture Trust Deed
Condition Subsequent to Disbursement	as per the Debenture Trust Deed
Events of Default	as per the Debenture Trust Deed
Provisions related to Cross Default Clause	N.A.
Role and Responsibilities of Debenture Trustee	As defined in the Debenture Trust Deed
Governing Law and Jurisdiction	Indian Law with courts and tribunals of New Delhi having exclusive jurisdiction to settle any disputes arising out of or in connection with the NCDs
Compliance	<p>a) Company reserves right to make multiple issuances under the same ISIN with reference to SEBI Circular CIR/IMD/DF-1/ 67 /2017 dated 30th June 2017.</p> <p>b) Issue can be made either by way of creation of fresh ISIN or by way of issuance under the existing ISIN at premium /par/discount as the case may be in line with SEBI Circular CIR/IMD/DF-1/ 67 /2017 dated 30th June 2017</p>

**Illustration of Bond Cash Flows**

<b>Cash Flows</b>	<b>Due Date</b>	<b>No. of days in Coupon period</b>	<b>Amount per Debenture (rounded off)</b>
Investment	Tuesday, 03 <sup>rd</sup> Jul 2018	-	10,00,000
Interest Payment	18 <sup>th</sup> Nov 2018	138	31,154
Interest Payment	18 <sup>th</sup> May 2019	181	40,861
Interest Payment	18 <sup>th</sup> Nov 2019	184	41,539
Interest Payment	18 <sup>th</sup> May 2020	182	40,975
Interest Payment	18 <sup>th</sup> Nov 2020	184	41,425
Interest Payment	18 <sup>th</sup> May 2021	181	40,861
Interest Payment	18 <sup>th</sup> Nov 2021	184	41,539
Interest Payment	18 <sup>th</sup> May 2022	181	40,861
Interest Payment	18 <sup>th</sup> Nov 2022	184	41,539
Interest Payment	18 <sup>th</sup> May 2023	181	40,861
Interest Payment	29 <sup>th</sup> Jun 2023	42	9,482
Redemption	29 <sup>th</sup> Jun 2023	-	10,00,000

**Note :** If the interest payment date falls on a holiday, the payment may be made on the following working day however the dates of the future coupon payments would be as per the schedule originally stipulated at the time of issuing the security. The interest payment should be rounded to nearest rupee.

**e. Name and address of the valuer who performed valuation of the security offered:-**  
N.A.

**f. Amount which the company intends to raise by way of securities:-**  
INR 643 crore

**g. Terms of raising of securities: Duration, if applicable, Rate of dividend or rate of interest, mode of payment and repayment:-**

Coupon Rate	8.24% p.a
Mode of Payment and Repayment	RTGS / NEFT / Fund Transfer
Repayment	29/06/2023
Duration	4 years 361 days from the Deemed Date of Allotment

**h. Proposed time schedule for which the offer letter is valid:-**

Issue Opening Date	03/07/2018
Issue Closing Date	03/07/2018
Pay-in Date	03/07/2018
Deemed Date of Allotment	03/07/2018

**i. Purposes and objects of the offer:-**

The proceeds of the Debentures shall be utilised by the Company for the purpose as mentioned under the Debenture Trust Deed.

**j. Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects:-**

NIL

***k. Principle terms of assets charged as security, if applicable:-***

The Debentures are secured by:

- (i) an exclusive second ranking mortgage in favour of the Trustee on the Company's immovable properties, present & future, more specifically stated hereinbelow:

The Office Premises No. B (Northern Side) admeasuring 576 sq. ft. i.e. 53.51 sq. mtrs or thereabout (super built-up) on the Second Floor of the building known as Sanjeevani Chambers and constructed on Plot bearing CTS No. 20293 in Sanjeevani Complex, Adalat Road, Near Ratnaprabha Motors, Aurangabad in the state of Maharashtra.

- (ii) a first ranking exclusive charge by way of hypothecation on book debts and future receivables originating from loan contracts and owned assets to the extent of 100% of Debentures outstanding. The security cover shall be 100% to be maintained in accordance with the provisions of the Debenture Trust Deed ("DTD"). The security will be effective from the date on which the executed Offer Document (as defined in the DTD) and Application Form (as defined in the DTD) are issued by the Company to the proposed investor.

**3. DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**

*i. Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.*

NIL

*ii. Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed*

Our parent is Mahindra & Mahindra Ltd. (M&M) which is a corporate entity. In the normal course of business, M&M face claims and assertions by various parties. They assess such claims and assertions and monitor the legal environment on an ongoing basis, with the assistance of external legal counsel wherever necessary. They record a liability for any claims where a potential loss is probable and capable of being estimated, and disclose such matters in their financial statements, if material. For potential losses which are considered reasonably possible, but not probable, they provide disclosure in the financial statements, but do not record a liability in the accounts unless the loss becomes probable.

There are claims against them which pertain to various tax related cases and consumer complaints.

The cases either individually or in the aggregate, would not have a material adverse effect on their financial condition, results of operations or cash flows.

Please see the list of cases available at [http://www.mahindrafinance.com/pdf/placement\\_document.pdf](http://www.mahindrafinance.com/pdf/placement_document.pdf). Please note that the viewing of the information available at the website would not constitute an offer under the said document.

*iii. Remuneration of directors (during the current year and last three financial years***Details of Remuneration Paid to Directors for the Financial Year 2015 – 16****(Rs.in Lakhs)**

<b>Name of the Director</b>	<b>Sitting Fees (excluding Service Tax)</b>	<b>Salary and Perquisites</b>	<b>Superannuation and Provident Fund #</b>	<b>Commission</b>	<b>Total</b>	<b>Employees Stock Option Scheme 2010 (ESOS-2010)</b>		
						<b>Number of Stock Options granted in February 2011 Grant 1\$\$</b>	<b>Number of Stock Options granted in October, 2014 Grant 5\$\$\$</b>	<b>Number of Stock Options granted in October, 2015 Grant 6\$\$\$</b>
Mr. Ramesh Iyer*	N.A.	353.69	17.29	73.83	444.82	2,00,140	1,62,173	10,812
Mr. Bharat N. Doshi^	5.60	N.A.	N.A.	45.00	50.6	Nil	Nil	Nil
Mr. Uday Y. Phadke @	N.A.	N.A.	N.A.	Nil	Nil	1,67,390	Nil	Nil
Mr. Dhananjay Mungale	6.10	N.A.	N.A.	16.00	22.10	Nil	Nil	Nil
Mr. M.G. Bhide	7.90	N.A.	N.A.	16.00	23.90	Nil	Nil	Nil
Mr. Piyush Mankad	7.20	N.A.	N.A.	16.00	23.20	Nil	Nil	Nil
Ms. Rama Bijapurkar	5.70	N.A.	N.A.	15.00	20.70	Nil	Nil	Nil
Mr. C. B. Bhave	5.80	N.A.	N.A.	2.34	8.14	N.A.	N.A.	N.A.
Mr. V. S. Parthasarathy	N.A.	N.A.	N.A.	N.A.	Nil	N.A.	Nil	Nil
Mr. V. Ravi**	N.A.	201.78	5.32	N.A.	207.1	77,815	61,319	Nil
Dr. Anish Shah	N.A.	N.A.	N.A.	N.A.	Nil	N.A.	N.A.	N.A.

# Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.

**\$\$ ESOS – 2010**

**Grant-1:** The Stock Options have been granted on 7th February, 2011. Of this, all the five tranches at the rate of 20% each totaling 100% of the total options have vested on 7th

February, 2012, 7th February, 2013, 7th February, 2014, 7th February, 2015 and 7th February, 2016 respectively.

**Grant-5:** The Stock Options have been granted on 21st October, 2014. Of this, one tranche at the rate of 20% of the total options granted have vested on 21st October, 2015 on expiry of 12 months from the grant date and the balance number of options would vest in four equal tranches at the rate of 20% each on 21st October, 2016, 21st October, 2017, 21st October, 2018 and 21st October, 2019 on expiry of 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

**Grant-6:** The Stock Options have been granted on 21st October, 2015. These options would vest in five equal tranches at the rate of 20% each on, 21st October, 2016, 21st October, 2017, 21st October, 2018, 21st October, 2019 and 21st October, 2020 on expiry of 12 months, 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

<sup>^</sup> Resigned as Chairman and Member of the Board w.e.f. 9th March, 2016.

@ ceased to be Director of the Company from conclusion of 24th Annual General Meeting held on 24th July, 2015.

- \* The notice period for the Vice-Chairman & Managing Director is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. Details regarding the Stock Options granted to the Vice-Chairman & Managing Director are given in the Annexure I to the Directors' Report. The term of appointment is for a period of 5 years with effect from 30th April, 2016. There is no separate provision for the payment of severance fees.
- \*\* The notice period for the Executive Director & Chief Financial Officer is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. Details regarding the Stock Options granted to the Executive Director & Chief Financial Officer are given in the Annexure I to the Directors' Report. The term of appointment is for a period of 5 years with effect from 25th July, 2015. There is no separate provision for the payment of severance fees.

During 2015 - 16, the Company did not advance loans to any of its Directors.

**Details of Remuneration Paid to Directors for the Financial Year 2016 – 17****(Rs.in Lakhs)**

Name of the Director	Sitting Fees (excluding Service Tax)	Salary	Perqui-sites	Superan-nuation and Provide-nt Fund#	Commi-sion for the year ended 31st March, 2016 paid during the year under review	Total	Employees Stock Option Scheme 2010+ (ESOS-2010)		
							Number of Stock Options granted in February, 2011 Grant 1\$	Number of Stock Options granted in October, 2014 Grant 5\$	Number of Stock Options granted in October, 2015 Grant 6\$

**Whole-time Directors**

Mr. Ramesh Iyer*	N.A.	275.90	304.96 @	19.89	84.91	685.60	2,00,140	1,62,173	10,812
Mr. V. Ravi**	N.A.	141.17	117.26@ @	6.32	40.78	305.53	77,815	61,319	NIL

**Non-Executive Directors**

Mr. Dhananjay Mungale	8.90	N.A.	N.A.	N.A.	17.32	26.22	NIL	NIL	NIL
Mr. Bharat Doshi^	N.A.	N.A.	N.A.	N.A.	45.24	45.24	NIL	NIL	NIL
Mr. M. G. Bhide	9.50	N.A.	N.A.	N.A.	17.00	26.50	NIL	NIL	NIL
Mr. Piyush Mankad	7.90	N.A.	N.A.	N.A.	17.00	24.90	NIL	NIL	NIL
Ms. Rama Bijapurkar	6.40	N.A.	N.A.	N.A.	17.00	23.40	NIL	NIL	NIL
Mr. C. B. Bhave	7.90	N.A.	N.A.	N.A.	17.00	24.90	N.A.	N.A.	N.A.
Mr. V. S. Parthasarathy	N.A.	N.A.	N.A.	N.A.	N.A.	NIL	N.A.	NIL	NIL
Dr. Anish Shah	N.A.	N.A.	N.A.	N.A.	N.A.	NIL	N.A.	N.A.	N.A.

**Notes:**

@ This includes Rs. 303.87 lakhs being perquisite value of ESOPs of the Company exercised during the year.

@@This includes Rs. 113.78 lakhs being perquisite value of ESOPs of the Company exercised during the year

# Aggregate of the Company's contributions to Superannuation Fund and Provident Fund. + Options issued at an Exercise Price of Rs. 2/- being the Face Value of the underlying shares.

\$ ESOS – 2010

Grant-1: The Stock Options have been granted on 7th February, 2011. Of this, all the five tranches of 20% each totalling 100% of the total options have vested on 7th February, 2012, 7th February, 2013, 7th February, 2014, 7th February, 2015 and 7th February, 2016 respectively.

Grant-5: The Stock Options have been granted on 21st October, 2014. Of this, one tranche of 20% of the total options granted have vested on 21st October, 2015 on expiry of 12 months from the grant date and the balance number of options would vest in four equal tranches of 20% each on 21st October, 2016, 21st October, 2017, 21st October, 2018 and 21st October, 2019 on expiry of 24 months, 36 months, 48 months and 60 months respectively from the date of grant.

Grant-6: The Stock Options have been granted on 21st October, 2015. These options would vest in five equal tranches of 20% each on 21st October, 2016, 21st October, 2017, 21st October, 2018, 21st October, 2019 and 21st October, 2020 on expiry of 12 months, 24 months, 36 months, 48 months and 60 months respectively from the date of grant

\* The notice period for the Vice-Chairman & Managing Director is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. The term of appointment is for a period of 5 years with effect from 30th April, 2016. There is no separate provision for the payment of severance fees.

\*\* The notice period for the Executive Director & Chief Financial Officer is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. The term of appointment is for a period of 5 years with effect from 25th July, 2015. There is no separate provision for the payment of severance fees.

^ Resigned as Chairman and Member of the Board with effect from 9th March, 2016.

During 2016-17, the Company did not advance loans to any of its Directors.

**Details of Remuneration paid to Directors for the Financial Year 2017-18**

(Rs. in Lakhs)

Name of the Director	Sitting Fees	Salary	Perqui sites	Superan nuation and Providen t Fund#	Comm ission for the year ended 31st March , 2017 paid during the year under review	Total	Employees Stock Option Scheme 2010+ (ESOS-2010)		
							Number of Stock Options granted in February , 2011 Grant 1\$	Number of Stock Options granted in October, 2014 Grant 5\$	Number of Stock Options granted in October, 2015 Grant 6\$

**Whole-time Directors**

Mr. Ramesh Iyer*	N.A.	344.09	144.24	22.32	97.65	608.30	2,00,140	1,62,173	10,812
Mr. V. Ravi**	N.A.	158.17	53.82	6.85	45.68	264.52	77,815	61,319	NIL

**Non-Executive Directors**

Mr. Dhananjay Mungale	9.50	N.A.	N.A.	N.A.	24.00	33.50	NIL	NIL	NIL
Mr. M. G. Bhide	10.70	N.A.	N.A.	N.A.	17.00	27.70	NIL	NIL	NIL
Mr. Piyush Mankad	9.60	N.A.	N.A.	N.A.	17.00	26.60	NIL	NIL	NIL
Ms. Rama Bijapurkar	6.30	N.A.	N.A.	N.A.	17.00	23.30	NIL	NIL	NIL
Mr. C. B. Bhave	8.60	N.A.	N.A.	N.A.	17.00	25.60	NIL	NIL	NIL
Mr. V. S. Parthasarathy	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	NIL	NIL	NIL
Dr. Anish Shah	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	NIL	NIL	NIL

**Notes:**

@This includes Rs.142.98 lakhs being perquisite value of ESOPs of the Company exercised during the year.

@@This includes Rs.50.69 lakhs being perquisite value of ESOPs of the Company exercised during the year

# Aggregate of the Company's contributions to Superannuation Fund and Provident Fund.  
+ Options issued at an Exercise Price of Rs. 2/- being the Face Value of the underlying shares.

**\$ ESOS – 2010**

**Grant-1:** The Stock Options have been granted on 7<sup>th</sup> February, 2011. Of this, all the five tranches of 20% each totalling 100% of the total options have vested on 7<sup>th</sup> February, 2012, 7<sup>th</sup> February, 2013, 7<sup>th</sup> February, 2014, 7<sup>th</sup> February, 2015 and 7<sup>th</sup> February, 2016 respectively.

**Grant-5:** The Stock Options have been granted on 21<sup>st</sup> October, 2014. Of this, 20% of the options have vested on 21<sup>st</sup> October, 2015, 21<sup>st</sup> October, 2016, and 21<sup>st</sup> October, 2017 on expiry of 12 months, 24 months and 36 months respectively, from the grant date, and the balance number of options would vest in two equal tranches of 20% each on 21<sup>st</sup> October, 2018 and 21<sup>st</sup> October, 2019 on expiry of 48 months and 60 months, respectively, from the date of grant.

**Grant-6:** The Stock Options have been granted on 21st October, 2015. Of this, 20% of the options have vested on 21<sup>st</sup> October, 2016 and 21<sup>st</sup> October, 2017 on expiry of 12 months, and 24 months respectively, from the grant date and and the balance number of options would vest in three equal tranches of 20% each on 21<sup>st</sup> October, 2018, 21<sup>st</sup> October, 2019 and 21<sup>st</sup> October, 2020 on expiry of 36 months, 48 months and 60 months, respectively, from the date of grant.

\* The notice period for the Vice-Chairman & Managing Director is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. The term of appointment is for a period of 5 years with effect from 30<sup>th</sup> April, 2016. There is no separate provision for the payment of severance fees.

\*\* The notice period for the Executive Director & Chief Financial Officer is three months. Commission and Stock Options are the only components of remuneration that are performance linked. All other components are fixed. The term of appointment is for a period of 5 years with effect from 25<sup>th</sup> July, 2015. There is no separate provision for the payment of severance fees.

During 2017-18, the Company did not advance loans to any of its Directors.

**Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provide**

**FY 2015 – 16**

**A) List of the related parties and nature of relationship which have transactions with our Company during the year:**

<b>Holding Company</b> :	Mahindra and Mahindra Limited
<b>Subsidiary Companies</b> :	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Asset Management Company Private Limited Mahindra Trustee Company Private Limited
<b>Joint Ventures</b> :	Mahindra Finance USA, LLC
<b>Fellow subsidiary Companies:</b>	2 x 2 Logistics Private Limited Mahindra USA, Inc. Mahindra Two Wheelers Limited NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra First Choice Services Ltd. Mahindra Defence Systems Ltd. Mahindra Retail Pvt Ltd. Mahindra Integrated Business Solutions Ltd. Mahindra Vehicle Manufacturers Ltd.
<b>Key Management Personnel :</b>	Mr. Ramesh Iyer (Managing Director)
<b>Relatives of Key Management Personnel :</b>	Ms. Janaki Iyer
	Ms. Ramlaxmi Iyer
	Mr. Risheek Iyer

**B) Related party transactions are as under:**

**Rs. in Lakhs**

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companie s	Rupees in lakhs		
				Fellow subsidiary Companie s	Joint Venture s	* Key Manageme nt Personnel
1	Income					
	Loan income	-	-	64.15	-	-
		-	-	(3.52)	-	-
2	Subvention / Disposal loss income	4,049.60 (3,663.07)	-	-	-	-
		-	-	-	-	-
	Other income	- (64.21)	2,549.83 (2,225.08)	3.47	-	-
3	Expenses					
	Interest	126.12	1,363.13	-	-	20.12
		- (972.19)	-	-	-	(20.11)
	Other expenses	1,777.74	2,389.54	602.83	-	

		(1,494.18)	(1,685.59)	(430.81)	-	
	Remuneration to KMP's					436.13 (645.48)
3	Investment in share capital	-	9,457.22	-	4,530.32 (2,193.73)	-
		-	(2,295.00)	-		
4	Purchase of fixed assets	254.81 (413.60)	-	30.97	-	-
		-	-	-	-	
5	Sale of fixed assets	-	11.35	-	-	-
		-	-	-	-	
6	Finance					
	Fixed deposits taken	-	3,750.00	-	-	18.94
		-	(7,065.00)	-	-	(202.90)
	Fixed deposits matured	-	125.00	-	-	21.67
		-	-	-	-	(188.25)
	Dividend paid for previous year	11,648.31 (11,065.89)	-	-	-	23.85 (23.71)
	Inter corporate deposits taken	(30,000.00)	7,500.00 (1,475.00)	-	-	-
	Inter corporate deposits repaid	-	8,150.00 (4,240.00)	-	-	-
	Inter corporate deposits given	-	- (69,107.00)	-	-	-
	Inter corporate deposits refunded	-	- (64,974.39)	-	-	-
7	Other transactions					
	Reimbursement from parties	-	- (0.02)	-	-	-
	Reimbursement to parties	-	-	153.08 (119.72)	-	-
8	Balances as at the end of the period					
	Receivables	315.06 (1,245.02)	66.57 (85.12)	127.42 -	-	-
	Loan given (including interest accrued but not due)	-	-	1,870.04 (43.29)	-	-
	Inter corporate deposits given (including interest accrued but not due)	-	5,189.14 (4,747.90)	-	-	-
	Payables	-	692.74 (455.13)	218.94 (157.98)	-	-

	Subordinate debt held (including interest accrued but not due)	-	700.76 (700.76)	-	-	-
	Inter corporate deposits taken (including interest accrued but not due)	30,113.51 -	936.04 (1,617.69)	-	-	-
	Fixed deposits (including interest accrued but not due)	-	15,143.45 (10,426.55)	-	-	226.54 (231.80)

Notes:

# Figures in bracket represent corresponding figures of previous year.

\* Key Management Personnel as defined in Accounting Standard 18 as well as the Companies Act, 2013

**Disclosure required under Section 186 (4) of the Companies Act, 2013**  
**As at March 31, 2016**

Rs. in lakhs

Particulars	Relation	Balance as on April 1, 2015	Advances / investments	Repayments/ sale	Balance as on March 31, 2016
<b>(A) Loans and advances</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	4,656.50	-	-	4,656.50
Mahindra Retail Pvt Ltd	Fellow subsidiary	30.08	-	25.18	4.90
2 x 2 Logistics Pvt Ltd	Fellow subsidiary	13.21	1,952.93	101.00	1,865.14
		<b>4,699.79</b>	<b>1,952.93</b>	<b>126.18</b>	<b>6,526.54</b>
<b>(B) Unsecured redeemable non-convertible subordinate debentures</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		<b>700.00</b>	<b>-</b>	<b>-</b>	<b>700.00</b>
<b>(C) Investments</b>					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	8,380.00	3,497.22	-	11,877.22
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	105.00	5,950.00	-	6,055.00

Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	5.00	10.00	-	15.00
Mahindra Finance USA, LLC	Joint Venture	10,787.01	4,530.31	-	15,317.32
		<b>19,324.99</b>	<b>13,987.53</b>	-	<b>33,312.52</b>
<b>Total</b>		<b>24,724.78</b>	<b>15,940.46</b>	<b>126.18</b>	<b>40,539.06</b>

Notes :

- i) Above loans& advances and investments have been given for general business purposes.
- ii) There were no guarantees given / securities provided during the year

**As at March 31, 2015**

Rs. in lakhs

Particulars	Relation	Balance as on April 1, 2014	Advances/ investments	Repayments/ sale	Balance as on March 31, 2015
<b>(A) Loans and advances</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	523.89	69,107.00	64,974.39	4,656.11
Mahindra Business and Consulting Services Pvt. Ltd.	Subsidiary	837.72	456.45	1,294.17	
Mahindra Retail Pvt Ltd	Fellow subsidiary	36.11	-	6.03	30.08
2 x 2 Logistics Pvt Ltd	Fellow subsidiary	-	13.58	0.37	13.21
		<b>1,397.72</b>	<b>69,577.03</b>	<b>66,274.96</b>	<b>4,699.11</b>
<b>(B) Unsecured redeemable non-convertible subordinate debentures</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		<b>700.00</b>	-	-	<b>700.00</b>
<b>(C) Investments</b>					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	6,190.00	2,190.00	-	8,380.00
Mahindra Business and Consulting Services Pvt. Ltd.#	Wholly owned Subsidiary	1.00	-	1.00	
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	5.00	100.00	-	105.00
Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	-	5.00	-	5.00
Mahindra Finance USA, LLC	Joint Venture		2,998.96	-	

		7,788.05			10,787.00
<b>Total</b>		<b>14,032.03</b>	<b>5,293.96</b>	<b>1.00</b>	<b>19,324.99</b>
		<b>16,129.75</b>	<b>74,870.99</b>	<b>66,275.96</b>	<b>24,724.99</b>

# Investment held by the Company now merged with the Company effective from April 1, 2014  
 Notes :

- i) Above loans& advances and investments have been given for general business purposes.
- ii) There were no guarantees given / securities provided during the year

#### **FY 2016 – 17**

#### **A) List of the related parties and nature of relationship which have transactions with our Company during the year:**

<b>Holding Company</b> :	Mahindra and Mahindra Limited
<b>Subsidiary Companies</b> :	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Asset Management Company Private Limited Mahindra Trustee Company Private Limited
<b>Joint Ventures</b> :	Mahindra Finance USA, LLC
<b>Fellow subsidiary Companies:</b>	2 x 2 Logistics Private Limited Mahindra USA, Inc. Mahindra Two Wheelers Limited NBS International Ltd. Mahindra First Choice Wheels Ltd. Mahindra Defence Systems Ltd. Mahindra Retail Pvt Ltd. Mahindra Integrated Business Solutions Ltd. Mahindra Vehicle Manufacturers Ltd. Mahindra Construction Company Ltd.
<b>Fellow Associates :</b>	Tech Mahindra Ltd.
<b>Key Management Personnel :</b>	Mr. Ramesh Iyer (Vice-Chairman and Managing Director)
<b>Relatives of Key Management Personnel :</b>	Ms. Janaki Iyer
	Ms. Ramlaxmi Iyer
	Mr. Risheek Iyer

#### **B) Related party transactions are as under:**

Rs. in Lakhs

Rupees in Lakhs

Sr. No.	Nature of transactions	Holding Company	Subsidiary Companies	Fellow subsidiary Companies/ Associates	Joint Ventures	* Key Management Personnel
1	Income Loan income	- -	- -	222.49 (64.15)	- -	- -
	Subvention / Disposal loss	3,786.03	-	-	-	-

	income	(4,049.60)	-	-	-	-
	Other income	-	2,464.77	3.91	-	-
		-	(2,549.83)	(3.47)	-	-
2	Expenses					
	Interest	1,638.56	1,462.16	190.68	-	19.24
		(126.12)	(1,363.13)	-	-	(20.12)
	Other expenses	2,334.64	2,826.86	1,270.35	-	-
		(1,777.74)	(2,389.54)	(602.83)	-	-
	Remuneration to KMP's					674.59
3	Investment in share capital	-	14,455.00	-	3,111.84	-
		-	(9,457.22)	-	(4,530.32)	-
4	Purchase of fixed assets	142.16	-	0.48	-	-
		(254.81)	-	(30.97)	-	-
5	Sale of fixed assets	-	13.98	-	-	-
		-	(11.35)	-	-	-
6	Finance					
	Fixed deposits taken	-	2,925.00	-	-	18.07
		-	(3,750.00)	-	-	(18.94)
	Fixed deposits matured	-	4,375.00	-	-	-
		-	(125.00)	-	-	(21.67)
	Dividend paid – for previous year	11,648.31	-	-	-	25.46
		(11,648.31)	-	-	-	(23.85)
	Inter corporate deposits taken	50,000.00	8,525.00	30,000.00	-	-
		(30,000.00)	(7,500.00)	-	-	-
	Inter corporate deposits repaid	55,000.00	9,250.00	-	-	-
		-	(8,150.00)	-	-	-
	Inter corporate deposits given	-	-	-	-	-
		-	-	-	-	-
	Inter corporate deposits refunded	-	4,656.50	-	-	-
		-	-	-	-	-
7	Other transactions					
	Reimbursement from parties	-	-	-	-	-
		-	-	-	-	-
	Reimbursement to parties	-	-	184.15	-	-
		-	-	(153.08)	-	-
8	Balances as at the end of the period					
	Receivables	-	103.09	78.07	-	-
		(315.06)	(66.57)	(127.42)	-	-
	Loan given (including interest accrued but not due)	-	-	2,448.79	-	-
		-	-	(1,870.04)	-	-
	Inter corporate deposits given (including interest accrued but not due)	-	-	113.38	-	-
		-	(5,189.14)	-	-	-
	Payables	882.92	952.54	400.50	-	-
		-	(692.74)	(218.94)	-	-

Subordinate debt held (including interest accrued but not due)	-	700.57 (700.76)	-	-	-
Inter corporate deposits taken (including interest accrued but not due)	25,260.01 (30,113.51)	201.09 (936.04)	30,171.61 -	-	-
Fixed deposits (including interest accrued but not due)	-	13,957.65 (15,143.45)	-	-	245.59 (226.54)

Notes:

# Figures in bracket represent corresponding figures of previous year.

\* Key Management Personnel as defined in Accounting Standard 18

**Disclosure required under Section 186 (4) of the Companies Act, 2013  
As at March 31, 2017**

Particulars	Relation	Balance as on April 1, 2016	Advances / investments	Repayments/sale	Balance as on March 31, 2017
<b>(A) Loans and advances</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	4,656.50	-	4,656.50	-
Mahindra Retail Pvt Ltd	Fellow subsidiary	4.90	-	4.90	-
2 x 2 Logistics Pvt Ltd	Fellow subsidiary	1,865.14	674.00	424.68	2,114.46
		<b>6,526.54</b>	<b>674.00</b>	<b>5,086.08</b>	<b>2,114.46</b>
<b>(B) Unsecured redeemable non-convertible subordinate debentures</b>					
Mahindra Rural Housing Finance Ltd.	Subsidiary	700.00	-	-	700.00
		<b>700.00</b>	<b>-</b>	<b>-</b>	<b>700.00</b>
<b>(C) Investments</b>					
Mahindra Insurance Brokers Ltd.	Subsidiary	47.98	-	-	47.98
Mahindra Rural Housing Finance Ltd.	Subsidiary	11,877.22	11,375.00	-	23,252.22
Mahindra Asset Management Company Pvt. Ltd.	Wholly owned Subsidiary	6,055.00	3,045.00	-	9,100.00
Mahindra Trustee Company Pvt. Ltd.	Wholly owned Subsidiary	15.00	35.00	-	50.00
Mahindra Finance USA, LLC	Joint Venture	15,317.32	3,111.84	-	18,429.16
		<b>33,312.52</b>	<b>17,566.84</b>	<b>-</b>	<b>50,879.36</b>
<b>Total</b>		<b>40,539.06</b>	<b>18,240.84</b>	<b>5,086.08</b>	<b>53,693.82</b>

Notes :

i) Above loans & advances and investments have been given for general business purposes.  
ii) There were no guarantees given / securities provided during the year.

**FY 2017 – 18****A) List of the related parties and nature of relationship which have transactions with our Company during the year:**

<b>a) Holding Company :</b>	Mahindra and Mahindra Limited
<b>b) Subsidiary Companies :</b>	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Asset Management Co. Pvt. Ltd. Mahindra Trustee Co. Pvt. Ltd.
<b>c) Fellow subsidiaries / Associate Companies :</b>  (entities with whom the Company has transactions)	2 x 2 Logistics Private Limited Mahindra USA, Inc. NBS International Limited  Mahindra First Choice Wheels Limited Mahindra Defence Systems Ltd. Mahindra Retail Private Limited Mahindra Integrated Business Solutions Ltd. Mahindra Vehicle Manufacturers Limited Mahindra Construction Co. Ltd. Tech Mahindra Limited Bristlecone India Limited Mahindra Heavy Engines Limited Orizonte Business Solutions Limited Gromax Agri Equipment Limited
<b>Joint Ventures :</b>	Mahindra Finance USA, LLC
<b>Key Management Personnel :</b>	Mr. Ramesh Iyer
<b>Relatives of Key Management Personnel :</b> (where there are transactions)	Ms. Janaki Iyer  Ms. Ramlaxmi Iyer  Mr. Risheek Iyer

## B) The nature and volume of transactions of the Company during the year with above related parties were as follows:

Rs. in lakhs

Particulars	Holding Company		Subsidiary Companies		Fellow Subsidiaries / Associate Companies / Associate Joint Ventures		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Loan income</b>												
- 2 x 2 Logistics Private Limited	-	-	-	-	86.34	222.03	-	-	-	-	-	-
- Mahindra Retail Private Limited	-	-	-	-	-	0.46	-	-	-	-	-	-
<b>Subvention / Disposal loss income</b>												
- Mahindra & Mahindra Limited	6,771.00	3,786.03	-	-	-	-	-	-	-	-	-	-
- Gromax Agri Equipment Limited	-	-	-	-	1.51	-	-	-	-	-	-	-
<b>Interest income</b>												
- Mahindra Rural Housing Finance Limited	-	-	77.00	213.44	-	-	-	-	-	-	-	-
- NBS International Limited	-	-	-	-	0.97	3.91	-	-	-	-	-	-
<b>Income from sharing services</b>												
- Mahindra Rural Housing Finance Limited	-	-	740.77	674.83	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	309.08	291.15	-	-	-	-	-	-	-	-
- Mahindra Asset Management Co. Ltd.	-	-	60.17	29.06	-	-	-	-	-	-	-	-
<b>Dividend Income</b>												
- Mahindra Rural Housing Finance Limited	-	-	1,248.61	927.68	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	383.38	328.61	-	-	-	-	-	-	-	-
<b>Interest expense</b>												
- Mahindra & Mahindra Limited	1,060.53	1,638.56	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	1,025.79	1,462.16	-	-	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	1,162.07	190.68	-	-	-	-	-	-
- Mr Ramesh Iyer	-	-	-	-	-	-	-	-	4.78	4.85	-	-
- Others	-	-	-	-	-	-	-	-	-	-	14.56	14.39

**The nature and volume of transactions of the Company during the year with above related parties were as follows: (Continued)**

Particulars	Holding Company		Subsidiary Companies		Fellow Subsidiaries / Associate Companies / Associate Joint Ventures		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Other expenses</b>												
- Mahindra & Mahindra Limited	2,684.84	2,334.64	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	3,212.27	2,826.86	-	-	-	-	-	-	-	-
- Mahindra First Choice Wheels Limited	-	-	-	-	980.63	1,056.10	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	-	96.26	-	-	-	-	-	-
- Mahindra Vehicle Manufacturers Limited	-	-	-	-	109.52	79.11	-	-	-	-	-	-
- Mahindra USA, Inc	-	-	-	-	178.38	184.15	-	-	-	-	-	-
- Mahindra Integrated Business Solutions Ltd	-	-	-	-	131.63	-	-	-	-	-	-	-
- Others	-	-	-	-	68.45	38.88	-	-	-	-	-	-
<b>Remuneration</b>												
- Mr Ramesh Iyer	-	-	-	-	-	-	-	-	596.79	674.59	-	-
<b>Purchase of fixed assets</b>												
- Mahindra & Mahindra Limited	180.61	142.16	-	-	-	-	-	-	-	-	-	-
- Mahindra First Choice Wheels Limited	-	-	-	-	63.40	-	-	-	-	-	-	-
- Others	-	-	-	-	6.91	0.48	-	-	-	-	-	-
<b>Sale of fixed assets</b>												
- Mahindra Rural Housing Finance Limited	-	-	-	13.98	-	-	-	-	-	-	-	-
- Mahindra & Mahindra Limited	21.14	-	-	-	-	-	-	-	-	-	-	-
- Mahindra First Choice Wheels Limited	-	-	-	-	49.55	-	-	-	-	-	-	-
<b>Investments made</b>												
- Mahindra Rural Housing Finance Limited	-	-	13,000.0	11,375.0	-	-	-	-	-	-	-	-
-	-	-	0	0	-	-	-	-	-	-	-	-
- Mahindra Asset Management Co. Ltd.	-	-	2,900.00	3,045.00	-	-	-	-	-	-	-	-
- Mahindra Trustee Co. Pvt. Ltd.	-	-	-	35.00	-	-	-	-	-	-	-	-
- Mahindra Finance USA, Inc	-	-	-	-	-	-	1,662.44	3,111.84	-	-	-	-
- Orizonte Business Solutions Limited	-	-	-	-	700.00	-	-	-	-	-	-	-

**The nature and volume of transactions of the Company during the year with above related parties were as follows: (Continued)**

Particulars	Holding Company		Subsidiary Companies		Fellow Subsidiaries / Associate Companies / Associate Joint Ventures		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Fixed deposits taken</b>												
- Mahindra Insurance Brokers Limited	-	-	3,650.00	2,925.00	-	-	-	-	-	-	-	-
- Mr Ramesh Iyer	-	-	-	-	-	-	-	-	61.48	17.07	-	-
- Others	-	-	-	-	-	-	-	-	-	-	193.61	1.00
<b>Fixed deposits matured</b>												
- Mahindra Insurance Brokers Limited	-	-	8,315.00	4,375.00	-	-	-	-	-	-	-	-
- Mr. Ramesh Iyer	-	-	-	-	-	-	-	-	55.01	-	-	-
- Others	-	-	-	-	-	-	-	-	-	-	180.74	-
<b>Dividend paid</b>												
- Mahindra & Mahindra Limited	6,988.98	11,648.31	-	-	-	-	-	-	-	-	-	-
- Mr. Ramesh Iyer	-	-	-	-	-	-	-	-	17.84	25.46	-	-
<b>Inter corporate deposits taken</b>												
- Mahindra & Mahindra Limited	40,000.00	50,000.00	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	8,970.00	8,525.00	-	-	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	10,000.00	30,000.00	-	-	-	-	-	-
<b>Inter corporate deposits repaid / matured</b>												
- Mahindra & Mahindra Limited	25,000.00	55,000.00	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	7,145.00	9,250.00	-	-	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	30,000.00	-	-	-	-	-	-	-
<b>Inter corporate deposits refunded</b>												
- Mahindra Rural Housing Finance Limited	-	-	-	4,656.50	-	-	-	-	-	-	-	-

The nature and volume of transactions of the Company during the year with above related parties were as follows: (Continued)

Particulars	Holding Company		Subsidiary Companies		Fellow Subsidiaries / Associate Companies / Associate Joint Ventures		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Issue of Share Capital (incl Securities premium)</b>												
- Mahindra & Mahindra Limited	105,500.00	-	-	-	-	-	-	-	-	-	-	-
<b>Balances as at the end of the period</b>												
<b>Receivables</b>												
- Mahindra & Mahindra Limited	1,544.96	-	-	-	-	-	-	-	-	-	-	-
- Mahindra Rural Housing Finance Limited	-	-	47.28	95.91	-	-	-	-	-	-	-	-
- Mahindra Asset Management Co. Ltd.	-	-	4.62	7.18	-	-	-	-	-	-	-	-
- NBS International Limited	-	-	-	-	-	78.07	-	-	-	-	-	-
<b>Loan given (including interest accrued but not due)</b>												
- 2 x 2 Logistics Private Limited	-	-	-	-	-	2,114.46	-	-	-	-	-	-
- Mahindra Construction Co. Ltd.	-	-	-	-	334.33	334.33	-	-	-	-	-	-
<b>Inter corporate deposits given (including interest accrued but not due)</b>												
- Mahindra Construction Co. Ltd.	-	-	-	-	113.38	113.38	-	-	-	-	-	-
<b>Investments</b>												
- Mahindra Rural Housing Finance Limited	-	-	36,252.22	23,252.22	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	45.16	47.98	-	-	-	-	-	-	-	-
- Mahindra Asset Management Co. Ltd.	-	-	12,000.00	9,100.00	-	-	-	-	-	-	-	-
- Mahindra Trustee Co. Pvt. Ltd.	-	-	50.00	50.00	-	-	-	-	-	-	-	-
- Mahindra Finance USA, Inc.	-	-	-	-	-	-	20,091.60	18,429.16	-	-	-	-
- Orizonte Business Solutions Limited	-	-	-	-	700.00	-	-	-	-	-	-	-

The nature and volume of transactions of the Company during the year with above related parties were as follows: (Continued)

Particulars	Holding Company		Subsidiary Companies		Fellow Subsidiaries / Associate Companies / Associate Joint Ventures		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Subordinate debt held (including interest accrued but not due)</b>												
- Mahindra Rural Housing Finance Limited	-	-	700.76	700.57	-	-	-	-	-	-	-	-
<b>Payables</b>												
- Mahindra & Mahindra Limited	882.92	-	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	1,483.26	952.54	-	-	-	-	-	-	-	-
- Mahindra First Choice Wheels Limited	-	-	-	-	339.52	283.38	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	-	96.26	-	-	-	-	-	-
- Mahindra USA, Inc.	-	-	-	-	192.38	10.60	-	-	-	-	-	-
- Others	-	-	-	-	61.23	10.26	-	-	-	-	-	-
<b>Inter corporate deposits taken (including interest accrued but not due)</b>												
- Mahindra & Mahindra Limited	40,388.84	25,260.01	-	-	-	-	-	-	-	-	-	-
- Mahindra Insurance Brokers Limited	-	-	2,035.25	201.09	-	-	-	-	-	-	-	-
- Tech Mahindra Limited	-	-	-	-	10,375.48	30,171.61	-	-	-	-	-	-
<b>Fixed deposits (including interest accrued but not due)</b>												
- Mahindra Insurance Brokers Limited	-	-	8,042.61	13,957.65	-	-	-	-	-	-	-	-
- Mr. Ramesh Iyer	-	-	-	-	-	-	-	-	63.30	57.72	-	-
- Others	-	-	-	-	-	-	-	-	-	-	201.03	187.87

**iv. Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark**

NIL

**v. Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries**

NIL

**vi. Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company**

There are instances of fraud which are inherent in the nature of the business of the Company. However, there is no material fraud on the company in the last three financial years.

**4. FINANCIAL POSITION OF THE COMPANY**

**(a) The capital structure of the company in the following manner in a tabular form-**  
**(i) (a) The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value) as on 31<sup>st</sup> March, 2018:**

SHARE CAPITAL	AMOUNT (Rs. in millions)
<b>Authorised :</b>	
70,00,00,000 Equity shares of Rs.2/- each	1400.0
50,00,000 Redeemable Preference shares of Rs.100/- each	500.0
<b>Issued Share capital :</b>	
61,77,64,960 Equity shares of Rs.2/- each	1235.5
<b>Subscribed and Paid-up :</b>	
61,77,64,960 Equity shares of Rs.2/- each fully paid up	1235.5
<b>Less :</b> Shares issued to ESOS Trust but not allotted to employees	6.6
(32,87,993 equity shares of Rs.2/- each)	
	<b>TOTAL</b>
	<b>1228.9</b>

**(b) Size of the present offer:-**Rs. 643,00,00,000/-

**(c) Paid up capital**

(A) after the offer:- Refer Above  
 (B) after conversion of convertible instruments (if applicable) :- NA

**(d) Share premium account (before and after the offer):-**

Total Share premium – Rs.41,131.5 million\*

\*No change before and after the issue.

**(ii) The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration**

**Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case:-**

## i. Changes in Capital Structure as on 31st March, 2018 for last five years:

Date of Change (AGM/EGM)	Rs	Particulars
5th February, 2013 (Postal Ballot)	190,00,00,000	Upon Subdivision, re-organised the Authorized Capital from 14,00,00,000 Equity Shares of Rs. 10 each and 50,00,000 Redeemable Preference Shares of Rs 100 each to 70,00,00,000 Equity Share of Rs. 2 each and 50,00,000 Redeemable Preference Shares of Rs 100 each.

## ii. Equity Share capital history of our Company as on 31st March, 2018

Date of Allotment	No. of Equity Shares	Face Value	Issue Price (Rs.)	Consi derati on (Rs.)	Nature of allotment	Cumulative		
						No. of Equity Shares	Equity Share Capital (Rs.)	Equity Share Premium (Rs.)*
7-Jan-91	7	10	10	Cash	Subscribers to the Memorandum	7	70	0
31-Dec-91	342,700	10	10	Cash	Allotment of shares through Rights Issue	342,707	3427070	0
30-Mar-92	652,293	10	10	Cash	Allotment of shares through Rights Issue	995,000	9950000	0
7-Dec-93	1,990,000	10	15	Cash	Allotment of shares through Rights Issue	2,985,000	29850000	9950000
1-Nov-94	995,000	10	30	Cash	Allotment of shares through Rights Issue	3,980,000	39800000	29850000
31-Jul-95	3,980,000	10	30	Cash	Allotment of shares through Rights Issue	7,960,000	79600000	109450000
29-Aug-96	1,990,000	10	-	Bonus	Further allotment of shares	9,950,000	99500000	89550000
27-Mar-97	9,950,000	10	20	Cash	Allotment of shares through Rights Issue	19,900,000	199000000	189050000
30-Sep-98	12,003,231	10	20	Cash	Allotment of shares through Rights Issue	31,903,231	319032310	309082310
2-Sep-99	4,618,508	10	22	Cash	Allotment of shares	36,521,739	365217390	364504406

					through Rights Issue			
30-Sep-99	4,604,144	10	22	Cash	Allotment of shares through Rights Issue	41,125,883	411258830	419754134
2-Dec-99	19,497,420	10	22	Cash	Allotment of shares through Rights Issue	60,623,303	606233030	653723174
30-Mar-05	9,532,777	10	50	Cash	Allotment of shares through Rights Issue	70,156,080	701560800	1035034254
6-Dec-05	2,686,550	10	51	Cash	Allotment of shares to the ESOS Trust	72,842,630	728426300	1145182804
5-Jan-06	3,157,895	10	190	Cash	Allotment of shares to Copa Cabana	76,000,525	760005250	1713603904
9-Mar-06	10,000,000	10	200	Cash	Allotment of shares under Public Issue	86,000,525	860005250	3613603904
28-Feb-08	10,900,000	10	380	Cash	Allotment of shares to TPG Axon (Mauritius) II Ltd & Standard Chartered Private Equity (Mauritius) Ltd.	96,900,525	969005250	7646603904
3-Feb-11	969,005	10	10	Cash	Allotment of shares to the ESOS Trust under the newly approved ESOP scheme 2010	97,869,530	978695300	7646603904
22-Feb-11	6,133,205	10	695	Cash	Allotment of shares to Qualified Institutional Buyers (QIBs) under the Qualified Institutional Placement (QIP).	104,002,735	1040027350	11847849329
16-Nov-12	97,50,257	10	889	Cash	Allotment of Shares to Qualified Institutional Buyers under the Qualified Institutions	113752992	1137529920	20418325232

					Placement			
30-Nov-17	250,00,000	2	422	Cash	Preferential allotment of shares to our Promoter-M&M Ltd	593764960	1187529920	30918325232
7- Dec-17	240,00,000	2	440	Cash	Allotment of shares to Qualified Institutional Buyers (QIBs) under the Qualified Institutional Placement (QIP)	617764960	1235529920	41430325232

\*Securities Premium Reserve is not adjusted for securities issue expenses.

Note: The sub-division of Equity Shares of the Company of 11,37,52,992 Equity Shares of the face value of Rs.10 each into 56,87,64,960 Equity Shares of the face value of Rs.2 each was done with effect from 5th February, 2013.

***The following allotments has been made in the last one year***

Date of Allotment	No. of Equity Shares	Face Value	Issue Price	Consideration	Nature of allotment	Cumulative		
						No. of Equity Shares	Equity Share Capital (Rs.)	Equity Share Premium (Rs.)*
30-Nov-17	250,00,000	2	422	Cash	Preferential allotment of shares to our Promoter-M&M Ltd	593764960	1187529920	30918325232
7- Dec-17	240,00,000	2	440	Cash	Allotment of shares to Qualified Institutional Buyers (QIBs) under the Qualified Institutional Placement (QIP)	617764960	1235529920	41430325232

**(b) Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter:-**

**(Rs.in Million)**

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2016</b>
<b><u>INCOME :</u></b>			
Revenue from Operations	71471.02	61739.10	58531.61
Other Income	590.20	636.28	519.39
<b>TOTAL REVENUE</b>	<b>72061.22</b>	<b>62375.38</b>	<b>59051.00</b>
<b><u>EXPENSES :</u></b>			
Employee Expenses	8517.65	6808.97	5588.07
Finance cost	30003.99	28574.27	26392.92
Depreciation &Amortisation	441.92	460.21	408.88
Provisions & Write Off's	12265.95	13091.27	10495.30
Other Expenses	7753.95	7239.97	5784.02
<b>TOTAL EXPENSES</b>	<b>58983.46</b>	<b>56174.69</b>	<b>48669.19</b>
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX	<b>13077.76</b>	<b>6200.68</b>	<b>10381.81</b>
Exceptional Items	649.72	-	-
<b>PROFIT BEFORE TAX</b>	<b>13727.48</b>	<b>6200.68</b>	<b>10381.81</b>
<b><u>Tax Expense</u></b>			
1) Current tax	5431.29	3635.00	5356.00
2) Deferred tax	(622.65)	(1436.66)	(1700.15)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>8918.84</b>	<b>4002.34</b>	<b>6725.96</b>

**(c) Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid):-**

<b>Particulars</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>
Dividend (%)	200	120	200
Face Value per share	2	2	2
Dividend per Share (Rs.)	4.00	2.40	4.00
Interest Coverage Ratio	1.31	1.16	1.27

**(d) A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter:-**

**(Rs.in Million)**

	<b>As of March 31, 2018</b>	<b>As of March 31, 2017</b>	<b>As of March 31, 2016</b>
<b><u>EQUITY AND LIABILITIES:</u></b>			
<b><u>Shareholders' Funds :</u></b>			
Capital	1228.95	1130.08	1129.20
Reserves & Surplus	91801.92	63642.36	59751.87
<b>Total Shareholders' Funds</b>	<b>93030.87</b>	<b>64772.44</b>	<b>60881.07</b>

	<b>As of March 31, 2018</b>	<b>As of March 31, 2017</b>	<b>As of March 31, 2016</b>
<b><u>Non Current Liabilities :</u></b>			
Long Term Borrowings	238160.82	214124.00	173316.77
Other Long Term Liabilities	5408.31	4274.01	4326.30
Long Term Provisions	7304.34	5489.04	4482.10
<b>Total Non Current Liabilities</b>	<b>250873.47</b>	<b>223887.05</b>	<b>182125.16</b>
<b><u>Current Liabilities :</u></b>			
Short Term Borrowings	60848.99	57902.16	43468.93
Trade Payables	9344.43	5775.71	4788.36
Other Current Liabilities	112685.06	89863.51	89462.24
Short Term Provisions	16895.24	16167.49	15069.03
<b>Total Current Liabilities</b>	<b>199773.72</b>	<b>169708.87</b>	<b>152788.56</b>
<b>Total Equity and Liabilities</b>	<b>543678.06</b>	<b>458368.36</b>	<b>395794.79</b>
<b><u>ASSETS:</u></b>			
<b><u>Non Current Assets:</u></b>			
<b>Fixed Assets:</b>			
a) Tangible Assets	1124.24	1084.35	1079.19
b) Intangible Assets	72.40	30.79	55.53
c) Capital Work-In-Progress	-	4.91	0.19
<b>Total Fixed Assets</b>	<b>1196.64</b>	<b>1120.05</b>	<b>1134.91</b>
Non Current Investments	14579.11	13117.34	9923.34
Deferred Tax Asset (Net)	7939.32	7316.67	5852.76
Long Term Loans & Advances	276493.05	222365.05	185264.66
Other Non Current Asset	568.63	1197.88	517.64
<b>Total Non Current Assets</b>	<b>300776.75</b>	<b>245116.99</b>	<b>202693.31</b>
<b><u>Current Assets:</u></b>			
Current Investments	4152.57	5613.34	4910.07
Trade Receivables	74.29	58.27	51.12
Cash and Cash Equivalents	4111.21	5780.65	5852.15
Short Term Loans & Advances	233550.15	201198.25	181351.00
Other Current Assets	1013.09	600.86	937.14
<b>Total Current Assets</b>	<b>242901.31</b>	<b>213251.37</b>	<b>193101.48</b>
<b>Total Assets</b>	<b>543678.06</b>	<b>458368.36</b>	<b>395794.79</b>

**(e) Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter:-**

**FY 2015 – 16**

**(Rs. in Million)**

	<b>Particulars</b>	<b>Year ended March 31, 2016</b>
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
	<b>Profit before taxes and contingencies and exceptional items</b>	10381.8
	<b>Add/(Less):</b>	
	<b><u>Non Cash Expenses :</u></b>	
	Depreciation/Amortisation	408.9
	Provision for non-performing assets (net)	5259.6
	Bad debts and write offs	5100.3
	General provision for Standard Assets	135.3
	Employee Compensation Expense on account of ESOS	143.1
		11047.2
	<b>Add/(Less):</b>	
	<b><u>Income considered separately :</u></b>	
	Income on investing activities	(578.0)
	Profit on sale of assets	(10.7)
	Income from Assignment/ Securitisation transactions	(2063.3)
		(2652.0)
	<b>Operating profit before working capital changes</b>	18777.0
	Less:	
	Increase in interest accrued/others	(154.3)
	Decrease in Trade receivables	5.6
	Increase in Loans & Advances	(50915.2)
		(51063.9)
	Add: Increase in Current liabilities	4261.7
		(46802.2)

	Cash generated from / (used in) operations	(28025.1)
	Advance taxes paid	(5789)
	<b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES (A)</b>	<b>(33814.1)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
	Purchase of Fixed Assets / Software	(432.1)
	Sale of fixed assets	22.7
	Purchase of Investments Other than investments in Subsidiaries and Joint Ventures	(22897.9)
	Investments in Subsidiary Companies	(945.7)
	Investments in Joint Venture Company	(453.0)
	(Investment in) / Maturity of Term Deposit with banks	1091.4
	Sale of Investments	18000.0
	Income received on investments	550.5
	Decrease in Earmarked balances with banks	0.5
	<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(5063.6)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
	Issue of Equity Shares (net of issue expenses)	30.6
	Decrease in Bank borrowings (net)	(12240.2)
	Increase in long term borrowings (net)	47232.5
	Decrease in short term borrowings (net)	(4142.5)
	Increase in Fixed Deposits (net)	1040.3
	Proceeds from Assignment / Securitisation transactions (in the form of EIS, Collection charges recovered etc.)	9946.3
	Dividend paid	(2717.5)
	<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES (C)</b>	<b>39149.5</b>
	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>271.8</b>
	<b>CASH AND CASH EQUIVALENTS AS AT:</b>	
	<b>Beginning of the Year*</b>	<b>1877.7</b>
	<b>End of the Year*</b>	<b>2149.5</b>

**FY 2016 – 17****(Rs. in Million)**

	<b>Particulars</b>	<b>Year ended March 31, 2017</b>
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
	<b>Profit before exceptional items and taxes</b>	6200.7
	<b>Add/(Less):</b>	
	<b><u>Non Cash Expenses :</u></b>	
	Depreciation and Amortisation expense	460.2
	Provision for non-performing assets	4423.3
	Bad debts and write offs	8450.0
	Provision for Standard Assets	218.0
	Higher provision & provision for diminution in the fair value of restructured advances	0
	Employee Compensation Expense on account of ESOP Scheme	87.9
		13639.4
	<b>(Less):</b>	
	<b><u>Income considered separately :</u></b>	
	Income on investing activities	(668.7)
	Profit on sale of assets	(1.5)
	Profit on sale of current investments	(8.8)
	Income from Assignment/ Securitisation transactions	(1193.7)
		(1872.7)
	<b>Operating profit before working capital changes I</b>	17967.4
	<b>Less: Working Capital Changes</b>	
	(Increase)/Decrease in interest accrued/others	274.1
	Increase in Trade receivables	(7.1)

	Increase in Loans & Advances	(69050.4)
		(68783.5)
	Add: Increase in Current liabilities	6022.1
	<b>II</b>	(62761.4)
	<b>Cash used in operations (I +II)</b>	(44794)
	Advance taxes paid	(4275)
	<b>NET CASH USED IN OPERATING ACTIVITIES (A)</b>	<b>(49069)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
	Purchase of Fixed Assets / Software	(454.6)
	Proceeds from sale of fixed assets	9.4
	Purchase of Investments Other than investments in Subsidiaries and Joint Ventures	(53675.5)
	Investments in Subsidiary Companies	(1445.5)
	Investments in Joint Venture Company	(311.2)
	Maturity proceeds from Term Deposits with banks	1245.2
	Proceeds from sale of investments	51415
	Income received from investing activities	652.5
	Increase in Earmarked balances with banks	0
	Proceeds from sale of long-term investments (in equity shares of Mahindra Insurance Brokers Limited)	0
	<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(2564.7)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
	Issue of Equity Shares (net of issue expenses)	0
	Expenses incurred on issuance of Non-convertible debentures	(165.3)
	Proceeds from long-term borrowings	104602.3

Repayment of long-term borrowings	(62810.5)
Proceeds from short-term borrowings	481201.8
Repayment of short-term borrowings	(465100.3)
(Decrease) / Increase in loans repayable on demand and cash credit/overdraft facilities with banks (net)	(1974.5)
Decrease in Fixed deposits (net)	(4013)
Proceeds from Assignment / Securitisation transactions	4570.9
Dividend paid (including tax on dividend)	(2712.7)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES (C)</b>	<b>53598.7</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>1965.0</b>
<b>CASH AND CASH EQUIVALENTS AS AT:</b>	
<b>Beginning of the Year*</b>	<b>2149.5</b>
<b>End of the Year*</b>	<b>4114.5</b>

**FY 2017 – 18***(Rs. in Million)*

	<b>Particulars</b>	<b>Year ended March 31, 2018</b>
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
	<b>Profit before exceptional items and taxes</b>	13077.7
	<b>Add/(Less):</b>	
	<b>Non Cash Expenses :</b>	
	Depreciation and Amortisation expense	441.9
	Provision for non-performing assets	1369.8
	Bad debts and write offs	10576.3
	Provision for Standard Assets	320.8
	Higher provision & provision for diminution in the fair value of restructured advances	(0.9)
	Employee Compensation Expense on account of ESOP Scheme	75.5

		12783.4
	<b>(Less):</b>	
	<b><u>Income considered separately :</u></b>	
	Income on investing activities	(751.7)
	Profit on sale of assets	(5.1)
	Profit on sale of current investments	(6.0)
	Income from Assignment/ Securitisation transactions	(1419.9)
		(2182.7)
	<b>Operating profit before working capital changes</b>	
	<b>I</b>	23678.4
	<b>Less: Working Capital Changes</b>	
	(Increase)/Decrease in interest accrued/others	(7.6)
	Increase in Trade receivables	(16)
	Increase in Loans & Advances	(102840.9)
		(102864.5)
	Add: Increase in Current liabilities	6288.4
	<b>II</b>	(96576.1)
	<b>Cash used in operations</b>	
	<b>(I +II)</b>	(72897.7)
	Advance taxes paid	(5509.9)
	<b>NET CASH USED IN OPERATING ACTIVITIES (A)</b>	<b>(78407.6)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
	Purchase of Fixed Assets / Software	(524.7)
	Proceeds from sale of fixed assets	13.3
	Purchase of Investments Other than investments in Subsidiaries and Joint Ventures	(66698.3)
	Investments in Subsidiary Companies	(1590)
	Investments in Joint Venture Company	(166.2)

	Maturity proceeds from Term Deposits with banks	1219.2
	Proceeds from sale of investments	68459.2
	Income received from investing activities	750.2
	Increase in Earmarked balances with banks	(2.3)
	Proceeds from sale of long-term investments (in equity shares of Mahindra Insurance Brokers Limited)	650
<b>C.</b>	<b>NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES (B)</b>	<b>2110.4</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
	Issue of Equity Shares (net of issue expenses)	20978.9
	Expenses incurred on issuance of Non-convertible debentures	(185.8)
	Proceeds from long-term borrowings	113195.2
	Repayment of long-term borrowings	(54496.9)
	Proceeds from short-term borrowings	433064.9
	Repayment of short-term borrowings	(426796.6)
	(Decrease) / Increase in loans repayable on demand and cash credit/overdraft facilities with banks (net)	(3728.4)
	Decrease in Fixed deposits (net)	(12455.9)
	Proceeds from Assignment / Securitisation transactions	6936.1
	Dividend paid (including tax on dividend)	(1609.7)
	<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES (C)</b>	<b>74901.8</b>
	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>(1395.5)</b>
	<b>CASH AND CASH EQUIVALENTS AS AT:</b>	
	<b>Beginning of the Year*</b>	<b>4114.5</b>
	<b>End of the Year*</b>	<b>2719.0</b>

**(f) Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company:-**

NIL

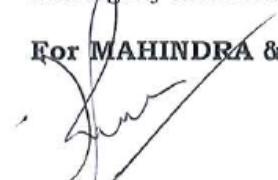
**DECLARATION BY THE DIRECTORS THAT-**

- a.** the company has complied with the provisions of the Act and the rules made thereunder;
- b.** the compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;
- c.** the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;

I am authorized by the Board of Directors of the Company vide resolution dated 25th April, 2018 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

**For MAHINDRA & MAHINDRA FINANCIAL SERVICES LTD.,**

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



Date: 27<sup>th</sup> June, 2018

Place: Mumbai

*[Handwritten signature]*

**MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED**  
(Incorporated under The Companies Act, 1956)

**Corp. Office: Mahindra Towers, 4th Floor, "A" Wing, , P.K. Kurne Chowk, Worli, Mumbai 400 018  
Regd. Office: Gateway Building, Apollo Bunder, Mumbai 400 001 India  
CIN - L65921MH1991PLC059642**

Dear Sirs,

Having read and understood the contents of the Offer letter dated 27 June, 2018 (hereinafter referred to as 'Issue Term Sheet') for the Private Placement of 4 years 361 days, Secured Redeemable, Non-Convertible Debentures (hereinafter referred to as 'NCDs'), I/We apply for allotment to me/us of the NCDs as stated below. The amount payable on application as shown below is remitted herewith. I/We hereby agree to accept the NCDs applied for or such smaller number as may be allotted to me/ us, subject to the Memorandum and Articles of the Company. I/We undertake that I/We will sign such other documents and do all such other Acts or deeds, if necessary , on my/ our part to enable me/ us to be registered as the holder(s) on Register of Debenture holders of the Company as the holder(s) of NCDs and to register my/ our address(es) as given below. I/We bind myself / ourselves by the terms and conditions as contained in the Issue Term Sheet for the private placement of NCDs.

(PLEASE READ THE INSTRUCTIONS ON THE REVERSE CAREFULLY BEFORE FILLING UP THIS FORM)

Minimum Application : 10 Debentures of face value Rs. 10,00,000/-each and in multiples of 1 Debentures i.e.

Rs.10,00,000/- thereafter

Rs.15,00,000/- : 4 years 361 days

Coupon Rate : 8.24% p.a. (payable on May 18<sup>th</sup> and November 18<sup>th</sup> )

Application Form Sr. No.:AI2018 - 1

Coupon Rate . 8.24% p.a. (payable on May 18 <sup>th</sup> and November 18 <sup>th</sup> )	
	Application for Debentures
No. ( In Figures)	6430
No. ( In Words)	Six thousand four hundred and thirty only
Amount (Rs.) ( In figures)	643,00,00,000
Amount (Rs. In words )	Rupees Six Hundred and Forty three crores only
<b>Details of Payment</b>	
Date	RTGS/NEFT / Cheque/ DD drawn on
	UTR/Cheque/DD no

For Office use only									
Date of receipt of application			Date of Clearing of Cheque/ DD						
Details of Bank account of Sole / First Applicant									
Name and Branch Account No.									
IFSC Code									

We are applying as (Tick whichever is applicable )

1. Company / Body Corporate	2. Bank
5. Financial Institution	6. Mutual Fund
9. Provident/Superannuation/Gratuity Fund	10. Others

### **Denomination of Certificates**

Lots of 1 Debenture  Consolidated

3. Individual/HUF

S. Individual, 1101

7. Insurance

**SOLE/FIRST APPLICANT'S NAME IN FULL**

**SECOND APPLICANT'S NAME IN FULL**

**THIRD APPLICANT'S NAME IN FULL**

D.P. Name		Client Name		
D.P. ID No.		Client ID No.		
ADDRESS ( Do not repeat name. Post Box alone is not sufficient)				
			STD - Code	
			Tel	
			Fax	
			Pin code	

Tax Payer's PAN/GIR No. ( Refer instruction No. 3 )		IT Circle/ Ward/ District		Not Allotted	
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TO BE FILLED ONLY IF APPLICANT IS NOT AN INDIVIDUAL / HUF		
Name of Authorised Signatory(ies)	Designation	Signature
1.		
2.		
3.		

<b>Acknowledgement Slip</b>		<b>Serial No. AI-2018</b>
<b>MAHINDRA &amp; MAHINDRA FINANCIAL SERVICES LIMITED</b>		
Corp. Office: Mahindra Towers, 4 <sup>th</sup> Floor, "A" Wing, P.K. KurneChowk, Worli, Mumbai 400 018		
Received from _____	Application for _____ No. Debentures	
Address _____	Vide RTGS/NEFT/cheque/ DD No. _____ dated- / /	
	Drawn on _____	
	For Rs. _____ ( Rupees _____ )	
(Note Cheques and Demand charges are subject to realisation)		

**TERMS AND CONDITIONS**

1. The person to whom this Issue Term Sheet and Application form is sent is alone eligible to apply for the debentures. The application would be accepted as per the scheme outlined in the Issue Term Sheet
2. If ownership of the NCDs is desired in the name of one person only, full details should be given only under the heading "Sole/ First Applicant". In case of joint applicants, the signature and particulars of each applicant must be given in the space provided in the application form (attach separate sheet if required). All communications will be addressed to and refunds, if any, will be made payable to the applicant whose name appears first in the application form at the address given by him/her
3. All applications should mention his/her permanent account number allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income Tax Circle, Ward/District. In case where neither the P.A.N. nor the GIR No. has been allotted, the fact of non-allotment should be mentioned in the application form. Application forms without this information will be considered incomplete and are liable to be rejected
4. Application forms must be completed in full in BLOCK LETTERS IN ENGLISH
5. Applications which are not complete in every respect are liable to be rejected
6. Signature must be in English, Gujarati, Marathi, or any other language specified in the Eighth Schedule to the Constitution of India. Signature in language other than those mentioned or thumb impression must be attested by the Magistrate or a Notary Public or a Special Executive Magistrate under his / her official Seal
7. In case of applications under Power of Attorney or by Limited Company(ies) or Corporate Body(ies), the relevant Power of Attorney or the relevant authority, as the case may be, together with a certified copy thereof, must be attached with the application form
8. All cheques or Bank Drafts must be made payable at Mumbai in favour of the Company, i.e. "MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED" and crossed "A/C PAYEE ONLY". Separate cheques or drafts must accompany each application form.
9. The Company reserves full, unqualified and absolute right to accept or reject the application, in full or in part, without assigning any reason whatsoever.
10. Debenture Certificates or allotment letters or letter of regret together with refund cheques or pay order, if any, will be despatched by Registered Post at the applicant's sole risk
11. All applicants are requested to read, the Issue Term Sheet, the list of documents to be submitted by them along with the application form. Please note that the applications not accompanied by the required documents are liable to be rejected.
12. Applicants, desirous of receiving interest on the Debentures without deduction of tax at source are required to submit requisite Tax exemption Certificate from the Income Tax Officer, at least 21 days prior to the first / relevant interest payment date. In respect of interest on application money, the requisite Tax exemption Certificate should be submitted along with the Application form.

MAHINDRA &amp; MAHINDRA FINANCIAL SERVICES LIMITED

Corp. Office: Mahindra Towers, 4th Floor, "A" Wing, Dr. G.M. Bhosale Marg, P.K. Kurne Chowk, Worli, Mumbai 400 001