



**m**POWERED  
TRANSFORMATION

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## THERE ARE TWO INDIAS IN INDIA.

The urban and the non-urban. The haves and the have-nots. That is,  
those who have credit history and those who don't.

Their aspirations are the same. Their emotions are similar. Both want to grow. One is  
relentlessly pursued with credit offerings. The other is never approached.

At Mahindra Finance, we believe the strength of the chain lies in the strength of its weakest link. 75% of  
India lives in non-urban areas. For India to emerge as a super power, semi-urban and rural India has to grow.

At Mahindra Finance, we believe in making a difference, differently. Just as a Start button empowers gadgets, we like  
to empower transformation in the lives of people. People who want to transform and have the potential, yet have  
been overlooked for lack of collateral. We want to be the catalysts, which bring about safety, security and  
prosperity in people's lives. Through Mahindra Finance, we empower. Rather Mpower.

We enable those who have the aspiration and the confidence to realise their dreams and their ambitions.

We have transformed the lives of 1.19 million rural and semi-urban Indians by financing a utility vehicle that has  
helped build a business or by financing a tractor that has helped them produce more or by financing a first car, the pride of  
the family. And in many other ways.

Behind the scenes, we Mpower the people by collaborating with them. We tell them to go ahead, to grow, to think  
big, think even bigger. When they grow, India will grow. When they transform, India will.

Over 6,900 people in 25 states of India and two union territories are constantly Mpowering people who  
have the dream but not the means. Because we don't just see returns when we provide credit. We see  
the transformation of India.

We Mpower today for a Transformation tomorrow.

## WELCOME TO MAHINDRA FINANCE.



# COMPANY SNAPSHOT

Mahindra & Mahindra Financial Services Limited (Mahindra Finance), a subsidiary of Mahindra & Mahindra Limited, is a leading Non-Banking Finance Company that offers a range of financial services to people residing in rural and semi-urban areas.

## VISION

To be the leading rural finance company and continue to retain the leadership position for Mahindra products.

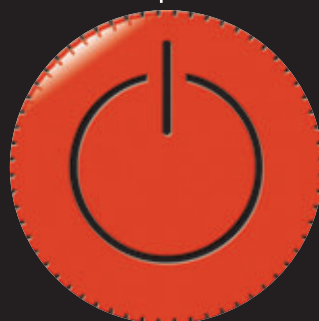
1.19 million  
Relationships

6,972  
No. of employees engaged

Rs. 103,290 million  
Assets Under Management  
(AUM), up 21% over the  
previous year

459  
Offices

Rs. 35.78  
EPS - Basic



Rs. 36,125 million  
Market capitalisation  
(National Stock Exchange)

Rs. 15,688 million  
Total income, up 13% over  
the previous year

Rs. 3,427 million  
PAT, up 60% over the  
previous year

# PRODUCT PORTFOLIO

# 1

Asset Finance



Mahindra Finance provides loans for utility vehicles, tractors, cars, two-wheelers, three wheelers, commercial vehicles as well as construction equipments. This is the Company's core business.

# 2

Refinance



The Company also provides loans for the purchase of used cars, utility vehicles, commercial vehicles and tractors. Also, if a customer has a four wheeler that is not more than 10 years old nor mortgaged/hypothecated to any bank or financier, Mahindra Finance provides loans against such four wheelers at significantly lower rates than other unsecured loans in the market.

# 3

Mutual Fund  
Distribution



The Company advises clients about investing money through mutual fund schemes, through AMFI certified professionals under the brand 'Finsmart'. Mahindra Finance understands their needs and offers them the most suitable and rewarding schemes.

# 4

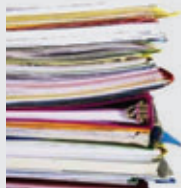
## Fixed Deposits



The Company also offers fixed deposit schemes to clients at highly competitive interest rates.

# 5

## Insurance Broking



The Company provides insurance solutions to retail customers as well as corporations through its subsidiary, Mahindra Insurance Brokers Limited.

# 6

## Housing Finance



The Company provides easy, flexible and cost effective loans for buying, renovating, extending and improving homes in rural India. This is accomplished through its subsidiary, Mahindra Rural Housing Finance Limited.

# 7

## Personal Loans



The Company offers loans for a range of personal requirements including weddings, children's education, medical treatment, furniture, consumer durables, working capital needs for agriculture, etc.



# OUR MILESTONES

1993

Commenced financing for  
utility vehicles from Mumbai

1995

First branch opened outside  
Mumbai at Jaipur

1996

Commenced financing M&M  
dealers for purchase of tractors

1998

Launched a pilot project for  
retail tractor financing

1999

Commenced retail tractor financing  
in rural and semi-urban areas

2001

Total Assets cross Rs. 10 billion



## 2002

- Commenced financing of non-Mahindra & Mahindra vehicles
- Received Senior and Tier II debt from International Finance Corporation

## 2004

Listed Non-convertible debentures on the Bombay Stock Exchange in the wholesale debt market segment

## 2005

Mahindra Insurance Brokers Limited became a 100% subsidiary

## 2006

- Went public with an Initial Public Offering (IPO) and the shares were listed on the Bombay Stock Exchange and the National Stock Exchange
- Entered into a partnership with Maruti Udyog Limited

## 2007

Reach extended to over 400 branches

## 2008

Commenced the Home Loan business through our subsidiary, Mahindra Rural Housing Finance Limited

## 2009

- Received 12.5% equity participation from the National Housing Bank for Mahindra Rural Housing Finance Limited
- Recommenced Fixed Deposit programme

# mPOWERED TRANSFORMATION

## RURAL INDIA

We have consciously chosen rural India as a major thrust area for us. We focus on understanding the wants of rural customers and fulfilling all their financial needs. Agriculture is their main source of income and providing tractor loans is the key service we offer to our customers, amongst others. We have become a recognisable brand in this segment with significant knowledge of the local characteristics of the market. This is because we recruit employees locally to develop and maintain customer relationships. With simple documentation and prompt loan approval procedures along with a nation wide network of branches, we are confident of sustaining our market leadership in this segment.



*Mr. S. Subhash, Nagercoil, Kanyakumari District, Tamil Nadu*



“ I have been a Mahindra Finance customer for the last six years and I am very happy with their service. I first came to them in 2004 when I wanted to buy a Mahindra tractor for my 2 acres land on which I cultivate paddy. The local dealer forwarded my loan proposal to Mahindra Finance. Immediately, their people visited my place for verification and I was granted the loan quite promptly. Since then, I have regularly paid my dues. Over the years, I have availed 4 new tractor loans and 2 refinance loans from Mahindra Finance as well. Since my experience with them has been so positive, I recommended Mahindra Finance to several of my acquaintances in my area. I am very happy and very proud to be a customer of Mahindra Finance. ”



# **m**POWERED TRANSFORMATION

## PROMOTING ENTREPRENEURSHIP

*Mr. Salemamad Ibrahim Node, Taluka Bhuj, District Bhuj, Gujarat*



As a leading NBFC financing commercial vehicles, utility vehicles, two-wheelers and three wheelers, we have played a key role in encouraging and enabling entrepreneurs to start and grow their businesses. We not only offer finance for the purchase of new vehicles but we also offer refinance loans on used vehicles. On the foundation of our strengths - our pan India presence, robust dealer network, Mahindra & Mahindra lineage, keen insight into our customers and prompt appraisal, approval and administration procedures - we are fully geared to maximise the opportunity that lies ahead in this space.

“I have a small business dealing with cattle feed. Before I came to Mahindra Finance, I used to purchase cattle feed from farmers and transport it via a three wheeler to a cattle camp, where I would sell the entire stock. I used to earn around 7,000-8,000 rupees at that time. Then I purchased a Bolero Pick Up which was financed by Mahindra Finance. I must say, I got the loan very quickly, without any hassles. Since then, I have taken a top up loan on the same vehicle as well as a personal loan. My life has changed completely now. My business has grown significantly. I earn around 20,000-22,000 rupees per month. My children go to good schools which I was not able to afford earlier. I have bought a plot of land as well. All this has been possible only due to the support of Mahindra Finance. I am extremely grateful to them.”



# **m**POWERED TRANSFORMATION

## MAKING DREAMS COME TRUE

What makes us different is our target clientele - people who reside in rural and semi-urban India. These are the sections of our society whose dreams and aspirations have been overlooked. And this is where we come in. We make their dreams come true. With our support, our customers have been able to graduate from smaller vehicles to larger vehicles, from smaller businesses to bigger businesses, from rented accommodation to own accommodation. With our assistance, our customers have been able to increase their income and raise their standard of living. And this is how we are Mpowering a Transformation in rural India.



“ Mahindra Finance has completely changed my life. Before I came to them, I was a small cement retailer with a turnover of around 25-30 lakh rupees. I used to live in a rented place near Wadoda. I wanted to buy a tractor for a very long time but no bank would finance me because my income was less and I didn't have proper documentation proving my earning capabilities. That's when Mahindra Finance helped me out. They gave me a loan when nobody else would. I bought a tractor finally and within three years, my business turnover grew to nearly 1 crore rupees. I became a cement wholesaler and I bought my own shop and house as well. I then took a loan again from Mahindra Finance to buy a Truck and a Maruti Alto. Last year, I refinanced both the Truck and the Alto. Now, I have my own duplex house, a brand new shop and 18 acres of agricultural land. Now, you can understand why I am so happy with Mahindra Finance. I have recommended them to all the people in my locality as well.”



*Mr. Sopan Baliram Gabhane, Kamptee, Nagpur, Maharashtra*



# **m**POWERED TRANSFORMATION

## IMPARTING SECURITY THROUGH INSURANCE

Security is a basic human need. Life is uncertain and we all want the assurance that our lives and assets are safe in the face of unforeseen circumstances. And thus, security is one of our key offerings. We provide insurance solutions for diverse needs and risk profiles through our subsidiary Mahindra Insurance Brokers Limited. From life/non-life insurance to risk management consultancy, our aim is to offer innovative, cost effective and customised solutions to ensure complete customer satisfaction. We have an early mover advantage in rural India where the opportunity to

grow and transform lives is huge. And we are all set to make the most of it.





*Mrs. Miratun Nessa Bibi, wife of Mr. Mustafa Hussein, Baduria, North 24 Pgs, Barasat, West Bengal*



“ My husband had bought a Maruti Alto through Mahindra Finance. At that time, they told us about the Mahindra Loan Suraksha product which would take care of the loan, in case something happened to my husband. Since my husband was the only one earning in the family, he decided that we should opt for this cover. A year later, my husband suddenly passed away. We were all in deep shock. I have three children and I was in no position to repay the loan. I didn't know what to do. Thankfully, Mahindra Finance came to our rescue at that time. They helped us settle the Mahindra Loan Suraksha claim. They took care of everything and the entire loan was waived off. I am very thankful to Mahindra Finance for all their support.”

# **m**POWERED TRANSFORMATION

## FULFILLING HOUSING ASPIRATIONS

*Mr. Bhavinbhai Nathabhai Gadhiya, Subhash Nagar, Rajkot, Gujarat*







We all dream of having a house of our own. But it is not an easy dream to realise. More so, for people residing in rural areas who do not have proper access to financing at reasonable rates. This is the space we have entered. We offer cost-effective and flexible home loans to our customers in rural and semi-urban areas through our subsidiary, Mahindra Rural Housing Finance Limited. Home construction, purchase, extension and improvement - we cater to all of our customer's housing needs. The joy and satisfaction that our customers feel on moving into their own homes is our motivation. And we will reach out and fulfill many more housing aspirations in the coming years.



“ For as long as I can remember, I had always wanted to buy a house of my own. But given my situation, nobody was ready to give me a loan. At that time, I had a small fabrication workshop and my annual income was only around 1.5 lakh rupees. Then a friend introduced me to Mahindra Finance. After verification, I was immediately granted a loan of 4 lakh rupees. I did not face any hassles at all. The entire process was very smooth and hardly took any time. I am really very grateful to Mahindra Finance. It is because of them that today, I am a proud home owner. This house has been really lucky for me. My business is doing very well. I am earning a lot more now. And all this has happened, thanks to Mahindra Finance.”

# mPOWERED TRANSFORMATION

## GOING BEYOND BUSINESS



At Mahindra Finance, the transformation we empower is not just restricted to our business. As a responsible corporate citizen, we strive to give back to the society, the environment and the country that have given us so much and have been critical to our success and growth. One of our key initiatives in this direction has been the Lifeline Express.

Since 2007, the Mahindra Group has been sponsoring the Lifeline Express, a unique project launched by the Impact India Foundation. Mahindra Finance has been a part of this initiative since the last two years. The Lifeline Express is the world's first hospital on rails that offers medical and surgical interventions to the differently abled in remote areas, free of cost. The hospital on rails consists of 5 coaches, fully air conditioned, and equipped with the latest gadgets. From Rangia in Assam to Wardha in Maharashtra, the Lifeline Express has helped eradicate avoidable disablement in thousands of people across





the country, leading to a radical transformation in their lives.

Some of our other initiatives include Nanhi Kali, the flagship programme of the K. C. Mahindra Education Trust, which supports the education of the disadvantaged girl child. This year, we sponsored 800 Nanhi Kalis. Mahindra Hariyali is an afforestation programme conducted regularly by the Mahindra Group and Mahindra Finance, on a pan-India basis. We frequently organise nation wide blood donation drives as well. Apart from these initiatives, we have been contributing regularly to recognised charitable institutions which work specifically for the economically and socially disadvantaged section of the society.

This is just the beginning. There is so much more we want to accomplish. As we build a sustainable, scalable business that creates value for all stakeholders, we will Mpower growth and transformation in India.



# SIGNIFICANT ACHIEVEMENTS DURING THE YEAR



## EXPANDING REACH

For the first time in the Company's history, Mahindra Finance acquired more than 2 lakh new customer contracts in a year. With this, the total number of relationships has crossed a million and now stands at 1.19 million.



## STRENGTHENING PORTFOLIO

The Company launched the Loan against Gold scheme in Kerala during the year.



## UPGRADING TECHNOLOGY

- Over 90% of the branches are now connected online in real time.
- The Company has widened the network of collection executives who use GPRS enabled hand held devices. This enables more effective and efficient communication as well as better collection of payment.



## EMPOWERING EMPLOYEES

- Mahindra Finance has partnered with several reputed institutes which will enable the employees to upgrade their skills. New employees are provided on-the-job training by senior employees.
- The Company has also initiated several employee recognition programmes. Employees can also voice their suggestions and opinions to the senior management in sessions held every quarter.



## ENHANCING SUPPORT

Mahindra Rural Housing Finance Limited has received a sanction from the National Housing Bank for re-financing Rs. 750 million for seven years.



## DELIVERING CONSISTENT GROWTH

- Assets Under Management have grown at a CAGR of 14.38% over the past three years to reach Rs. 103,290 million in 2009-10.
- Profit After Tax (PAT) has grown at a CAGR of 37.14% over the past three years to reach Rs. 3,427 million in 2009-10.



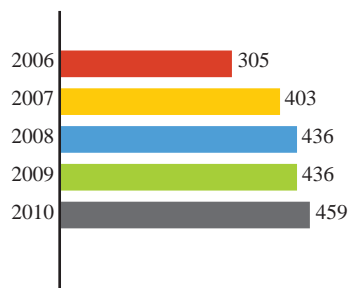
# SUMMARY OF RESULTS

(Rupees in lacs unless indicated otherwise)

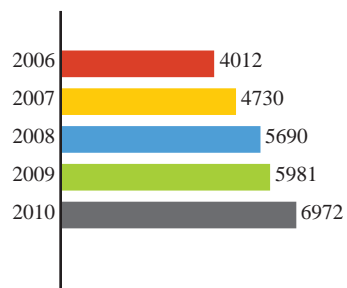
Particulars	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Estimated Value of Assets Financed	891536	628122	584972	544094	447791	334336	230270	160985	116675	100197
No. of Contracts	1189848	973493	815665	641087	467977	336819	234677	161079	111327	76663
Total Assets	909502	744387	702181	628089	502011	311465	203323	145601	107451	93427
Total Income	156880	138466	122680	84184	59384	40314	29970	24507	19095	13839
Profit before depreciation & tax	53047	33435	28070	21014	16731	13665	10686	8054	5561	3843
Depreciation	990	873	873	743	517	385	500	879	1219	1797
Profit before tax	52057	32562	27197	20272	16214	13280	10186	7174	4342	2046
Profit after tax	34271	21452	17702	13288	10827	8228	6762	4435	2772	961
Dividend %	75	55	45	40	35	35	28	20	10	8
Equity Share Capital	9598	9571	9529	8402	8331	7016	6062	6062	6062	6062
Reserves & Surplus	163138	137216	121762	69293	59868	28542	19111	14263	11118	7804
Net Worth	172737	146787	131291	77695	68200	35557	25173	20290	17122	13863
No. of Employees Engaged	6972	5981	5690	4730	4012	1773	1115	805	551	460
No. of Offices	459	436	436	403	305	256	224	196	151	128
Earnings Per Share - Basic (Rs.)	35.78	22.46	20.81	15.81	14.59	13.23	11.15	7.32	4.57	1.59
Earnings Per Share - Diluted (Rs.)	35.37	22.14	18.27	15.37	14.41	13.23	11.15	7.32	4.57	1.59

# PERFORMANCE HIGHLIGHTS

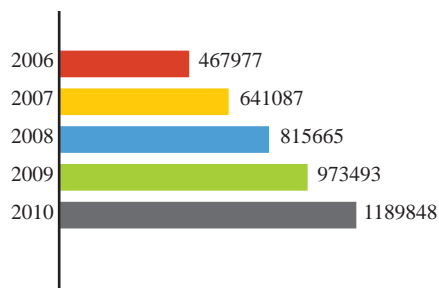
## No. of Offices



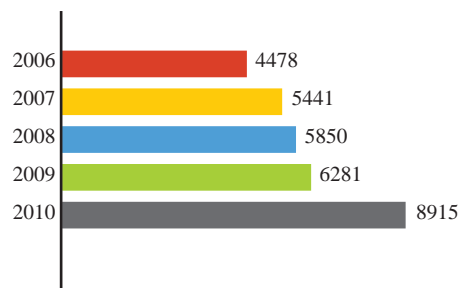
## No. of Employees Engaged



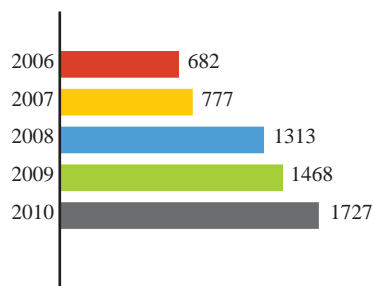
## No. of Contracts



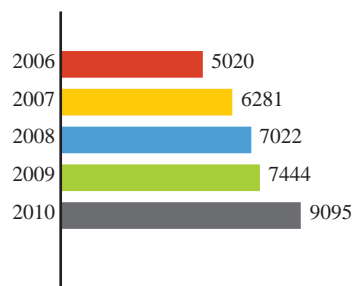
## Estimated Value of Assets Financed (Rs. in crores)



## Growth in Shareholders' Funds (Rs. in crores)

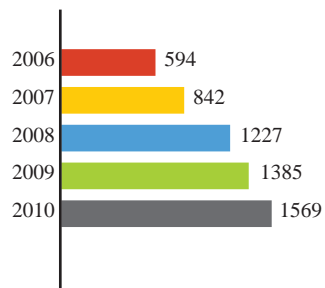


## Total Assets (Rs. in crores)

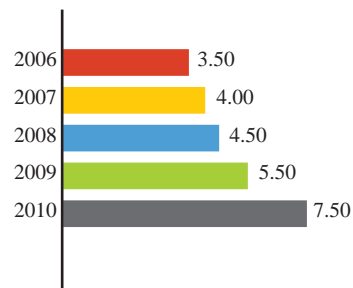




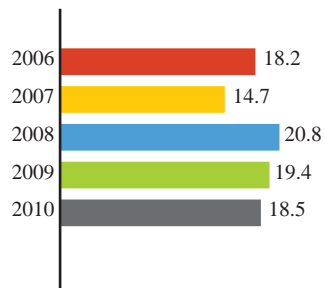
Growth in Total Income  
(Rs. in crores)



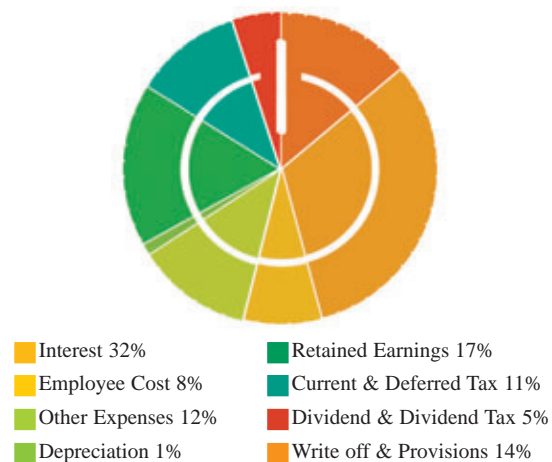
Dividend Per Share (Rs.)



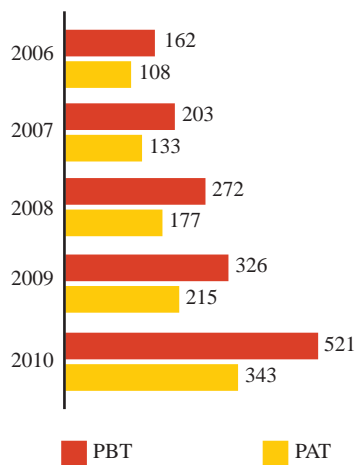
Capital Adequacy (%)



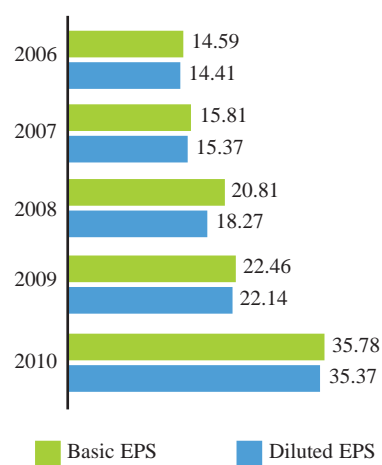
Distribution of Income



Growth in Profits  
(Rs. in crores)



Earnings Per Share (Rs.)



# CORPORATE INFORMATION

## **DIRECTORS**

Bharat Doshi - Chairman  
Uday Y. Phadke - Vice Chairman  
Pawan Goenka  
Anjanikumar Choudhari  
Dhananjay Mungale  
M. G. Bhide  
Piyush Mankad  
Rama Bijapurkar  
M.B.N. Rao  
Ramesh Iyer - Managing Director

## **CHIEF FINANCIAL OFFICER**

V. Ravi

## **COMPANY SECRETARY**

Arnavaz M. Pardiwala

## **REGISTERED OFFICE**

Gateway Building,  
Apollo Bunder,  
Mumbai - 400 001.

## **CORPORATE OFFICE**

Sadhana House, 2nd Floor,  
Behind Mahindra Towers,  
570, P.B. Marg, Worli,  
Mumbai - 400 018.

## **COMMITTEES OF THE BOARD**

### **AUDIT COMMITTEE**

Dhananjay Mungale - Chairman  
M. G. Bhide  
Anjanikumar Choudhari  
Rama Bijapurkar  
M.B.N. Rao

### **REMUNERATION/**

### **COMPENSATION COMMITTEE**

Piyush Mankad - Chairman  
Bharat Doshi

Dhananjay Mungale

Uday Y. Phadke

M. G. Bhide

### **SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

Uday Y. Phadke - Chairman  
Dhananjay Mungale  
Anjanikumar Choudhari  
Ramesh Iyer

### **ASSET LIABILITY COMMITTEE**

Dhananjay Mungale - Chairman  
Uday Y. Phadke

### **RISK MANAGEMENT COMMITTEE**

Dhananjay Mungale - Chairman  
M. G. Bhide  
Anjanikumar Choudhari  
Rama Bijapurkar  
M.B.N. Rao

### **NOMINATION COMMITTEE**

Piyush Mankad  
Bharat Doshi  
Dhananjay Mungale  
Uday Y. Phadke  
M. G. Bhide

## **AUDITORS**

B. K. Khare & Co.  
Chartered Accountants,  
706/708, Sharda Chambers,  
Mumbai - 400 020.

## **SOLICITORS**

Khaitan & Co.  
One Indiabulls Centre,  
13th Floor,  
841, Senapati Bapat Marg,  
Elphinstone Road,  
Mumbai - 400 013.

## **REGISTRAR AND SHARE TRANSFER AGENTS**

Karvy Computershare Pvt. Ltd.  
Plot No. 17-24,  
Vittalrao Nagar, Madhapur,  
Hyderabad - 500 081.

## **BANKERS**

Bank of America  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Barclays Bank PLC  
BNP Paribas Ltd.  
Canara Bank  
Central Bank of India  
Chinatrust Commercial Bank  
Citibank NA  
Corporation Bank  
Dena Bank  
Deutsche Bank AG  
HDFC Bank Ltd.  
HSBC Ltd.  
ICICI Bank Ltd.  
IDBI Bank Ltd.  
IndusInd Bank Ltd.  
ING Vysya Bank Ltd.  
Kotak Mahindra Bank Ltd.  
Punjab National Bank  
Standard Chartered Bank  
State Bank of India  
Syndicate Bank  
The Bank of Novascotia  
The Dhanlakshmi Bank Ltd.  
The Jammu & Kashmir Bank Ltd.  
The Royal Bank of Scotland  
Yes Bank Ltd.

# DIRECTORS' REPORT

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present their Twentieth Report together with the audited accounts of your Company for the year ended 31st March, 2010. The summarized financial results of the Company are given below:

### FINANCIAL RESULTS

	March 2010	Rs. in Crores March 2009
Total Income	<b>1568.8</b>	1384.7
Less : Finance Costs	<b>501.7</b>	509.9
Expenditure	<b>536.6</b>	540.5
Depreciation / Amortisation	<b>9.9</b>	8.7
Total Expenses	<b>1048.2</b>	1059.1
Profit Before Tax	<b>520.6</b>	325.6
Less : Provision For Tax		
Current Tax	<b>204.4</b>	161.5
Deferred Tax	<b>(28.2)</b>	(53.3)
Fringe Benefit Tax	<b>—</b>	2.9
Profit After Tax for the Year	<b>344.4</b>	214.5
Add/Less : (Excess)/Short Provision for Income-tax - earlier years (net)	<b>1.7</b>	—
Balance Profit After Tax	<b>342.7</b>	214.5
Add : Amount brought forward from Previous Years	<b>355.8</b>	268.0
Amount available for Appropriation	<b>698.5</b>	482.5
<b>Appropriations :</b>		
General Reserve	<b>34.3</b>	21.5
Statutory Reserve	<b>68.5</b>	42.9
Proposed dividend on equity shares	<b>72.7</b>	53.3
Income-tax on proposed dividend	<b>12.3</b>	9.0
Surplus carried to Balance Sheet	<b>510.7</b>	355.8
	<b>698.5</b>	482.5

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.7.50 per Equity Share, payable to those members whose names appear in the Register of Members as on the Book Closure date. The dividend including dividend tax will absorb a sum of Rs. 85.0 crores (as against Rs. 62.3 crores on account of dividend of Rs. 5.50 per Equity Share, paid for the previous year).

### OPERATIONS

Your Company continues to be the preferred provider of retail financing services for Mahindra range of vehicles and tractors in addition to financing other new and pre-used vehicles. During the year under review, your Company continued to maintain its

market position in rural and semi-urban automobile financing and expanded its lending to non Mahindra range of vehicles. Your Company also provides finance for Commercial Vehicles and Construction Equipment. Your Company has one of the largest network of branches amongst Non-Banking Financial Companies (NBFCs) operating in rural and semi-urban areas. Your Company's nationwide network of branches and locally recruited employees have facilitated in developing and strengthening relationship with its customers.

Income grew by 13.3 per cent to Rs.1568.8 crores for the year ended 31st March, 2010 as compared to Rs.1384.7 crores for the previous year. Profit Before Tax was 59.9 per cent higher at Rs.520.6 crores as compared to Rs.325.6 crores for the previous



year. Profit After Tax grew at a healthy rate of 59.8 per cent to Rs.342.7 crores as compared to Rs.214.5 crores in 2008-09.

Your Company has achieved a very important milestone of cumulatively financing over one million customers since its inception. The number of contracts entered into by the Company during the year was 2,16,355 as against 1,57,828 in the previous year.

The overall disbursement registered a growth of 41.9 per cent at Rs.8915.4 crores as compared to Rs.6281.2 crores in the previous year.

During the year under review, the Assets Under Management have crossed Rs.10,000 crores and stood at Rs.10,329.0 crores as at 31st March, 2010.

### **DISTRIBUTION OF MUTUAL FUND PRODUCTS**

During the year under review, the activity of distribution of Mutual Fund Products (MFP) was carried out across 14 branches covering 10 States.

The Assets Under Management, aggregate of institutional and retail segment reached an amount of Rs.1,335.6 crores from Rs.1,232.3 crores in the previous year and the number of clients reached 40,104 as compared to 37,100 in the previous year.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A detailed discussion on the Company's operations is presented in the chapter on Management Discussion and Analysis, which forms part of this Annual Report.

### **ECONOMY**

The global economy is set to recover from the recession of 2008-2009 at a faster and stronger rate than earlier expected. The macro-economic scenario is now returning to normalcy with private demand and credit off-take picking up. During the year under review, the Reserve Bank of India (RBI) chose to slowly normalize the policy rates. The financial markets functioned normally and as the overall liquidity remained comfortable, overnight interest rates generally stayed close to the lower bound of the Liquidity Adjustment Facility (LAF) rate corridor. The increase in bank credit was also supplemented by higher flow of financial resources from other sources.

A sharp recovery of growth during 2009-10 despite the worst south-west monsoon attests to the resilience of the Indian economy. The monetary and fiscal stimulus measures initiated in the wake of the global financial crisis played an important role, first in mitigating the adverse impact from contagion and then in ensuring that the economy recovered quickly. The Indian economy is firmly on the recovery path. Exports have been expanding since October 2009, a trend that is expected to continue.

There are signs that in recent months economic growth in India has become more broad-based with industrial growth displaying less volatility across sectors; agriculture has picked up due to good rabi season and service sector growth remained robust.

### **FINANCE**

During the year under review, your Company continued its innovative methods of sourcing funds in addition to regular

borrowings like Secured and Unsecured Debentures, Term loans, etc., and maintained prudential Asset/Liability match through out the year. Your Company sourced long term loans from consortium banks at attractive rates and a significant proportion of the same was eligible for priority sector lending for banks. Your Company also issued subordinated debt amounting to Rs.100.0 crores and successfully assigned receivables to the tune of Rs. 1044.6 crores at very attractive rates.

During the year, your Company has actively participated in a number of international and domestic investor meets organized by reputed International Banks and Financial Services Companies.

Your Company also periodically conducted analysts' meets to communicate details of performance, important developments and exchange information.

### **CAPITAL ADEQUACY**

As a result of the increased net worth, your Company was able to enhance the Capital to Risk Assets Ratio (CRAR) to 18.5 per cent as on 31st March, 2010, which is well above 12.0 per cent CRAR prescribed by the Reserve Bank of India.

### **EMPLOYEES' STOCK OPTION SCHEME (ESOS)**

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure I to this Report.

### **RBI GUIDELINES**

The Company has complied with all the applicable regulations of the Reserve Bank of India (RBI). As a prudent practice, your Company makes accelerated provisioning for Non Performing Assets (NPAs) than that required by RBI for NBFCs.

### **CREDIT RATING**

During the year under review, CRISIL Limited, has after due consideration, revised the outlook to 'Stable' from 'Negative' and re-affirmed the 'AA-/Stable' rating to your Company's Long-term Debt Instruments and Bank Facilities and 'FAA/ Stable' rating to your Company's Fixed Deposit Programme. The 'AA-/ Stable' rating indicates a high degree of safety with regard to timely payment of financial obligations. The Rating on the Company's Short-term Debt and Bank Loans has been re-affirmed at 'P1+' - which is the highest level of rating.

Fitch Ratings India Private Limited, has during the year under review, re-affirmed the 'AA(ind)' ratings with the Outlook as Stable assigned to the Company's National Long-term Rating instrument and Lower Tier II Subordinated Debt programme. The 'AA (ind)' national ratings denote a very strong credit risk relative to other issuers or issues in the country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

Brickworks Ratings India Private Limited, has during the year, assigned the "BWR AA+" rating with Positive outlook to the Company's Long-term Subordinated Debt Issue. Instruments with this rating are considered to offer High credit quality in terms of timely servicing of debt obligation.

## FIXED DEPOSITS AND LOANS/ADVANCES

Your Company has started accepting Fixed Deposits from the public with effect from 1st January, 2009.

Your Company has initiated various measures towards improvement of service levels to the Fixed Deposit holders. As a customer centric process, the Company normally despatches the post-dated repayment cheques in respect of all the deposits, well in advance, before the maturity date to the depositors.

As at 31st March, 2010, 100 deposits amounting to Rs.0.6 crores had matured for payment and were due to be claimed or renewed. Subsequent to the year end, as on 22nd April, 2010, 30 deposits amounting to Rs.0.3 crores had matured for payment and were due to be claimed or renewed.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the Company are furnished separately.

## SUSTAINABILITY INITIATIVES

In 2007-08, your Company had participated in the Mahindra Group's 'Sustainability' initiatives and was part of the Group's First Sustainability Review, which is a voluntary report setting out the Company's commitment to the environment and society, while generating profits. This report was released by Mahindra & Mahindra Limited (M&M) in October 2008 and the shareholders were informed of this initiative in the previous year's Directors' Report.

In October 2009, the Second Mahindra Sustainability Review for the year 2008-09 was published by M&M, wherein information about your Company's performance on the three bottom lines - i.e. People, Planet and Profit, was also included. Again this year, this report was externally assured by Ernst & Young and rated with the highest level of A+ and GRI checked. This Second report reflects your Company's progression in this journey and its commitment to taking a more responsible and holistic approach to business in general.

In keeping with the Mahindra Group's philosophy of 'ALTERNATIVE THINKING', your Company has been actively seeking and implementing alternative solutions that are inclusive and responsible. Be it providing access to finance and insurance products in rural and semi-urban areas, supporting alternative routes that make healthcare accessible for the poor or creating an alternative reality for the girl child through education, your Company's involvement is pervasive across the economic, environmental and social domains.

During the year, your Company has taken certain initiatives in this direction and created awareness through the Sustainability mantra. Your Company as a step towards 'Green Initiative' has devised innovative methods of Hybrid Power Solution through installation of wind and solar based alternative sources of power in some of the branches in rural and semi-urban areas to overcome chronic power shortage. Your Company ensured that the concept of sustainability was further enhanced in the minds of its

employees, vendors, suppliers and customers. Your Company celebrated Environment Week in June 2009. Various initiatives were taken for energy saving, reduction of noise pollution and paper consumption. Services to various Non-Governmental Organisations were taken up all year round.

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As a socially responsible citizen, your Company continues to contribute to the economic well being of the communities it interacts with and enhances their social well being. Corporate Social Responsibility (CSR) has always been an integral part of the vision of the Mahindra Group and has been the cornerstone of its core value of good corporate citizenship.

Your Company has always been sensitive to the fact that, since corporations are vital organs of society, corporate interests must address societal concerns and has played an active role in discharging its social responsibilities. As a part of its commitment to CSR initiatives, your Company, during the year continued to involve itself in social welfare activities by contributing to recognized charitable Institutions, which specifically benefit the economically weaker and socially disadvantaged sections of the society. Your Company has sponsored 800 Nanhi Kalis, the flagship programme of the K.C. Mahindra Education Trust, which supports the education of the disadvantaged girl child.

Your Company made efforts to fight against global warming by conducting a "Tree Plantation" programme across India. Your Company has planted 10,500 trees across the country. Your Company organized a nationwide Blood Donation Drive to re-affirm its pledge to the society and collected 1,655 bottles of blood. The 'Lifeline Express' Train catered to the medical needs of the people in the rural areas of Wardha.

During the year under review, your Company contributed Rs. 1.0 crore towards Corporate Social Responsibility to various institutions for charitable purposes.

## ACHIEVEMENTS

Your Company won three awards in the Western Regional Round of "EMPLOYER BRANDING AWARDS 2009-10" for various categories mentioned below:

- Award for Training - Drona
- Award for Best HR Strategy in line with Business Strategy - Result Based Monthly Incentive Scheme
- Award for Talent Management - Chanakya, Chakravayu, Vista 360 and Employees Personal Development Plan

The 'Fun at Work' Award, which is the first of its kind award by the World HRD Congress, was given to your Company on 11th February, 2010.

## DIRECTORS

Mr. M.B. N. Rao and Dr. Pawan Kumar Goenka were appointed as Additional Directors on the Board of Directors of the Company on 27th July, 2009 and hold office up to the date of the Annual General Meeting of the Shareholders to be held on 23rd July, 2010.





The Company has received a notice from a member under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. M.B.N. Rao and Dr. Pawan Kumar Goenka respectively, as candidates for the office of Director of the Company at the forthcoming Annual General Meeting.

Mr. Bharat Doshi and Mr. Dhananjay Mungale, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

## CORPORATE GOVERNANCE

A report on Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance with conditions of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

## SUBSIDIARY COMPANIES

### Mahindra Insurance Brokers Limited

The business of direct insurance broking for Life and Non-Life products is carried out through your Company's wholly-owned subsidiary, Mahindra Insurance Brokers Limited (MIBL). The year under review represents the sixth year of MIBL's insurance broking operations. During the year under review, MIBL crossed an important milestone of servicing 1 million retail policies (10.8 lacs) since the commencement of its operations in May 2004. MIBL's focus during the year under review continued to be on significantly enhancing the retail customer base in order to minimize the impact of detariffing on broker income.

The customized life insurance cover "Mahindra Loan Suraksha" (MLS) continued to receive a good response and grew by 54.2% from 95,434 lives covered with a Sum Assured of Rs.2,180.4 crores in the financial year 2008-09 to 1,47,154 lives

covered with a Sum Assured of Rs.3,518.4 crores in the financial year 2009-10, with a substantial portion being covered in the rural markets.

MIBL achieved a growth of 16.6% in Net Premium generated for the Corporate and Retail business lines, increasing from Rs.159.8 crores (Gross Premium Rs.177.0 crores) in the financial year 2008-09 to Rs.186.3 crores (Gross Premium Rs.202.7 crores) in the financial year 2009-10, crossing a milestone of Rs.200 crores Gross Premium. The Income increased by 35.9% from Rs.23.1 crores in the financial year 2008-09 to Rs.31.4 crores in the financial year 2009-10. The Profit Before Tax increased by 66.3% from Rs.10.1 crores to Rs.16.8 crores, and the Profit After Tax increased by 70.8% from Rs.6.5 crores to Rs.11.1 crores during the same period.

### Mahindra Rural Housing Finance Limited

Mahindra Rural Housing Finance Limited (MRHFL) in the third year of its operations has disbursed incremental loans aggregating Rs.90.6 crores (previous year Rs.43.4 crores), covering over 5,700 families. The Profit After Tax for the year ended 31st March, 2010, was Rs.2.2 crores (previous year loss of Rs.0.8 crores). The outstanding loan portfolio as at 31st March, 2010 stood at Rs.129.8 crores.

MRHFL has been successful in establishing its presence in the Housing Finance sector by leveraging the branch network of your Company. During the year, operations were strengthened in the states of western and southern India. In addition to this, MRHFL launched its operations in Madhya Pradesh.

During the year, MRHFL was able to secure a great deal of support from National Housing Bank through their refinance arrangement scheme.

### Mahindra Business & Consulting Services Private Limited

Your Company has on 7th May, 2009, acquired the entire share capital of 10,000 Equity Shares of Rs.10 each of Mahindra Business & Consulting Services Private Limited [MBCSPL] (formerly known as Mahindra IT Consulting Private Limited) aggregating Rs.1,00,000 from Bristlecone India Limited, thus making it a wholly owned subsidiary of your Company, with effect from the said date.

MBCSPL is in the business of captive staffing and providing allied services. It started commercial operations on 1st April, 2009. MBCSPL has sourced 2,573 employees for your Company and its subsidiaries viz. MIBL and MRHFL. MBCSPL registered a Profit After Tax of Rs.0.1 crore for the year ended 31st March, 2010.

The Statement pursuant to section 212 of the Companies Act, 1956, containing details of the Company's subsidiaries is attached to this Report.

The Consolidated Financial Statements of the Company and its three subsidiaries viz. MIBL, MRHFL and MBCSPL, prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India, form part of the Annual Report.

In terms of the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the Subsidiaries have not been attached to the Balance Sheet of the Company. The Company Secretary will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished forming part of the Annual Report. These documents will also be available for inspection at the Head Office of the Company and at the Office of the respective subsidiary companies, during working hours up to the date of the Annual General Meeting. The Company shall also put the details of accounts of individual subsidiary companies on its website [www.mahindrafinance.com](http://www.mahindrafinance.com).

### AUDITORS

Messrs. B. K. Khare & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 (1B) of the Companies Act, 1956, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to the energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure II to this Report.

### PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER

The Company had twenty employees who were in receipt of remuneration of not less than Rs.24,00,000 during the year ended 31st March, 2010 or not less than Rs.2,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all the Shareholders of the Company excluding the Statement of particulars of employees. Any Shareholder interested in obtaining a copy of the Statement may write to the Company Secretary of the Company.

For and on behalf of the Board

**BHARAT DOSHI**  
Chairman

Mumbai, 22nd April, 2010



## ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

(a) Options granted	32,94,966			
(b) The pricing formula	Grant-1 Granted on 7th December, 2005	Grant-2 Granted on 24th July, 2007	Grant-3 Granted on 25th March, 2008	Grant-4 Granted on 18th September, 2008
	Priced at a discount of Rs.15 on Fair Value of Rs.66 based on the valuation obtained from an independent valuer based on Net Asset Value / Asset Based Method.	At a discount of 5% on the average price preceding the specified date - 24th April, 2007	At a discount of 5% on the average price preceding the specified date - 18th January, 2008	At a discount of 5% on the average price preceding the specified date - 18th September, 2008
	<p><b>Average Price:</b> Average of the daily high and low of the prices for the Company's equity shares quoted on National Stock Exchange of India Limited during 15 days preceding the specified date.</p> <p><b>The Specified Date:</b> Date on which the Remuneration / Compensation Committee decided to recommend to the Mahindra &amp; Mahindra Financial Services Limited Employees' Stock Option Trust (Trust), the grant of Options.</p>			
(c) Options vested	21,38,070 Options stand vested on 31st March, 2010.			
(d) Options exercised	17,67,502			
(e) The total number of shares arising as a result of exercise of option	17,67,502 equity shares of Rs.10 each. These were transferred from the Trust to the eligible employees.			
(f) Options lapsed	6,55,305			
(g) Variation of terms of options	At the Seventeenth Annual General Meeting of the Company held on 23rd July, 2007, the Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme was amended to provide for recovery from the eligible employees, the fringe benefit tax in respect of options which are granted to or vested in or exercised by, the eligible employees on or after the 1st day of April, 2007.			
(h) Money realized by exercise of options	Rs.10,50,95,352. This amount was received by the Trust.			
(i) Total number of options in force	8,72,159			
(j) Employee-wise details of options granted to:				
(i) Senior managerial personnel	As per statement attached.			
(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil			
(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding	Nil			



warrants and conversions) of the company at the time of grant	
(k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs. 35.37*
(l) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs.149.8 lacs, profit after tax lower by Rs.149.8 lacs and the basic and diluted earnings per share would have been lower by Rs.0.16 and Rs.0.16 respectively.
(m) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	During the year under review there was no fresh grant of Options.
(n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: Sr. Particulars No. (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends, and (v) The price of the underlying share in market at the time of option grant	During the year under review there was no fresh grant of Options.

\* Refer Note No. "1" in Schedule "XVIII" to Annual Accounts of the Annual Report



### Statement Attached to Annexure I to the Directors' Report for the year ended 31st March, 2010

Names of Directors and Senior Managerial Persons to whom Stock Options have been granted	Number of Options granted in December, 2005	Number of Options granted in July, 2007	Number of Options granted in March, 2008	Number of Options granted in September, 2008
Mr. Bharat N. Doshi	2,00,000	12,135	Nil	14,051
Mr. Uday Y. Phadke	10,000	4,042	Nil	14,051
Mr. Anjanikumar Choudhari	10,000	2,021	Nil	3,513
Dr. Pawan Goenka ^	10,000	2,021	Nil	3,513
Mr. Manohar G. Bhide	10,000	Nil	Nil	Nil
Mr. Dhananjay Mungale	10,000	Nil	Nil	Nil
Mr. Piyush Mankad	10,000	Nil	Nil	Nil
Mrs. Rama Bijapurkar	N/A	N/A	N/A	10,000
Mr. Ramesh Iyer	1,00,000	19,580	19,106	24,366
Mr. V. Ravi	60,000	11,207	10,846	13,832
Mr. Apurv Verma	40,000	5,530	5,352	9,100
Mr. Rajesh Vasudevan	10,000	3,326	3,665	4,674
Mr. Dinesh Prajapati	12,000	3,876	4,292	5,473
Mr. Rajesh Joshi #	12,000	2,754	2,168	2,765
Mr. Suresh Shanmugam	7,500	3,027	3,223	4,110
Mr. Gurdev Mehta	14,000	3,075	3,150	4,017
Mr. Richard Clement	7,500	1,665	1,311	1,671
Mr. H.S. Kamath	7,500	1,628	2,745	3,500
Mr. Rajnish Agarwal	7,000	1,379	1,059	1,801
Mr. R. Balaji	N/A	N/A	N/A	5,408

^ appointed as Director with effect from 27th July, 2009.

# resigned on 12th August, 2009.

## ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2010.

### A. CONSERVATION OF ENERGY

- Energy Conservation measures taken: The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption.
- Additional investments and proposals, if any, being implemented for reduction of consumption of energy: Rs.0.4 crores.
- Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : These measures are expected to reduce the energy consumption.
- Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule: Not Applicable.

### B. TECHNOLOGY ABSORPTION

Research & Development (R & D)

- |   |                                                   |   |                |
|---|---------------------------------------------------|---|----------------|
| 1 | Areas in which R & D is carried out               | : | None           |
| 2 | Benefits derived as a result of the above efforts | : | Not Applicable |
| 3 | Future plan of action                             | : | None           |
| 4 | Expenditure on R & D                              | : | Nil            |
| 5 | Technology absorption, adaptation and innovation  | : | None           |
| 6 | Imported Technology for the last 5 years          | : | None           |

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange outgo is furnished in the Notes to the Accounts. There were no foreign exchange earnings during the year.

For and on behalf of the Board

**BHARAT DOSHI**  
Chairman

Mumbai, 22nd April, 2010

**Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the company pursuant to Clause 32 of the Listing Agreement with the Company**

Loans and advances in the nature of loans to subsidiaries:

Rs. in Crores

Name of the Company	Balance as on 31st March, 2010	Maximum Outstanding during the year
Mahindra Rural Housing Finance Limited	23.9	56.6
Mahindra Business & Consulting Services Private Limited	1.8	1.8

Loans and advances in the nature of loans to firms / companies in which Directors are interested:

Rs. in Crores

Name of the Company	Balance as on 31st March, 2010	Maximum Outstanding during the year
Mahindra Two Wheelers Limited	10.0	10.0
Mahindra Holidays & Resorts India Limited	146.8	146.8
NBS International Limited	0.6	1.0
Mahindra Logistics Limited	0.0	10.1

The Company has not made any loans and advances in the nature of loans to associates or loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY STRUCTURE & DEVELOPMENTS

The growth rate of the Gross Domestic Product (GDP) in 2008-09 was 6.7 per cent, with growth in the last two quarters hovering around 6 per cent. There was a significant slowdown in the growth rate in the second half of 2008-09, following the financial crisis that began in the industrialized nations in 2007 and spread to the real economy across the world. The fiscal year 2009-10 began as a difficult one. There was apprehension that this trend would persist for some time, as the full impact of the economic slowdown in the developed world worked through the system. It was also a year of reckoning for the policymakers, who had taken a calculated risk in providing substantial fiscal and monetary expansion to counter the negative fallout of the global slowdown. A delayed and severely subnormal monsoon added to the overall uncertainty. The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export recovery and a slowdown in financial flows into the economy. Yet, over the span of the year, the economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for the Indian economy in the medium to long term. The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9 per cent. As per the advance estimates of GDP for 2009-10, released by the Central Statistical Organisation (CSO), the economy is expected to grow at 7.2 per cent in 2009-10, with the industrial and the service sectors growing at 8.2 and 8.7 per cent respectively. The fast-paced recovery of the economy underscores the effectiveness of the policy response of the Government in the wake of the financial crisis.

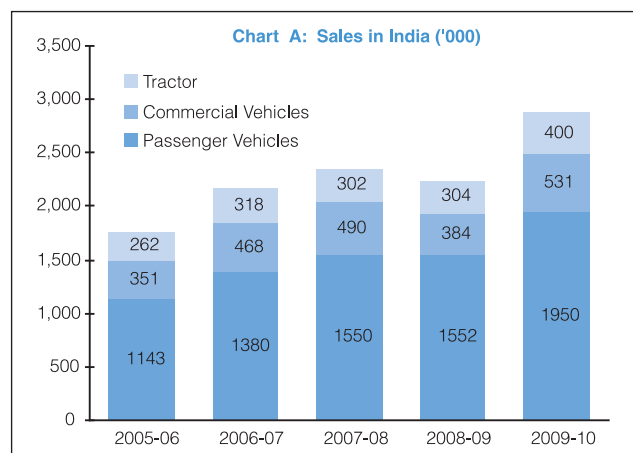
Domestic passenger car and Utility Vehicles (UVs) industry ends the year with a strong growth of 25.1 per cent and 27.3 per cent, respectively, in 2009-10. In 2009-10, domestic passenger car and UV volumes recovered sharply. Recovery was aided by lower cost of ownership, mainly through stimulus packages. The key reasons for the recovery were as follows:

- Reduction in excise duty and fuel prices lowered the cost of ownership for consumers in 2009-10.
- Lower uncertainty over growth in income levels and better financing environment improved consumer sentiments.
- Advancement of purchases in the last quarter of 2009-10, due to expected rollback of excise duty.
- Low base effect of 2008-09.

After a sharp decline in sales volumes in 2008-09, the Commercial Vehicles (CVs) industry recovered with strong sales growth in 2009-10. Accelerated depreciation of 50 per cent on CVs, as part of the stimulus package announced by the Centre last year, has boosted their demand. CRISIL Research estimates non-bulk freight traffic, the primary growth driver of CV sales, to grow by 12-13

per cent in 2010-11, due to increase in industrial production and agricultural output. Transporters' profitability would improve in 2010-11, with the expected increase in freight availability, higher vehicle utilisation levels, and increase in freight rate.

In 2009-10, the growth in sales of the passenger vehicles which includes utility vehicles and passenger cars bounced back to 26 per cent as against a flat growth during the last year. The sale of commercial vehicles also grew by 38 per cent as against a decline of 22 per cent last year (source: SIAM). The growth in tractor sales increased by 32 per cent as against a flat growth last year. Chart A shows the domestic sales during the last five years of passenger vehicles, commercial vehicles and tractors which are the key automobile segments for Mahindra & Mahindra Financial Services Limited.



The auto finance industry has witnessed a swift recovery in 2009-10, after recording a 25 per cent decline in disbursements in 2008-09. While high non-performing assets at industrial level continue to be a concern due to unbridled credit expansion in the previous years, disbursements have picked up and credit-appraisal mechanisms are being strengthened, pointing to a brighter outlook for the industry. Lowering of interest rates, reduction in uncertainty over income growth, along with higher consumer confidence, have led to an increase in the percentage of vehicles financed and loan to value ratio in 2009-10.

The Non-Banking Financial Companies (NBFCs) as a whole account for 9.1 per cent of the assets of the total financial system. In the wake of the recent global financial crisis and its fallout for Financial Institutions (FIs), the Reserve Bank of India (RBI) undertook measures to preserve financial stability and arrest the moderation in the growth momentum. As a measure aimed at expanding rupee liquidity, the RBI provided a special repo window under its Liquidity Adjustment Facility (LAF) for NBFCs. In addition, an existing Special Purpose Vehicle (SPV) was used as a platform to provide liquidity support to NBFCs.

## MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

Mahindra & Mahindra Financial Services Limited ('MMFSL', 'Mahindra Finance' or 'the Company') is one of India's leading NBFCs focused on the rural and semi-urban sectors providing finance for UVs, tractors and cars. The Company is a subsidiary of Mahindra & Mahindra Limited (M&M), a leading tractor and UV manufacturer with over 60 years' experience in the Indian market.

The Company's goal is to be the preferred provider of retail financing services in the rural and semi-urban areas of India, while its strategy is to provide a range of financial products and services to its customers through its nationwide distribution network. The Company seeks to position itself between the organised banking sector and local money lenders, offering its customers competitive, flexible and speedy lending services.

MMFSL principally finances UVs used both for commercial and personal purposes, tractors and cars. While the Company predominantly finances M&M UVs and tractors, it continues to expand its lending to vehicles not manufactured by M&M.

The performance highlights for the Company during 2009-10 are given below:

- Total assets grew by 22.2 per cent from Rs.7443.9 crore on 31<sup>st</sup> March, 2009 to Rs.9095.0 crore on 31<sup>st</sup> March, 2010.
- Cumulative number of customer contracts increased by 22.2 per cent from 973,493 in 2008-09 to 11,89,848 in 2009-10.
- Total income grew by 13.3 per cent from Rs.1384.7 crore in 2008-09 to Rs.1568.8 crore in 2009-10.
- Profit before tax (PBT) grew by 59.9 per cent from Rs.325.6 crore in 2008-09 to Rs.520.6 crore in 2009-10.

## OPPORTUNITIES

The Indian growth story is now spreading itself to India's hinterlands. Rural India, which accounts for more than 70 per cent of the country's one billion population (according to the Census of India 2001), is not just witnessing an increase in its income but also in consumption and production.

The Union Budget for 2010-11 has hiked the allocation under the National Rural Employment Guarantee Act (NREGA) to Rs.40100 crore [US\$ 8.71 billion] in 2010-11, giving a boost to the rural economy.

According to a study on the impact of the slowdown on rural markets commissioned by the Rural Marketing Association of India (RMAI) and conducted by MART, a leading rural marketing consultancy and knowledge based organization on emerging markets, the rural economy has not been impacted by the global economic slowdown.

The key dimensions of the Company's strategy are innovative products, risk adjusted pricing, customer focus, customer convenience, wide distribution, strong processes and prudent risk management.

Semi-urban and rural areas are emerging as a potentially lucrative market for car sales. Strong growth in middle-income population,

higher farm incomes and increasing aspiration levels are driving the demand for personal vehicles in smaller cities and villages. For instance, Maruti Suzuki has increased the share of rural areas in total domestic volumes from 3.5 per cent in 2007-08 to around 12 per cent till the first quarter of 2009-10.

MMFSL is one of the 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 60 years. Credit in these markets is principally provided by banks from the organised finance sector or by the local money lenders. Though of late, there has been a penetration by some private financial services companies, the market still remains largely untapped. There is a large section of the rural population which do not have access to credit largely due to their inability to meet the lending covenants of the banks or because they cannot service the high rates of the money lenders. There is a huge opportunity in these markets and the Company is well positioned to service this population.

The executives at MMFSL have been sourced locally and are trained to understand the credit requirement of the customers and evolve a financial product based on the credibility of the borrower. The Company adopts simple documentation procedures for prompt loan approval and offers interest rates hovering between those offered by the banks and the money lenders. By its presence in this market for the last 15 years, the Company has gained significant experience of the local characteristics of the rural and semi-urban markets across India. The markets covered by the Company are largely cash driven and has the challenges and limitations of rural infrastructure which has been to a larger extent addressed by robust controls and processes.

The Company intends to leverage its reach and large client base by providing a wide range of financial products and services. Mahindra Rural Housing Finance Limited, the housing finance subsidiary has expanded its business activities using the wide spread network of branches and customer base of MMFSL which continues to be a single point window through its existing branch infrastructure for distribution/servicing of insurance, mutual fund and housing loan products.

Mahindra Finance believes in its people-driven business model based on building long term personal relationships. The Company is confident that it will be successful in tailoring products to position itself well in rural and semi-urban markets, and service the credit needs by providing competitive, flexible and expeditious lending services.

The Finance Minister, in his budget speech on February 26, 2010 announced that RBI was considering giving some additional banking licenses to private sector players. This is a good opportunity for well run NBFCs to consider the option of conversion into a Bank.

## THREATS

The growth prospects of the Company's business, including the quality of assets and the ability to grow asset portfolio are influenced by the growth rate of the agricultural sector and the development of rural infrastructure. The level of loans made, recovery of loans and demand for vehicles and tractors are all



affected by these factors. Any slow down in the Indian economy, the growth of vehicle and tractor sales and in the agricultural sector (particularly due to abnormal monsoons), coupled with inflationary pressures or any change in Government policy could adversely impact the performance of the Company.

The Company is exposed to interest rate risk principally as a result of lending to customers at fixed interest rates and in amounts and for periods, which may differ from our funding sources (bank borrowings and debt offerings). Interest rates are highly sensitive to many factors beyond the Company's control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors.

The Company's main competitors are banks and NBFCs. Over the last several years, a number of banks have increased their focus on retail loans in rural and semi-urban areas in India. The competing Banks have greater resources and access to cheaper funds than the Company.

## OPERATIONS

During 2009-10, MMFSL entered into 2,16,355 new contracts. On a cumulative basis, number of customer contracts increased by 22.2 per cent from 9,73,493 as at 31<sup>st</sup> March, 2009 to 11,89,848 as at 31<sup>st</sup> March, 2010.

The value of assets financed registered a growth of 41.9 per cent to Rs.8915.4 crore compared to Rs.6281.2 crore in 2009-10.

Chart B: Number of Offices

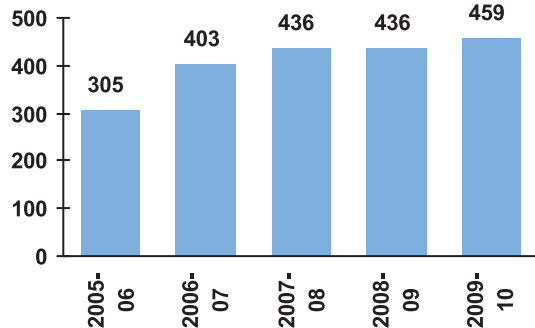
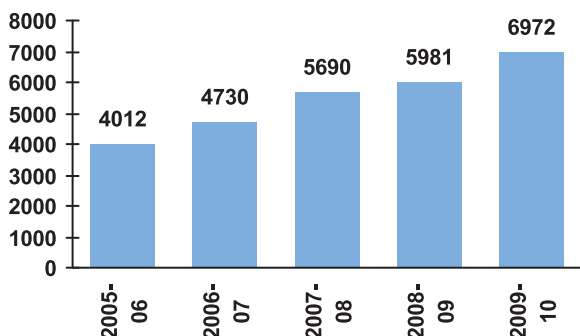


Chart C: Number of Employees including Outsourced Employees



The Company's total assets increased by 22.2 per cent from Rs. 7443.9 crore on 31<sup>st</sup> March, 2009 to Rs.9095.0 crore on 31<sup>st</sup> March, 2010, excluding the value of securitized/assigned assets.

Charts B and C show the growth in MMFSL's branch network and its employees over the last five years.

MMFSL has 459 offices as on 31<sup>st</sup> March, 2010, mainly in rural and semi-urban areas. These offices are spread across 25 states and 2 union territories, and categorised into 5 zones and 16 regions, with all offices reporting into their respective regional offices. The Company has one of the largest network of offices amongst NBFCs operating in rural and semi-urban areas.

The Company has a well equipped network infrastructure to be able to market and service its products. The main area of operations of MMFSL revolve around the asset creation process and the efficient sourcing of funds to create these assets.

Sourcing of cost-effective funds and their efficient management are the key to profitable operations of a NBFC. On 31<sup>st</sup> March, 2010, MMFSL had total borrowings of Rs.8170.0 crore. The distribution of Mahindra Finance's source of borrowings in terms of investors and instruments are given in charts D and E.

Chart D: Source of Borrowings, Investors

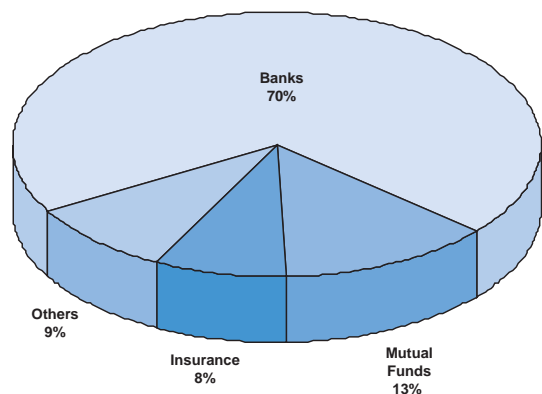
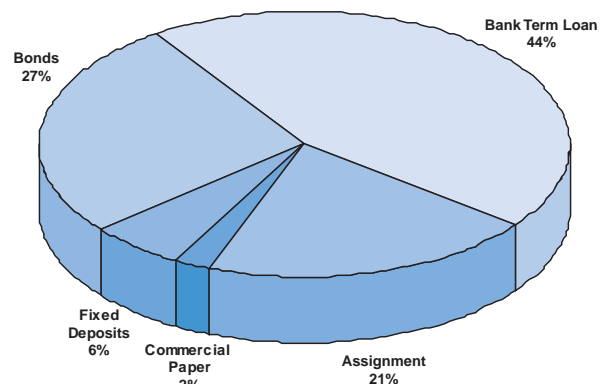


Chart E: Source of Borrowings, Instruments





The liberal monetary policy stance adopted by the Reserve Bank, post-September 2008, in response to the global financial crisis, continued during 2009-10. Though the policy focused on maintaining a market environment conducive to the flow of credit to the productive sectors of the economy, growth in bank credit remained low during 2009-10. The prevalent economic conditions as well as the cost of funds appear to have contributed to the slowdown in non-food bank credit from the banking sector. In addition, banks also reined in credit to the retail sector due to perceptions of increased risk on account of the general slowdown and to guard against bad loans.

The Benchmark Prime Lending Rates (BPLRs) of Public Sector Banks (PSBs), private-sector banks and foreign banks decreased from their September 2008 levels in March 2009 and further declined in December 2009. The BPLRs of PSBs moved from the 12.25-13.50 per cent range in March 2008 to 11.50-14.00 per cent in March 2009 and 11.00-13.50 per cent in December 2009.

The Base Rate system which is set to replace the existing BPLR system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy. Since the Base Rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate with the exception of certain categories of lending. The Base Rate will be bank specific and will largely be governed by the bank's cost of funds, costs due to CRR and SLR, unallocable overheads and average return on networth. At present, the banks are in the process of arriving at their Base Rates and a clear picture is yet to emerge. The Company is in the process of analyzing the impact of the Base Rate on its cost of borrowing.

MMFSL structured borrowings through innovative instruments like standalone Commercial Paper and MIBOR-linked Debentures. MMFSL also successfully assigned receivables to the extent of over Rs.1,000 crore.

## HUMAN RESOURCES

The Company believes in empowering its employees and constantly takes various measures to achieve this. The past success was built on the soundness of the Company's strategy which by the quality and determination of the employees had turned into action. Going forward, the Company not only plans to maintain this key source of competitive advantage but also build on it through well-structured training initiatives. The Company continues to focus on training its employees on a continuing basis, both on the job and through training programs conducted by internal and external faculty.

The Company plans to continue to recruit the right people for the right job across the country through innovative methods and enhance employee potential through continuous training and development plans.

The Company is well equipped in terms of processes to continue to meet the upcoming requirements of growth and expansion of the Company.

MMFSL follows a very open and structured performance appraisal process, which enables continuous and timely feedback to employees for motivating them and guiding them towards meeting organizational objectives. To create a sense of ownership among the employees and as a long term incentive the Company had issued options under the Employees' Stock Option Scheme to selective employees linked to their performance.

As of 31<sup>st</sup> March, 2010, there were 4,399 employees on the rolls of the Company.

## INFORMATION TECHNOLOGY (IT)

The Company has been proactive in responding to the opportunities thrown open by evolving technology and increasing technology penetration. Technology has been used innovatively for achieving financial inclusion and technology driven solutions have been implemented to achieve enhanced customer satisfaction. Investing in appropriate technologies towards improving performance and optimizing costs continues to be a key focus area. Continued focus on leveraging technology has resulted in improved process efficiencies across the organization.

The Company has taken various initiatives in the area of increasing use of technology in its day-to-day operations. The IT enabled Hand Held Machines launched last year for its field force for issuing receipts for the amounts collected in field from the customers has been a huge success. The usage of such technology has increased control and efficient monitoring of collections. The Company has also launched a new audit management portal which will enhance the Management Information System and controls.

Over 90% of the Company's offices are connected to the centralised database at MMFSL data centre located in Mumbai. The Company's endeavour is to achieve maximum possible uptime for each location; and for this the best available IT infrastructure has been implemented, irrespective of the size of branch operations. There are challenges associated with achieving connectivity in rural areas, which we expect to improve with the developments in rural India in the near future, thereby achieving IT connectivity with all our offices.

The Company has deployed well trained IT personnel at most of its offices across India. The Company plans to deploy a customer relationship management system to enable the Company to cross-sell other products and services, as well as in improving credit and market risk management.

## FINANCIALS

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The abridged Standalone financials of MMFSL for 2009-10 including revenue, expenditure and profits, are presented in Table 1.



**Table 1: Abridged Standalone Profit and Loss Account  
(Rs. in crore unless indicated otherwise)**

	2009-10	2008-09	Growth
<b>Revenue</b>			
Income from operations	<b>1530.8</b>	1364.8	12.2%
Other income	<b>38.0</b>	19.9	91.0%
<b>Total</b>	<b>1568.8</b>	1384.7	13.3%
<b>Expenditure</b>			
Financial Expenses	<b>501.7</b>	509.9	-1.6%
Employee cost	<b>128.1</b>	117.3	9.2%
Other Expenses	<b>187.0</b>	140.8	32.8%
Provisions & Write-Offs	<b>221.5</b>	282.4	-21.6%
Depreciation & Amortisation	<b>9.9</b>	8.7	13.8%
<b>Total</b>	<b>1048.2</b>	1059.1	-1.0%
PBT	<b>520.6</b>	325.6	59.9%
Direct tax	<b>177.9</b>	111.1	60.0%
PAT	<b>342.7</b>	214.5	59.8%
Basic EPS (Rs.)	<b>35.8</b>	22.5	59.1%

During the year, the growth in cumulative contracts was at 22.2 per cent with 11,89,848 customers acquired, breaching the one million customer mark and the Company's total assets grew by 22.2 per cent to Rs. 9095.0 crore. As a result, total revenues grew by 13.3 per cent from Rs. 1384.7 crore in 2008-09 to Rs. 1568.8 crore in 2009-10.

The net spread on its assets improved from 4.6 percentage points in 2008-09 to 6.4 percentage points in 2009-10.

Profit before tax (PBT) of the Company grew at 59.9 per cent from Rs.325.6 crore in 2008-09 to Rs.520.6 crore in 2009-10, whereas profit after tax (PAT) grew by 59.8 per cent from Rs.214.5 crore to Rs.342.7 crore during the same period.

Consequently, basic earnings per share has increased from Rs.22.5 in 2008-09 to Rs.35.8 in 2009-10.

Table 2 presents information on the key ratios of the Company.

**Table 2: Key Ratios**

	2009-10	2008-09
PBT/Total income	<b>33.2%</b>	23.5%
PAT/Total income	<b>21.8%</b>	15.5%
PBT/Total Assets	<b>5.7%</b>	4.4%
RONW*	<b>21.5%</b>	15.4%
Debt/Equity	<b>3.7</b>	3.5
Capital Adequacy	<b>18.5%</b>	19.4%
Tier I capital	<b>16.1%</b>	17.3%
Tier II capital	<b>2.4%</b>	2.1%
Book Value (Rs.) (excluding ESOPs)	<b>180.0</b>	153.4

\* Based on Average Net Worth

The debt to equity ratio was at 3.7 on 31<sup>st</sup> March, 2010. In real terms, and relative to other financing companies, there is significant scope of increasing the borrowings for funding the business growth in the future.

The Company also has a capital adequacy ratio of 18.5 per cent much higher above the mandated 12.0 per cent by the RBI. The book value of the Company stood at Rs.180.0 as on 31<sup>st</sup> March, 2010.

As a prudent practice, the Company makes additional provisioning for Non-Performing Assets (NPAs) at a faster rate than that prescribed by the RBI. During the year, write-offs and provisions of the Company decreased by 21.6 per cent from Rs.282.4 crore in 2008-09 to Rs.221.5 crore in 2009-10. The gross NPA to total asset ratio improved from 8.7 per cent in 2008-09 to 6.4 per cent in 2009-10; the net NPA to total asset ratio stood at 0.9 per cent in 2009-10 as against 2.6 per cent in 2008-09.

Table 3 provides further information on the NPA situation of the Company.

**Table 3: Non-Performing Asset (NPA) Analysis  
(Rs. in crore unless indicated otherwise)**

	2009-10	2008-09
Gross Non-Performing Assets	<b>611.3</b>	690.9
Less: NPA provisions	<b>528.4</b>	496.6
Net Non-Performing Assets	<b>82.9</b>	194.3
Total Assets (including provision)	<b>9623.4</b>	7940.5
Gross NPA to Total Assets (%)	<b>6.4%</b>	8.7%
Net NPA to Total Assets (%)	<b>0.9%</b>	2.6%

Note: The above figures are excluding securitized/assigned assets.

## RISKS AND CONCERNS

Risk is inherent part of the Company's business. Effective Risk Management is critical to any NBFC for achieving financial soundness. In view of this, aligning Risk Management to Company's organizational structure and business strategy has become integral to the business of financing.

The Company's goal in risk management is to understand, measure and monitor the various risks that arise, and to evolve appropriate policies and procedures to mitigate these risks.

The Company is primarily exposed to credit risk, interest rate risk, liquidity risk and operational risks. The Company has a Risk Management Committee of the Board in place which manages and reviews the risk management system, policy and strategy from time to time. The Company also has an operating risk management team, headed by the Chief Financial Officer and comprising of functional heads to manage risks. The team identifies, assesses and monitors all principal risks in accordance with defined policies and procedures.

## INTERNAL CONTROL SYSTEMS

In the opinion of the management, the internal control systems are adequate and provide, among other things, reasonable



assurance of recording transactions of operations in all material respects and of providing protection against significant misuse or loss of Company assets.

Teams of auditors conduct internal audits to assess the adequacy of the internal control procedures and processes of the Company. The Company has appointed a number of audit firms across the country to review and audit branch operations and their reports are reviewed by the Audit Committee of the Board. Policy and process corrections are undertaken based on input from these auditors. Reports of the internal auditors, as well as the action taken on the matters reported upon, are discussed at the Audit Committee Meetings.

## OUTLOOK

In the long run, the growth in vehicle financing would be driven by the demand arising from changing demographic, income patterns and liquidity by improved portfolio health on account of stringent credit norms and reduction in delinquency level.

The Company sees a huge potential for the housing finance business in the rural and semi-urban markets, which till date remains untapped to a large extent. Even as the Company takes these initiatives forward, the main focus will be on expanding the branch network systematically.

The main challenge as the Company grows will be to maintain the strong levels of operational performance by introducing innovative products with local relevance, giving priority to customer focus and convenience, and simultaneously maintaining strong processes and prudent risk management.

Uncertainties about domestic fuel prices (which again require heavy subsidies as global oil prices soar) are contributing to

inflation expectations. The Parikh Committee, which took on the contentious issue of domestic pricing of petroleum products, recommended complete deregulation of petrol (gasoline) and diesel prices.

According to the India Meteorological Department, the rainfall during the June-September period is expected to be 98 per cent of the Long Period Average (LPA). The forecast for better rains this season comes after a year when India experienced one of the worst droughts in 30 years.

The Company is positive about the growth scenario in rural and semi-urban India and confident of being able to leverage this opportunity with its resources and expertise to grow the business in the future and continue being the dominant NBFC in financing four wheelers. Consequently, the outlook for 2010-11 continues to be cautiously optimistic subject to a normal monsoon and stable fuel prices.

## CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.



# REPORT ON CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that a well defined and fully implemented corporate governance system is its utmost priority, creating lasting value for its shareholders and customers. It represents the value framework, the ethical framework and the moral framework under which business decisions are taken. Your Company has an active and a well-informed Board, necessary to ensure highest standards of Corporate Governance.

Your Company continues to adopt the best practices in the area of Corporate Governance and follows the principles of transparency in operations and accountability by constantly striving to achieve the highest possible standards in its day to day working. Your Company has established systems and procedures to ensure that it remains fully compliant with all mandated regulations and achieves business excellence to enhance stakeholder value, retain investor trust and meet societal expectations as well.

The stipulations mandated by Clause 49 of the Listing Agreement with the Stock Exchanges, have been fully complied with by your Company. This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with Clause 49.

## BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman and the number of Independent Directors is one-half of the total number of Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors. The management of the Company is entrusted in the hands of the Key Management Personnel of the Company and is headed by the Managing Director who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long term objectives of enhancing stakeholder value are met.

Mr. Bharat Doshi, Mr. Uday Y. Phadke and Dr. Pawan Kumar Goenka, Non-Executive Non-Independent Directors of your Company are in the whole-time employment of the holding

company, Mahindra & Mahindra Limited (M&M) and draw remuneration from it. Mr. Anjanikumar Choudhari, Non-Executive Non-Independent Director of the Company, was in the whole-time employment of M&M and was drawing remuneration from it. He retired from the services of M&M with effect from 31st March, 2010. Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that the Non-Executive Directors would be entitled to under the Companies Act, 1956, none of the Directors has any other material pecuniary relationships or transactions with the Company, its Promoters, its Directors, its Senior Management or its Subsidiaries and Associates which in their judgement would affect their independence. The Directors of the Company are not inter-se related to each other.

The Senior Management has made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

## NUMBER OF BOARD MEETINGS

The Board of Directors met six times during the year under review, on 22<sup>nd</sup> April, 2009, 27<sup>th</sup> July, 2009, 26<sup>th</sup> October, 2009, 15<sup>th</sup> December, 2009, 21<sup>st</sup> January, 2010 and 23<sup>rd</sup> March, 2010. The maximum gap between any two meetings was not more than four months. These were well attended.

## DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIP HELD

As mandated by Clause 49, none of the Directors is a member of more than ten Board level Committees and no such Director is a Chairman/Chairperson of more than five Committees of Companies in which he/she is a Director. Table 1 gives the details.

## COMPOSITION OF THE BOARD

As on 31st March, 2010, the Company's Board comprised ten members. The Chairman of the Board and three other members are Non-Executive Non-Independent Directors. The Managing Director is an executive of the Company while the remaining five are Independent Directors. The names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting (AGM), as also the number of Directorships and Committee positions held by them in companies are given below:

**Table 1: Composition of the Board of Directors**

Name of the Directors	Category	Attendance Particulars			No. of other Directorships and Committee Memberships / Chairmanships/Chairpersonship #		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships/Chairpersonship
		Held	Attended				
Mr. Bharat N. Doshi (Chairman)	Non-Executive Non-Independent	6	6	Yes	9	4	3
Mr. Uday Y. Phadke (Vice Chairman)	Non-Executive Non-Independent	6	6	Yes	10	9	4
Mr. Ramesh Iyer (Managing Director)	Executive	6	6	Yes	6	5	1
Mr. Anjanikumar Choudhari	Non-Executive Non-Independent	6	5	Yes	6	3	—
Dr. Pawan Kumar Goenka*	Non-Executive Non-Independent	6	5	—	7	5	—
Mr. Dhananjay Mungale	Independent	6	6	Yes	9	9	4
Mr. Manohar G. Bhide	Independent	6	6	Yes	8	6	3
Mr. Piyush Mankad	Independent	6	6	Yes	13	9	2
Ms. Rama Bijapurkar	Independent	6	4	Yes	9	3	1
Mr. M. B. N. Rao *	Independent	6	5	—	7	6	—

**Notes:**

# Excludes Directorships in private limited companies, foreign companies, companies registered under section 25 of the Companies Act, 1956, unlimited companies and Alternate Directorships but includes Directorship in Mahindra & Mahindra Financial Services Limited (MMFSL). Committees considered are Audit Committee and Share Transfer and Shareholders/Investors Grievance Committee including in MMFSL.

\* appointed as Additional Directors at the (adjourned) Meeting of the Board of Directors held on 27<sup>th</sup> July, 2009.

**INFORMATION SUPPLIED TO THE BOARD**

The Company sends a detailed agenda folder to each Director sufficiently in time before Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting on the overall performance of the Company, followed by presentations by the Chief Financial Officer. A detailed functional report is also placed at Board Meetings. The Board provides the overall strategic direction and periodically reviews strategy and business plans, annual operating and capital expenditure budgets and oversees the actions and results of the management to ensure that the long term objectives of enhancing shareholders' value are met. The Board also, inter alia, reviews and considers investment and exposure limits, review of major legal issues, adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/ disposal of property, major accounting provisions and write-offs, corporate restructuring, minutes of Meetings of the Audit and other Committees of the Board and information on recruitment of Officers just below the Board level and also the Compliance Officer.

The Board periodically reviews compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any.

In addition to the above, pursuant to Clause 49, the minutes of the Board Meetings of your Company's unlisted subsidiary companies and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

**REMUNERATION POLICY**

The success of an organisation in achieving good performance and good governing practice depends on its ability to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors. With this objective, the Board and the Remuneration/Compensation Committee decide on the remuneration to be paid to the Executive and Non-Executive Directors. While deciding on the remuneration to Directors, the Board and the Remuneration / Compensation Committee considers the performance of the Company, the current trends in the industry, the qualifications of the appointee, his experience, level of responsibility, past performance and other relevant factors.

**REMUNERATION PAID TO DIRECTORS**

Detailed information of Directors' remuneration for the year 2009-10 is set forth in Table 2.



The eligible Non-Executive Directors are paid commission up to a maximum of 1% of the net profits of the Company as specifically computed for this purpose. A commission of Rs. 46.79 lakhs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31<sup>st</sup> March, 2010. In addition, Non-Executive Directors were paid a sitting fee of Rs. 5,000 each for every Meeting of the Board or Committee attended. The Board at its Meeting held on 25th October, 2007

has at the request of the Non-Executive Non-Independent Directors waived the sitting fees payable to them for attending the Board and Committee Meetings with effect from 25<sup>th</sup> October, 2007.

Remuneration to the Managing Director is fixed by the Remuneration/ Compensation Committee and thereafter approved by shareholders at a General Meeting.

**Table 2: Details of Remuneration paid to Directors for 2009-10**

Name of the Director	Sitting Fees	Salary and Perquisites	Super-annuation and Provident Fund #	Comm-ission	Total	(In Rs.)			
						No. of Stock Options granted in December 2005 Grant-1 \$	No. of Stock Options granted in July 2007 Grant-2 \$	No. of Stock Options granted in March 2008 Grant-3 \$	No. of Stock Options granted in September 2008 Grant-4 \$
Mr. Ramesh Iyer *	N.A	78,43,406	6,35,769	27,07,250	1,11,86,425	1,00,000	19,580	19,106	24,366
Mr. Bharat N. Doshi	N.A	N.A	N.A	Nil	Nil	2,00,000	12,135	Nil	14,051
Mr. Uday Y. Phadke	N.A	N.A	N.A	Nil	Nil	10,000	4,042	Nil	14,051
Dr. Pawan Goenka**	N.A	N.A	N.A	Nil	Nil	10,000	2,021	Nil	3,513
Mr. Anjanikumar Choudhari	N.A	N.A	N.A	Nil	Nil	10,000	2,021	Nil	3,513
Mr. Dhananjay Mungale	75,000	N.A	N.A	8,00,000	8,75,000	10,000	Nil	Nil	Nil
Mr. M. G. Bhide	70,000	N.A	N.A	8,00,000	8,70,000	10,000	Nil	Nil	Nil
Mr. Piyush Mankad	35,000	N.A	N.A	8,00,000	8,35,000	10,000	Nil	Nil	Nil
Ms. Rama Bijapurkar	25,000	N.A	N.A	6,37,808	6,62,808	N.A	N.A	N.A	10,000
Mr. M.B.N.Rao**	30,000	N.A	N.A	Nil	30,000	N.A	N.A	N.A	N.A

**Notes:**

\*\* appointed with effect from 27<sup>th</sup> July, 2009.

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

\$ Details of Grants:

Grant – 1: The Stock Options have been granted on 7th December, 2005. Of this, 35% of the options have vested on 7th December, 2006, 25% vested on 7th December, 2007, 20% vested on 7th December, 2008 and 10% vested on 7th December, 2009. The balance 10% of the options would vest on expiry of 60 months from the date of grant.

Grant- 2: The Stock Options have been granted on 24th July, 2007. Of this, 35% of the options have vested on 24<sup>th</sup> July, 2008, 25% vested on 24<sup>th</sup> July, 2009 and the balance options would vest as follows – 20% on expiry of 36 months from the date of grant; 10% on expiry of 48 months from the date of grant; 10% on expiry of 60 months from the date of grant.

Grant- 3: The Stock Options have been granted on 25th March, 2008. Of this, 35% of the options have vested on 25<sup>th</sup> March, 2009, 25% vested on 25<sup>th</sup> March, 2010 and the balance options would vest as follows – 20% on expiry of 36 months from the date of grant; 10% on expiry of 48 months from the date of grant; 10% on expiry of 60 months from the date of grant.

Grant- 4: The Stock Options have been granted on 18th September, 2008. Of this, 35% of the options have vested on 18th September, 2009 and the balance options would vest as follows – 25% on expiry of 24 months from the date of grant; 20% on expiry of 36 months from the date of grant; 10% on expiry of 48 months from the date of grant and 10% on expiry of 60 months from the date of grant.

\* The notice period for Managing Director is three months. Commission and Stock Options are the only component of remuneration that is performance linked. All other components are fixed. Details regarding the Stock Options granted to the 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, 2006.

During 2009-10, the Company did not advance loans to any of its Directors.

No Stock Options have been granted under the Company's Stock Option Scheme during the year under review.

### SHARES HELD BY NON-EXECUTIVE DIRECTORS

Table 3 gives details of the shares held by the Non-Executive Directors as on 31st March, 2010

**Table 3: Details of the shares held by the Non-Executive Directors**

Name of the Director	Number of Shares held
Mr. Bharat N. Doshi	1,29,239
Mr. Uday Y. Phadke	16,344
Mr. Anjanikumar Choudhari	11,442
Dr. Pawan Kumar Goenka	8,442
Mr. Dhananjay Mungale	9,000
Mr. M. G. Bhide	9,000
Mr. Piyush Mankad	9,000

### CODE OF CONDUCT

The Board has laid down Code of Conduct for Board members and for designated Senior Management Personnel of the Company ("Codes"). The Codes have been posted on the Company's website [www.mahindrafinance.com](http://www.mahindrafinance.com). All Board members and designated Senior Management Personnel have affirmed compliance with the Codes. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

### CEO/CFO CERTIFICATION

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2010.

### RISK MANAGEMENT

The Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed in detail in the Management Discussion and Analysis chapter of this Annual Report. Your Company has established procedures to periodically place before the Board the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate these risks.

### COMMITTEES OF THE BOARD

Your Company has six Board level Committees - Audit Committee, Remuneration / Compensation Committee, Share Transfer and Shareholders / Investors Grievance Committee, Asset Liability Committee, Risk Management Committee and Nomination Committee.

All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of service for Committee members are taken by the Board of Directors.

Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

#### a) Audit Committee

As on 31st March, 2010, the Audit Committee comprised five Non-Executive Directors, of which four are Independent. The Committee comprises Mr. Dhananjay Mungale (Chairman), Mr. M.G. Bhide, Ms. Rama Bijapurkar and Mr. M.B.N. Rao, all four being Independent Directors, and Mr. Anjanikumar Choudhari, a Non-Executive Non-Independent Director. The Committee was reconstituted during the year under review. Mr. M.B.N. Rao was appointed as a member of the Committee with effect from 26<sup>th</sup> October, 2009. The terms of reference of this Committee are very wide.

Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review, inter alia, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of the unlisted subsidiary companies, Management Discussion and Analysis, Material individual transactions with related parties not in the normal course of business or which are not on an arm's length basis. Generally all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 IIC.

Mr. Dhananjay Mungale, Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 27<sup>th</sup> July, 2009.

The Audit Committee met six times during the year on 22nd April, 2009, 27th July, 2009, 26th October, 2009 (two meetings), 21<sup>st</sup> January, 2010 and 26<sup>th</sup> March, 2010. The time gap between any two meetings was less than four months. The details of attendance at the Audit Committee Meetings are given in Table 4.

**Table 4: Attendance record of Audit Committee Meetings**

Name of Members	No. of Meetings attended
Mr. Dhananjay Mungale (Chairman)	6
Mr. Anjanikumar Choudhari	5
Mr. M.G. Bhide	6
Ms. Rama Bijapurkar	1
Mr. M. B. N. Rao (Appointed as Member with effect from 26th October, 2009)	1





The Managing Director, the Chief Financial Officer, Chief Internal Auditor of Mahindra & Mahindra Limited and Statutory Auditors are regularly invited to attend the Audit Committee meetings. The Company Secretary is the Secretary to the Committee.

All the members of the Audit Committee possess strong accounting and financial management knowledge.

#### b) Remuneration / Compensation Committee

As of 31st March, 2010, the Remuneration / Compensation Committee comprised five members viz. Mr. Piyush Mankad (Chairman), Mr. Dhananjay Mungale and Mr. M.G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Executive Non-Independent Directors.

The role of the Remuneration/Compensation Committee is to look into the entire gamut of remuneration package for the working director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company, formulate and administer Employees Stock Option Scheme and to attend to such other matters and functions as may be prescribed from time to time.

The Committee met twice during the year under review on 22<sup>nd</sup> April, 2009 and 21<sup>st</sup> January, 2010. The attendance details at Meetings of the Committee are given in Table 5.

**Table 5: Attendance record of Remuneration/ Compensation Committee Meetings**

Name of Members	No. of Meetings attended
Mr. Piyush Mankad (Chairman)	2
Mr. Bharat N. Doshi	2
Mr. Dhananjay Mungale	2
Mr. Uday Y. Phadke	2
Mr. M.G. Bhide	2

#### c) Share Transfer and Shareholders / Investors Grievance Committee

The Company's Share Transfer and Shareholders / Investors Grievance Committee comprises four members, viz. Mr. Uday Y. Phadke (Chairman) Non-Executive Non-Independent Director, Mr. Dhananjay Mungale, Independent Director, Mr. Anjanikumar Choudhari, Non-Executive Non-Independent Director and Mr. Ramesh Iyer, Managing Director.

The Committee meets as and when required, to deal with matters relating to transfers/transmissions of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, etc.

During the year under review, the Committee held three meetings. The Committee met on 22<sup>nd</sup> April, 2009, 26<sup>th</sup> October, 2009 and 23<sup>rd</sup> March, 2010. The attendance details at Meetings of the Committee are given in Table 6.

**Table 6: Attendance record of Share Transfer and Shareholders/ Investors Grievance Committee Meetings**

Name of Members	No. of Meetings attended
Mr. Uday Y. Phadke (Chairman)	3
Mr. Dhananjay Mungale	3
Mr. Ramesh Iyer	3
Mr. Anjanikumar Choudhari	1

Details of queries and grievances received and attended to by the Company during the year 2009-10 are given in Table 7.

**Table 7: Complaints/Letters received and attended to during 2009-10**

Nature of Complaints/Letters	Pending as on 1st April, 2009	Received during the year	Answered during the year	Pending as on 31st March, 2010
1. Status of Share Application	0	0	0	0
2. Non Receipt of Refund	0	0	0	0
3. Non Receipt of Electronic Credit	0	25	25	0
4. Correction of Refund Orders	0	0	0	0
5. Duplicate / Revalidation of Refund Order	0	4	4	0
6. Non Receipt of Dividend	0	18	18	0
7. Duplicate/ Revalidation of Dividend Warrant	0	69	69	0
8. SEBI/ Stock Exchange Complaints	0	2	2	0
<b>Total</b>	<b>0</b>	<b>118</b>	<b>118</b>	<b>0</b>

#### d) Asset Liability Committee

The Asset Liability Committee (ALCO) was constituted by the Board in 2001. It reviews the working of the Asset Liability Operating Committee, its findings and reports in accordance with the guidelines of the Reserve Bank of India. Mr. Dhananjay Mungale (Chairman), Independent Director and Mr. Uday Y. Phadke, Non-Executive Non-Independent Director are the members of the Committee. The Committee held two meetings during the year under review.



**e) Risk Management Committee**

The Risk Management Committee was constituted by the Board at its Meeting held on 28th January, 2008 to manage the integrated risk and inform the Board about the progress made in putting in place a risk management system and review from time to time the risk management policy and strategy followed by the Company.

As of 31st March, 2010, the Risk Management Committee comprised Mr. Dhananjay Mungale (Chairman), Mr. M. G. Bhide, Ms. Rama Bijapurkar and Mr. M. B. N. Rao, all Independent Directors and Mr. Anjanikumar Choudhari, Non-Executive Non-Independent Director.

The Committee was reconstituted during the year under review. Mr. M.B.N. Rao was appointed as a member of the Committee with effect from 26<sup>th</sup> October, 2009.

The Committee held four meetings during the year under review.

**f) Nomination Committee**

The Nomination Committee was constituted by the Board at its Meeting held on 25th March, 2008 to review and make recommendations to the Board regarding the Board's composition and structure, establish criteria for Board membership, evaluate corporate policies relating to the appointment of Board members and to establish, implement and monitor policies and processes regarding principles of corporate governance in order to facilitate the Board's compliance with its fiduciary duties to the Company and its shareholders.

The Committee comprises Mr. Piyush Mankad, Mr. Dhananjay Mungale and Mr. M.G. Bhide, all Independent Directors and Mr. Bharat N. Doshi and Mr. Uday Y. Phadke, Non-Executive Non-Independent Directors. The Committee met once during the year under review.

**Subsidiary Companies**

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have a "material non-listed Indian subsidiary".

**MANAGEMENT****Management Discussion and Analysis**

The Annual Report has a detailed chapter on Management Discussion and Analysis.

**Disclosures**

During the financial year 2009-10, there were no materially significant transactions entered into between the Company and

its promoters, Directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. Further, details of related party transactions are presented in Note No. "18" in Schedule "XVIII" to Annual Accounts of the Annual Report.

**Disclosure of Accounting Treatment in Preparation of Financial Statements**

The Company has followed the Guidelines of Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

**Details of Non-Compliance by the Company**

The Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed/ passed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital market since the listing of the Company's equity shares.

**Code for Prevention of Insider Trading Practices**

In compliance with the SEBI regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees, in line with the Chapter IV of Securities and Exchange Board of India [Prohibition of Insider Trading] Regulations, 1992. The Code, which lays down Guidelines, advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company, and cautioning them of the consequences of violations.

**SHAREHOLDERS****Appointment/Re-appointment of Directors**

Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the Directors are eligible to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third retire from office.

Mr. Bharat Doshi, Chairman and Mr. Dhananjay Mungale, Director, retire by rotation and, being eligible, have offered themselves for re-appointment. The details of Directors seeking re-appointment at the forthcoming Annual General Meeting is set forth in Table 8.

Mr. M.B. N. Rao and Dr. Pawan Kumar Goenka were appointed as Additional Directors on the Board of Directors of the Company vide a resolution passed by the Board of Directors at its adjourned Meeting held on 27<sup>th</sup> July, 2009. Mr. M.B. N. Rao and Dr. Pawan Kumar Goenka hold office up to the date of the forthcoming Annual General Meeting. A notice has been received from a Member proposing the candidature of Mr. M.B. N. Rao and Dr. Pawan Kumar Goenka for the office of Director. The details of Directors seeking appointment at the forthcoming Annual General Meeting is set forth in Table 9.



**Table 8 : Details of Directors seeking re-appointment at the forthcoming Annual General Meeting**

<b>Name of Director</b>	<b>Mr. Bharat Doshi</b>
Date of Birth	12 <sup>th</sup> June, 1949
Date of Appointment on the Board	30 <sup>th</sup> March, 1992
Expertise in specific functional area	Finance and Accounts, Corporate Affairs and Information Technology and Trade and Finance
Qualifications	B. Com., FCA, FCS, LLM, participated in the programme for Management Development at the Harvard Business School
Directorship in Companies	Mahindra & Mahindra Limited (Executive Director) Mahindra Intertrade Limited (Chairman) Mahindra & Mahindra Financial Services Ltd. (Chairman) Mahindra Holdings Limited Mumbai Mantra Media Limited Mahindra USA Inc. Tech Mahindra Limited Mahindra Navistar Automotives Limited Mahindra Navistar Engines Private Limited NSE.IT Limited Godrej Consumer Products Limited
<b>Membership of Committees in Public Limited Companies</b>	
Audit Committee	Mahindra Navistar Automotives Limited (Chairman) Mahindra Navistar Engines Private Limited (Chairman) Godrej Consumer Products Limited (Chairman)
Remuneration/ Compensation Committee	Mahindra Intertrade Limited Godrej Consumer Products Limited Mahindra & Mahindra Financial Services Ltd. Mahindra Navistar Engines Private Limited
Shareholders/ Investors Grievance Committee	Mahindra & Mahindra Limited
Shareholding of Director in the Company	1,29,239 Equity Shares

Mr. Bharat Doshi is a fellow member of both, the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and has a Master's Degree in Law from the University of Bombay. He has participated in the Program for

Management Development at the Harvard Business School. He was also a Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships' held in December 2000. Mr. Bharat Doshi joined Mahindra & Mahindra Limited (M&M) in the year 1973. He is presently the Executive Director and Group Chief Financial Officer (Group CFO), M&M.

Mr. Doshi is Chairman of Mahindra & Mahindra Financial Services Limited and Mahindra Intertrade Limited and Director of several companies in the Mahindra Group. He is also an independent Director of Godrej Consumer Products Limited and NSE. IT Limited. He was a Member of the Board of Governors of Indian Institute of Management, Kozhikode, from September 1997 to March 2008.

Mr. Bharat Doshi is very actively involved with the work of several Chambers of Commerce and Industry in India and is a member of various Expert Committees, which influence economic and business policies of the Government. He was a member of the High Powered Expert Committee constituted by the Ministry of Finance, Government of India, on Making Mumbai an International Financial Centre. He is a member of the SEBI (Securities and Exchange Board of India) Committee on Disclosures and Accounting Standards (SCODA).

Mr. Bharat Doshi was the Chairman of Expert Committee on Economic Affairs of Bombay Chamber of Commerce and Industry (BCCI) during 1996-97. He was a member of the Managing Committee of Bombay Chamber of Commerce & Industry from May 2005 to May 2007. Mr. Bharat Doshi was the Vice President of Bombay Chamber of Commerce & Industry (BCCI) in 2008-09. Presently, he is the President of BCCI for the year 2009-2010.

Mr. Doshi has spoken at several international and domestic fora on economic and management topics over the years. Mr. Bharat Doshi was adjudged 'India's Best CFO' by the leading business fortnightly "Business Today" (India Today Group Publication) in April 2005. He was also conferred the 'CFO of the Year' Award, honouring financial excellence, instituted by IMA India, an associate of The Economist Group, in December 2005. In November 2007, Mr. Bharat Doshi was honoured with the prestigious CNBC CFO of the Year 2007 award.

<b>Name of Director</b>	<b>Mr. Dhananjay Mungale</b>
Date of Birth	1 <sup>st</sup> June, 1953
Date of Appointment to the Board	1 <sup>st</sup> March, 1999
Expertise in specific functional area	Investment Banking and Finance
Qualifications	C.A., LL.B.
Directorship in Companies	Mahindra & Mahindra Financial Services Ltd. Chowgule Steamships Limited Camlin Limited Caprihans India Limited Indoco Remedies Limited LIC Housing Finance Limited

	National Organic Chemical Limited Sical Logistics Limited Tamilnadu Petroproducts Limited Inestor Advisores Private Limited Mentor Technologies Private Limited I2IT Private Limited Snowcem Paints Private Limited J.P. Morgan Asset Management India Private Limited LICHFL Trustee Company Private Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Camlin Limited (Chairman) Indoco Remedies Limited (Chairman) National Organic Chemical Limited LIC Housing Finance Limited Sical Logistics Limited Chowgule Steamships Limited (Chairman) Mahindra & Mahindra Financial Services Ltd. (Chairman) Tamilnadu Petroproducts Limited
Remuneration/ Compensation Committee	Sical Logistics Limited (Chairman) Chowgule Steamships Limited Mahindra & Mahindra Financial Services Ltd. National Organic Chemical Limited Tamilnadu Petroproducts Limited
Shareholders/Investors Grievance Committee	Mahindra & Mahindra Financial Services Ltd.
Shareholding of Director in the company	9,000 Equity Shares

Mr. Dhananjay Mungale is a Chartered Accountant and a Law graduate. He has spent a major part of his career in corporate and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Ltd. He is presently acting as advisor to various corporations in India and Europe. He is on the Board of various public and private limited companies.

**Table 9: Details of Directors seeking appointment at the forthcoming Annual General Meeting**

<b>Name of Director</b>	<b>Mr. M.B.N. Rao</b>
Date of Birth	19 <sup>th</sup> June, 1948
Date of Appointment on the Board	27 <sup>th</sup> July, 2009
Expertise in specific functional area	Banking and Finance
Qualifications	B.Sc. (Ag), ACIB (London), FIIB, DCS (Cambridge), IDCS (UK)

Directorship in Companies	Bharat Earth Movers Limited Mahindra & Mahindra Financial Services Limited E.I.D. Parry Limited Madras Cements Limited TAJ GVK Hotels and Resorts Limited Electrosteel Castings Limited Franklin Templeton Asset Management (India) Private Limited MMTC – PAMP India Private Limited Sadashiva Sugars Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Bharat Earth Movers Limited E.I.D. Parry Limited Electrosteel Castings Limited Mahindra & Mahindra Financial Services Limited TAJ GVK Hotels and Resorts Limited
Remuneration/ Compensation Committee	Nil
Shareholders/Investors Grievance Committee	Nil
Shareholding of Director in the Company	Nil

Mr. M. B. N. Rao, former Chairman and Managing Director of Canara Bank and Indian Bank, has graduated with a B.Sc. degree in Agriculture and is an Associate of the Chartered Institute of Bankers, London and a Fellow of the Indian Institute of Banking and Finance. He is a member of the Singapore Institute of Management and has done his Diploma in Computer Studies from University of Cambridge and National Computing Center, London.

Mr. M.B.N. Rao has extensive in-depth knowledge and over 38 years of varied experience in Banking and Finance, Economics, Foreign Exchange, Money and Capital Markets, Risk Management, Treasury and Funds Management, Asset and Liability Management, Advisory Services, Accountancy, Information Technology and Technology in Banking, Credit Management, Project Finance, Industrial and Infrastructure Finance, International Trade Finance, Priority Sector Lending, Social Banking, Entrepreneurial Development, Lending to Agriculture and Small and Medium Enterprises, Financial Inclusion, Retail Banking, Non Performing Asset Management, Human Resource Management, Marketing, Internal Control, Inspection & Audit, Vigilance, Taxation and Administration.

Mr. Rao is a Director on the Boards of various reputed Companies. Mr. Rao was also a Member of Committees constituted by the Ministry of Finance, Securities and Exchange Board of India and National Institute of Bank Management.



<b>Name of Director</b>	<b>Dr. Pawan Kumar Goenka</b>
Date of Birth	23 <sup>rd</sup> September, 1954
Date of Appointment on the Board	27 <sup>th</sup> July, 2009
Expertise in specific functional area	Mechanical Engineering
Qualifications	B.Tech. Mechanical Engineering, IIT Kanpur, MS and Ph.D. Mechanical Engineering, Cornell University, Ithaca, N.Y.
Directorship in Companies	Mahindra Engineering Services Limited Sylvan Realty Private Limited Mahindra Renault Private Limited Mahindra & Mahindra Financial Services Limited Mahindra Intertrade Limited Mahindra Europe Srl (Chairman) Mahindra Navistar Automotives Limited Mahindra & Mahindra South Africa (Pty) Limited (Chairman) Mahindra First Choice Wheels Limited Mahindra Vehicle Manufacturers Limited (Chairman) Mahindra Navistar Engines Private Limited (Chairman) Mahindra Graphic Research Design Srl (Chairman) Mahindra Automotive Australia Pty Limited (Chairman) Mahindra Two Wheelers Limited
Membership of Committees in Public Limited Companies	
Audit Committee	Mahindra Engineering Services Limited Mahindra Renault Private Limited Mahindra Navistar Automotives Limited Mahindra Vehicle Manufacturers Limited Mahindra Two Wheelers Limited
Remuneration/ Compensation Committee	Mahindra Renault Private Limited Mahindra Navistar Automotives Limited Mahindra Vehicle Manufacturers Limited Mahindra Two Wheelers Limited
Shareholders/Investors Grievance Committee	Nil
Shareholding of Director in the Company	8,442 equity shares

Dr. Pawan Kumar Goenka is a Mechanical Engineer with a B. Tech from the Indian Institute of Technology, Kanpur, and a Ph.D from Cornell University, USA. He has also done an Advanced Management Programme (AMP) at the Harvard Business School.

Dr. Goenka is an internationally acknowledged scientist – manager with several citations to his credit. He has received the Distinguished Alumni Award from the Indian Institute of Technology, Kanpur in 2004 and is a Fellow of the Society of Automotive Engineers (SAE) and of the Indian National Academy of Engineers. He has been honoured by General Motors through the Charles L. McCuen Achievement Award twice and the Extraordinary Accomplishment Award. Dr. Goenka is the President of the Society of Indian Automobile Manufacturers. He is a Member of the American Society of Mechanical Engineers and a Member of the Governing Council of National Automotive Testing and R&D Infrastructure Project. He is the past-President of both, the Automotive Research Association of India (ARAI) Governing Council and SAE India. He is also on the Board of several Mahindra Group Companies. Dr. Goenka has published over fifteen Research papers in Technical journals.

## MEANS OF COMMUNICATION WITH SHAREHOLDERS

The Company publishes quarterly, half-yearly and annual results in Business Standard/Economic Times and Sakal which are national and local dailies. The Company results and official news releases are displayed on the Company's website <http://www.mahindrafinance.com>. The Company also makes presentations to international and national institutional investors and analysts, which are also put up on its website.

The Company also regularly posts information relating to its financial results and shareholding pattern on Electronic Data Interpretation, Filing and Retrieval System (EDIFAR) at [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in). However, SEBI, vide its Circular No. CIR/CFD/DCR/3/2010 dated 16th April, 2010, has deleted Clause 51 of the Equity Listing Agreement which required listed companies to inter-alia, upload the full version of Annual Report on EDIFAR website, with immediate effect.

The Company has also designated “investorhelpline\_mmfsi@mahindra.com” as an email id for the purpose of registering complaints by investors and displayed the same on the Company's website.

## GENERAL BODY MEETINGS

**Table 10: Details of last three Annual General Meetings and Special Resolutions passed**

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2006-2007	23rd July, 2007	3.30 p.m	1. To offer/ issue/ allot redeemable non convertible preference shares. 2. Amendment to the Mahindra & Mahindra Financial Services Limited - Employees' Stock Option Scheme.	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
2007-2008	23rd July, 2008	3.30 p.m.	None	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.
2008-2009	27 <sup>th</sup> July, 2009	3.30 p.m.	Revision in the remuneration payable to Mr. Ramesh Iyer, Managing Director of the Company	Patkar Hall, SNDT Women's University, 1st Nathibai Thackersey Road, New Marine Lines, Mumbai 400 020.

**Table 11: Details of Extraordinary General Meetings held during the past three years**

For the Financial Year	Date	Time	Special Resolutions passed	Venue
2007-08	19th February, 2008	3.00 p.m.	1. Increase in Authorised Share Capital of the Company. 2. Alteration of Clause V of the Memorandum of Association of the Company. 3. Alteration of Article 3 of the Articles of Association of the Company. 4. Issue, offer & allot Equity Shares on a preferential basis to persons other than the existing shareholders of the Company.	Lala Lajpatrai Memorial Trust Auditorium, Lala Lajpatrai College of Commerce and Economics, Lala Lajpatrai Marg, Mumbai 400 034.

## Postal Ballot

Details of Special Resolution passed through postal ballot :

Date of Board Meeting	Description	% of Votes in favour of the Special Resolution	Scrutinizer for conducting the Postal Ballot
27 <sup>th</sup> July, 2009	Alteration of the Main Objects Clause of the Memorandum of Association of the Company as provided under section 17 of the Companies Act, 1956.	99.99%*	Mr. S. N. Anantha-subramanian, Practising Company Secretary, Mumbai.

\* Results declared in September, 2009.

## COMPLIANCE

### Mandatory Requirements

The Company has fully complied with the applicable mandatory requirements of Clause 49.

### Adoption of Non-Mandatory Requirements

The Company has adopted the following non-mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

- The Company has set up a Remuneration/Compensation Committee. Details of the Remuneration/Compensation Committee have been provided under the Section 'Remuneration/ Compensation Committee'.
- The financial statements of the Company are unqualified.

### Corporate Governance Voluntary Guidelines 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance





Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance. MCA after taking into account the experience of adoption of these guidelines by Corporates and after consideration of the feedback received from them would review these guidelines for further improvements after a period of one year.

The Company has been a strong believer in good corporate governance and has been adopting the best practices that have evolved over the last two decades.

The Company is in substantial compliance with the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance.

## ADDITIONAL SHAREHOLDER INFORMATION

### 20<sup>th</sup> Annual General Meeting

Date : 23<sup>rd</sup> July, 2010  
Time : 3.30 p.m.  
Venue : Birla Matushri Sabhagar,  
19, Sir Vithaldas Thackersey Marg,  
New Marine Lines, Mumbai - 400 020.

### Financial Year of the Company

The financial year covers the period from 1st April to 31st March.

### Stock Market Data

Table 2 and Charts A and B give required details.

**Table 2: Monthly High and Low of Company's shares for 2009-10 at BSE and NSE**

Month	Bombay Stock Exchange Ltd. (BSE)		National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2009	258.75	200.10	269.00	198.00
May, 2009	265.00	198.00	270.00	197.00
June, 2009	294.90	231.20	297.75	233.00
July, 2009	276.90	235.00	278.40	236.00
August, 2009	250.80	210.00	249.90	212.00
September, 2009	238.90	212.50	252.45	210.00
October, 2009	276.90	218.10	275.85	219.00
November, 2009	311.70	235.50	311.40	232.30
December, 2009	353.40	293.00	354.00	293.00
January, 2010	374.90	311.05	378.00	310.20
February, 2010	384.00	314.25	349.80	311.65
March, 2010	402.00	336.65	402.45	340.10

For the year ending 31st March, 2011 results will be tentatively announced on:

- Quarter ending 30th June, 2010 - End July, 2010
- Half-year ending 30th September, 2010 - End October, 2010
- Quarter ending 31st December, 2010 - End January, 2011
- Year ending 31st March, 2011 - End April, 2011

### Book Closure

From 3<sup>rd</sup> July, 2010 to 23<sup>rd</sup> July, 2010, inclusive of both days.

### Dividend Payment

A dividend of Rs. 7.50 per equity share of Rs. 10/- each, will be paid on or after 23<sup>rd</sup> July, 2010, subject to approval by the shareholders at the Annual General Meeting.

### Registered Office

Gateway Building, Apollo Bunder, Mumbai - 400 001.

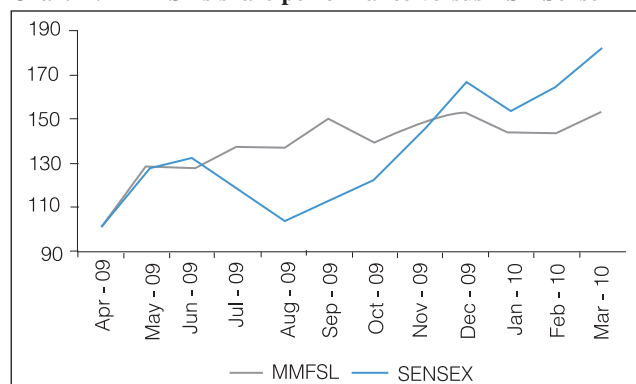
### Listing

The Company's Shares are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The requisite listing fees have been paid in full to both these Stock Exchanges.

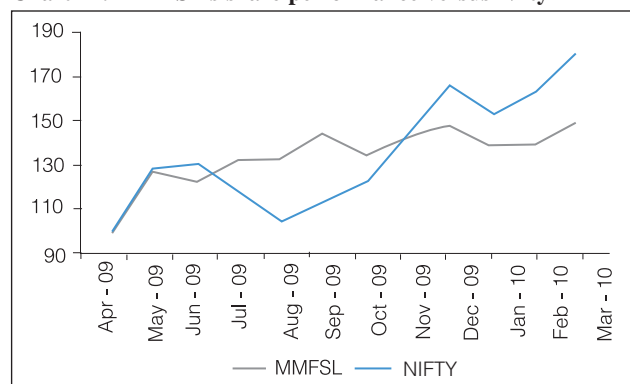
The Non-Convertible Debentures of the Company are listed with the BSE and the Company has paid the requisite listing fees in full.

**Table 1: MMFSL's Stock Exchange codes**

BSE	532720
NSE	M&MFIN
Demat ISIN in NSDL and CDSL for Equity Shares	INE774D01016

**Chart A: MMFSL's share performance versus BSE Sensex**


**Note :** Share prices and BSE Sensex indexed to 100 as on the first working day of the Financial Year 2009-10 i.e. 1<sup>st</sup> April, 2009.

**Chart B : MMFSL's share performance versus Nifty**


**Note :** Share prices and Nifty indexed to 100 as on the first working day of the Financial Year 2009-10 i.e. 1<sup>st</sup> April, 2009.

### Distribution of Shareholding

Table 3 and Table 4 lists the distribution of the shareholding of the equity shares of the Company by size and by ownership class as on 31st March, 2010.

**Table 3: Shareholding pattern by size as on 31st March, 2010**

Number of Shares held	Number of Shareholders	No. of shares held	% Shareholding
1 - 5000	29,432	1,561,655	1.61
5001 - 10000	412	310,719	0.32
10001 - 20000	185	272,081	0.28
20001 - 30000	76	192,592	0.20
30001 - 40000	35	120,813	0.12
40001 - 50000	22	102,751	0.11
50001 - 100000	58	413,173	0.43
100001 & Above	87	93,926,741	96.93
<b>Total</b>	<b>30,307</b>	<b>96,900,525</b>	<b>100.00</b>

**Table 4: Shareholding pattern by ownership as on 31st March, 2010**

Category of Shareholders	No. of shares held	% of shareholding
Promoters and Promoter Group	59,160,580	61.05
Mutual Funds	7,645,641	7.89
FII's	25,926,403	26.76
Bodies Corporate	532,159	0.55
Indian Public / HUF	3,511,003	3.62
NRI's	60,207	0.06
Trusts	1,113	0.00
Banks	1,000	0.00
Clearing Members	62,419	0.07
<b>Total</b>	<b>96,900,525</b>	<b>100.00</b>



### Dematerialisation of Shares

As on 31st March, 2010, 99.37 per cent of the total equity capital was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

### Compliance with the recently introduced Clause 5A of the Listing Agreement

The Securities and Exchange Board of India has vide its Circular No. SEBI/CFD/DIL/LA/1/2009/24/04 dated 24<sup>th</sup> April, 2009, made amendments to the Equity Listing Agreement by insertion of Clause 5A for the purpose of providing a uniform procedure for dealing with unclaimed shares i.e. shares which could not be allotted to the rightful shareholder(s) due to insufficient/ incorrect information or for any other reason.

In accordance with the new Clause 5A, the unclaimed shares as well as corporate benefit in terms of securities, accruing on unclaimed shares have been credited to a demat suspense account opened by your Company with M/s. Karvy Stock Broking Limited.

The information as required pursuant to sub-clause (g) of Clause 5A is furnished below :

- (i) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year - 50 shareholders representing 1,842 Equity Shares;
- (ii) Number of shareholders who approached the Company for transfer of shares from suspense account during the year - 25 shareholders;
- (iii) Number of shareholders to whom shares were transferred from suspense account during the year - 15 shareholders representing 541 Equity Shares;
- (iv) Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year - 35 shareholders representing 1,301 Equity Shares;
- (v) The voting rights on the unclaimed shares shall remain frozen till the rightful owner of such shares claims the shares.

### Outstanding GDRs /ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on equity

As on 31st March, 2010, the Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible Instruments.

### Plant Locations

In view of the nature of business activities carried on by the Company, the Company operates from various offices in India and does not have any manufacturing plant.

### Registrar and Transfer Agents

Karvy Computershare Private Limited  
 Unit: Mahindra & Mahindra Financial Services Limited  
 Plot No. 17- 24,  
 Vittalrao Nagar, Madhapur  
 Hyderabad 500 081.  
 Tel.: + 91 40 23420815 to 820  
 Fax: + 91 40 23420814  
 Email: mailmanager@karvy.com  
 The Registrar and Transfer Agents also have an office at:  
 Karvy Computershare Private Limited  
 16/22, Bake House,  
 Maharashtra Chamber of Commerce Lane,  
 Opp. MSC Bank, Fort, Mumbai 400 023.  
 Telephone No.: +91 22 66382666  
 Fax No.: +91 22 6633 1135

### SHARE TRANSFER SYSTEM

Trading in Equity Shares of the Company is permitted only in dematerialised form. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfer any two of Mr. Ramesh Iyer, Managing Director, Mr. Uday Y. Phadke, Vice-Chairman and Mr. V. Ravi, Chief Financial Officer are authorised to approve transfers of upto 2,000 equity shares. The Share Transfer and Shareholders/ Investors Grievance Committee meets as and when required to consider other transfer and transmission of shares and attend to shareholder grievances.

### ADDRESS FOR CORRESPONDENCE

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Computershare Private Limited  
 Unit: Mahindra & Mahindra Financial Services Limited  
 Plot No. 17- 24,  
 Vittalrao Nagar, Madhapur  
 Hyderabad 500 081.  
 Tel.: + 91 40 23420815 to 820  
 Fax: + 91 40 23420814  
 Email: mailmanager@karvy.com

on all matters relating to transfers, transmissions, dematerialisation of shares, payment of dividend and any other query relating to shares of the Company.

Shareholders would have to correspond with the respective Depository Participants for shares held in dematerialised mode.

For all investor related matters, the Chief Financial Officer or the Company Secretary & Compliance Officer can be contacted at Sadhana House, 2nd Floor, Behind Mahindra Towers, 570, P. B. Marg, Worli, Mumbai 400 018. Telephone No: +91 22 66526000 Fax: +91 22 24972741.  
 Email: investorhelpline\_mmfs@mahindra.com;  
 Company website: <http://www.mahindrafinance.com>

## MANAGING DIRECTOR'S DECLARATION ON CODE OF CONDUCT

As required by Clause 49 of the Listing Agreement, the CEO declaration for Code of Conduct is given below:

To  
The Members of  
Mahindra & Mahindra Financial Services Limited

I, Ramesh Iyer, Managing Director of the Company declare that all Board Members and Senior Management of the Company have affirmed compliance with the Code of Conduct for the year ended 31st March, 2010.

For **Mahindra & Mahindra Financial Services Limited**

Place : Mumbai  
Date : 22nd April, 2010

**Ramesh Iyer**  
Managing Director

## CERTIFICATE

### TO THE MEMBERS OF MAHINDRA AND MAHINDRA FINANCIAL SERVICES LTD.

We have examined the compliance of conditions of corporate governance by Mahindra and Mahindra Financial Services Limited for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2010, no investors' grievances are pending against the company as per the records maintained by the company and presented to the Board of the company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For **B. K. Khare & Co.**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 22nd April, 2010

# FINANCIAL SECTION



# AUDITORS' REPORT

## TO THE MEMBERS OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

We have audited the attached Balance Sheet of **M/s. MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED**, as at 31st March 2010 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Companies Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010, and
  - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **B. K. Khare and Co.**  
*Chartered Accountants*  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
*Partner*  
Membership No. 44784

Mumbai, Dated : 22nd April 2010



# ANNEXURE TO THE AUDITORS' REPORT

## Annexure to the Auditors' Report referred to in our report of even date:

- 1 (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. These assets were physically verified by the Management during the year at reasonable intervals and no discrepancies were noticed on such verification.
- (b) None of the fixed assets have been revalued during the year.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect going concern status
- 2 Clause 4(ii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- 3 (a) Based on the records examined by us and according to the information and explanations given to us, the Company has :
  - (i) Not granted any loans to parties covered in the Register maintained under section 301 of the Companies Act, 1956.
  - (ii) Not taken any loans from parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. The management has initiated a programme to improve and rectify the internal control weaknesses noticed during the course of our audit.
- 5 a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6 The Company has not entered into any transactions with parties covered under section 301 of the Companies Act, 1956.
- 7 In our opinion and according to the information and explanations given to us, the Company has complied with the

provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under, in respect of deposits accepted from public.

- 8 In our opinion and according to the information and explanations provided to us, the Company has an internal audit system, which is commensurate with its size and nature of its business.
- 9 On facts, the requirements of Para 4 (viii) requiring maintenance of cost records are not applicable in case of the Company.
- 10 (a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax and service tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) Following are the disputed tax dues that have not been deposited since the matters are pending before various forums:

Nature of Dues	Amount (Rs. in lacs)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
Income Tax	99.99	2002 - 2003	IT Appellate Tribunal
	392.37	2002 - 2003	IT Appellate Tribunal
	212.98	2003 - 2004	IT Appellate Tribunal
	275.13	2003 - 2004	Pending to be filed with IT Appellate Tribunal
	197.26	2004 - 2005	IT Appellate Tribunal
	351.69	2004 - 2005	CIT (Appeals)
	522.12	2005 - 2006	CIT (Appeals)
	445.80	2006 - 2007	CIT (Appeals)
Service Tax	88.41	2004 - 2005	Assistant Commissioner of Service Tax

- 11 The Company does not have accumulated losses as at the end of the current year. The Company has not incurred cash losses in such financial year and in the immediately preceding financial year.
- 12 Based on the records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.

- 13 Based on the records examined by us and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures, or other securities.
- 14 The company is not a Chit Fund, Nidhi or Mutual Benefit Fund / Society.
- 15 Based on the records examined by us and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 16 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 17 Based on the records examined by us and according to the information and explanations given to us, during the year, term loans were applied for the purpose for which the loans were taken.
- 18 On the basis of overall examination of the financial statements and other financial information furnished, including the statement of structural liquidity prepared in accordance with Reserve bank of India guidelines, we report that the company has not used short term funds for long term investments.
- 19 The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act;
- 20 On the basis of our examination of books of account and documents and according to the information and explanations given to us, appropriate securities have been created in respect of secured debentures issued by the company.
- 21 The Company has not made any public issue of its shares during the year.
- 22 To the best of our knowledge and belief and according to the information and explanations given to us, no frauds by the Company were noticed or reported. In respect of frauds on the Company, the company has obtained a fidelity guarantee insurance cover in respect of possible losses.

For **B. K. Khare and Co.**  
*Chartered Accountants*  
*Firm Registration No. 105102W*

**Padmini Khare Kaicker**  
*Partner*  
*Membership No. 44784*

*Mumbai, Dated : 22nd April 2010*



# BALANCE SHEET

AS ON MARCH 31, 2010

			Rs. in lacs
	Schedule	MAR. 2010	MAR. 2009
<b>SOURCES OF FUNDS:</b>			
<b>Shareholders' Funds:</b>			
Capital	I	9598.15	9571.09
Employee Stock Options Outstanding	II	119.95	129.34
Reserves & Surplus	III	163138.37	137215.78
		<b>172856.47</b>	<b>146916.21</b>
<b>Loan Funds:</b>			
Secured Loans	IV	532593.09	446683.32
Unsecured Loans	V	113182.11	74618.22
		<b>645775.20</b>	<b>521301.54</b>
<b>TOTAL</b>		<b>818631.67</b>	<b>668217.75</b>
<b>APPLICATION OF FUNDS:</b>			
<b>Fixed Assets:</b>			
Gross Block		8220.34	7114.90
Less: Depreciation		4141.39	3404.25
Net Block	VI	4078.95	3710.65
Add: Capital Work-In-Progress		681.12	33.36
		<b>4760.07</b>	<b>3744.01</b>
<b>Investments</b>	VII	<b>21592.94</b>	<b>10971.10</b>
<b>Deferred Tax Asset</b> (Refer Notes to the Accounts - 19)		<b>20692.87</b>	<b>17875.08</b>
<b>Current Assets, Loans &amp; Advances:</b>			
(a) Sundry Debtors		0.00	77.84
(b) Cash & Bank Balances		24199.16	27631.27
(c) Other Current Assets		376.64	253.90
(d) Loans & Advances		837879.82	683833.58
	VIII	862455.62	711796.59
<b>Less: Current Liabilities and Provisions:</b>			
(a) Current Liabilities	IX	59989.23	54952.70
(b) Provisions	X	30880.60	21216.33
		90869.83	76169.03
<b>Net Current Assets</b>		<b>771585.79</b>	<b>635627.56</b>
<b>TOTAL</b>		<b>818631.67</b>	<b>668217.75</b>

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred in our report of even date.

For B. K. Khare and Co.  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No.44784  
Mumbai, 22nd April, 2010

**V. Ravi**  
Chief Financial Officer

**Arnavaz Pardiwala**  
Company Secretary

**Bharat Doshi**  
**Uday Y. Phadke**

**Ramesh Iyer**  
**M. G. Bhide**  
**Anjanikumar Choudhari**  
**Dhananjay Mungale**  
**Piyush Mankad**  
**Rama Bijapurkar**  
**M. B. N. Rao**

*Chairman*  
*Vice Chairman*  
*Managing Director*

Directors

FOR THE YEAR ENDED MARCH 31, 2010

XVIII

**This is the Profit & Loss Account referred to in our report of even date.**

## Directors





# SCHEDULES

## SCHEDULE I

		Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>SHARE CAPITAL:</b>			
<b>Authorised:</b>			
11,00,00,000	Equity Shares of Rs. 10/- each (Previous Year: 11,00,00,000 shares)	11000.00	11000.00
50,00,000	Redeemable Preference Shares of Rs. 100/- each (Previous Year: 50,00,000 shares)	5000.00	5000.00
<b>Issued Share Capital:</b>			
9,69,00,525	Equity Shares of Rs. 10/- each (Previous Year: 9,69,00,525 shares)	9690.05	9690.05
<b>Subscribed and Paid-up:</b>			
9,69,00,525	Equity Shares of Rs. 10/- each fully paid up (Previous Year: 9,69,00,525 shares)	9690.05	9690.05
	<i>Less: Shares issued to ESOP Trust but not allotted by it to employees (9,19,048 shares (Previous Year: 11,89,666) issued to ESOS Trust) (Refer Notes to the Accounts - 3)</i>	91.90	118.96
<b>TOTAL</b>		<b>9598.15</b>	<b>9571.09</b>
NOTE: Mahindra & Mahindra Ltd, the Holding Company holds 5,82,41,532 shares shares as on 31st March, 2010 (Previous Year: 5,82,41,532 shares)			

## SCHEDULE II

		MAR. 2010	MAR. 2009
<b>EMPLOYEE STOCK OPTION OUTSTANDING:</b>			
<b>(A) Employee Stock Option Outstanding:</b>			
	Opening Balance	193.29	214.96
	Add: Fresh grant of options	0.00	52.71
	Less: Amount transferred to Securities premium/Options Lapsed	49.25	74.38
	Closing Balance (A)	<b>144.04</b>	<b>193.29</b>
Less:			
<b>(B) Deferred Employee Compensation Expenses:</b>			
	Opening Balance	63.96	79.53
	Add: Fresh grant of options	0.00	52.71
	Less: Transfer to Employee Compensation/Options Lapsed	39.87	68.28
	Closing Balance (B)	<b>24.09</b>	<b>63.96</b>
<b>TOTAL</b>	(A - B)	<b>119.95</b>	<b>129.34</b>

### SCHEDULE III

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>RESERVES &amp; SURPLUS:</b>		
<b>Capital Redemption Reserve:</b>		
As per last Balance Sheet	5000.00	5000.00
Add: Transfer during the year	0.00	0.00
	<b>5000.00</b>	<b>5000.00</b>
<b>Securities Premium Account:</b>		
As per last Balance Sheet	75295.51	75231.84
Add: Additions during the year	43.67	63.67
	75339.18	75295.51
Less: Shares issued to ESOP Trust but not allotted by it to employees (Refer Notes to the Accounts - 2 & 3)	376.81	487.77
	<b>74962.37</b>	<b>74807.75</b>
<b>Statutory Reserve:</b>		
As per last Balance Sheet	17612.62	13321.62
Add: Transfer during the year	6855.00	4291.00
	<b>24467.62</b>	<b>17612.62</b>
<b>General Reserve:</b>		
As per last Balance Sheet	4214.78	2068.78
Add: Transfer during the year	3428.00	2146.00
	<b>7642.78</b>	<b>4214.78</b>
<b>Balance in Profit &amp; Loss Account</b>	<b>51065.59</b>	<b>35580.63</b>
<b>TOTAL</b>	<b>163138.37</b>	<b>137215.78</b>

### SCHEDULE IV

	MAR. 2010	MAR. 2009
<b>SECURED LOANS:</b>		
<b>Non-Convertible Debentures:</b>	175300.00	227630.00
(Repayable within a year Rs.32000 lacs; Previous year: Rs.122130 lacs)		
(Secured by pari passu charge over immovable assets and first charge over Loan agreements and relative book debts)(Refer Notes to the Accounts -22)		
<b>Loans &amp; Advances from Banks:</b>		
<b>a) Term Loans</b>	336840.73	189110.91
(Repayable within a year Rs. 105121 lacs; Previous Year: Rs. 62820 lacs)		
(Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		
<b>b) Cash Credit</b>	20452.36	29942.41
(Repayable fully within a year)		
(Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)		
<b>TOTAL</b>	<b>532593.09</b>	<b>446683.32</b>



## SCHEDULE V

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>UNSECURED LOANS:</b>		
<b>Fixed Deposits:</b> (Repayable within a Year Rs. 9312.05 lacs; Previous Year: Rs. 826.40 lacs)	47930.11	7241.22
<b>Loans &amp; Advances from Subsidiaries:</b>		
Inter Corporate Deposits (Repayable fully within a year)	1652.00	2277.00
<b>Non-Convertible Debentures:</b>		
Non-Convertible Debentures - others (Repayable fully within a year) (Refer Notes to the Accounts - 23)	5000.00	8000.00
<b>Unsecured Bonds (Subordinate Debt)</b> (Repayable within a Year Rs. 8000 lacs; Previous Year: Rs. 5000 lacs) (Refer Notes to the Accounts - 24)	37100.00	32100.00
<b>Short Term Loans &amp; Advances from Banks:</b>		
Commercial Paper (Repayable fully within a year)	12500.00	18500.00
Other Loans (Repayable fully within a year)	9000.00	6500.00
<b>TOTAL</b>	<b>113182.11</b>	<b>74618.22</b>

## SCHEDULE VI

<b>FIXED ASSETS:</b>										Rs. in lacs
Description of Assets	GROSS BLOCK AT COST			DEPRECIATION/AMORTISATION					NET BLOCK	
	As at 31.03.2009	Additions for Purch./Trf.	Deductions for Sales/Trf.	As at 31.03.2010	Upto 31.03.2009	For the year/Trf.	Deductions/Trf.	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Freehold Land	6.96	0.00	0.00	6.96	0.00	0.00	0.00	0.00	6.96	6.96
Premises	108.92	0.00	0.00	108.92	8.71	1.78	0.00	10.49	98.43	100.21
Office Equipments	1092.28	227.51	4.10	1315.69	521.28	182.50	2.78	701.00	614.69	571.01
Vehicles	1704.85	888.61	315.11	2278.35	551.77	276.24	208.92	619.09	1659.26	1153.09
Furniture	1279.48	109.12	1.57	1387.03	549.15	100.14	0.60	648.69	738.34	730.33
Computers	2196.46	170.31	54.70	2312.07	1222.57	302.74	40.85	1484.46	827.61	973.89
Software Expenditure	725.95	85.37	0.00	811.32	550.77	126.89	0.00	677.66	133.66	175.18
<b>TOTAL</b>	<b>7114.90</b>	<b>1480.92</b>	<b>375.48</b>	<b>8220.34</b>	<b>3404.25</b>	<b>990.29</b>	<b>253.15</b>	<b>4141.39</b>	<b>4078.95</b>	<b>3710.65</b>
<b>As at 31.03.2009</b>	<b>5978.25</b>	<b>1458.14</b>	<b>321.49</b>	<b>7114.90</b>	<b>2795.19</b>	<b>872.81</b>	<b>263.74</b>	<b>3404.25</b>	<b>3710.65</b>	<b>3183.06</b>

## SCHEDULE VII

### INVESTMENTS:

Rs. in lacs

Numbers	Face Value per Unit	Particulars		MAR. 2010		MAR. 2009	
				Long Term	Current	Long Term	Current
		<b>I - Government Securities (Quoted):</b> (Under Lien)					
—	1,00,00,000 \$	(a) 91 Days T-Bills		0.00	0.00	0.00	98.92
	10,00,00,000 \$	(b) 364 Days T-Bills		0.00	963.85	0.00	95.85
	2,00,00,000 \$	(c) 364 Days T-Bills		0.00	191.68	0.00	0.00
	35,00,00,000 \$	(d) 6.90% Government Stock (Maturity:13/07/2019)		3307.84	0.00	0.00	0.00
	10,00,00,000 \$	(e) 10.25% Government Stock (Maturity:30/05/2021)		1153.00	0.00	0.00	0.00
			<b>(I)</b>	<b>4460.84</b>	<b>1155.53</b>	<b>0.00</b>	<b>194.77</b>
		<b>II-Investments in Certificate of Deposits (Quoted):</b>					
10	15,00,00,000	With Banks		0.00	14720.81	0.00	9521.57
			<b>(II)</b>	<b>0.00</b>	<b>14720.81</b>	<b>0.00</b>	<b>9521.57</b>
		<b>III-Investments in Equity Shares of Subsidiary Companies:</b>					
		(a) Non-trade and fully paid up -					
500,000	10	i) Mahindra Insurance Brokers Limited		54.76	0.00	54.76	0.00
5,00,00,000	10	ii) Mahindra Rural Housing Finance Limited		500.00	0.00	500.00	0.00
10,000	10	iii) Mahindra Business & Consulting Services Pvt. Ltd.		1.00	0.00	0.00	0.00
				<b>555.76</b>	<b>0.00</b>	<b>554.76</b>	<b>0.00</b>
		(b) Non-trade and partly paid up -					
35,00,00,000	10	Mahindra Rural Housing Finance Limited (Rs. 2/- per share paid up)		700.00	0.00	700.00	0.00
				<b>700.00</b>	<b>0.00</b>	<b>700.00</b>	<b>0.00</b>
			<b>(III)</b>	<b>1255.76</b>	<b>0.00</b>	<b>1254.76</b>	<b>0.00</b>
			<b>(I+II+III)</b>	<b>5716.60</b>	<b>15876.34</b>	<b>1254.76</b>	<b>9716.34</b>
		<b>TOTAL</b>			<b>21592.94</b>		<b>10971.10</b>

\$ - Total Face Value

#### Note:- Aggregate market value of quoted Investments:

- Government Securities: Treasury Bills - Rs. 1168.10 lacs; 6.90% Govt. Stock - Rs. 3290.00 lacs; 10.25% Govt. Stock - Rs. 1152.50 lacs
- Investments in Certificate of Deposits with Banks Rs. 14720.81 lacs
  - Following are the movements in Government Securities during the year:

Treasury Bills & Govt. Stock of the face value of Rs. 6200.00 lacs (Previous Year: Rs. 245.00 lacs) were purchased and those of the face value of Rs. 700 lacs (Previous Year: Rs. 100.00 lacs) were sold/redeemed/matured during the year.



## SCHEDULE VII

### INVESTMENTS (CONTD.):

(b) Following are the movements in Units during the year:

Sr. No.	Name of the Mutual Fund	Acquired		Sold
		Units	Amount Rs. in lacs	Units
1	AXIS MUTUAL FUND	640346	6403.46	640346
2	BARODA PIONEER FUND	124975033	12506.08	124975033
3	BIRLA MUTUAL FUND	2339452639	234242.92	2339452639
4	CANARA ROBECO MUTUAL FUND	247888497	26513.51	247888497
5	DBS CHOLAMANDALAM MUTUAL FUND	990113	100.04	990113
6	DEUTSCHE MUTUAL FUND	855850306	85822.74	855850306
7	HDFC MUTUAL FUND	422961934	47522.43	422961934
8	IDFC MUTUAL FUND	70018983	7003.30	70018983
9	JM MUTUAL FUND	304845863	30521.99	304845863
10	KOTAK MUTUAL FUND	2370506761	268148.49	2370506761
11	LIC MUTUAL FUND	7006592911	741795.08	7006592911
12	RELIGARE MUTUAL FUND	1901370122	190313.38	1901370122
13	PRINCIPAL MUTUAL FUND	10004021	1000.47	10004021
14	ICICI PRUDENTIAL MUTUAL FUND	2641623657	306664.38	2641623657
15	RELIANCE MUTUAL FUND	1630858851	268914.68	1630858851
16	SHINSHEI MUTUAL FUND	1881205	18818.15	1881205
17	SUNDARAM BNP PARIBAS MUTUAL FUND	89535298	9012.65	89535298
18	TATA MUTUAL FUND	11614758	18214.92	11614758
19	TAURUS MUTUAL FUND	50007310	5001.01	50007310
20	UTI MUTUAL FUND	318860226	296936.27	318860225

## SCHEDULE VIII

Rs. in lacs

MAR. 2010

Rs. in lacs

MAR. 2009

### CURRENT ASSETS, LOANS & ADVANCES:

#### (A) Current Assets:

Interest accrued on – a) Investments	80.30	3.50
– b) Others	63.22	33.88
<b>Sundry Debtors: HP and LEASE (Secured):</b>		
(a) Debts Outstanding for a period exceeding six months	425.59	741.16
(b) Other Debts	0.00	23.81
	425.59	764.97



## SCHEDULE VIII

	Rs. in lacs	Rs. in lacs
	MAR. 2010	MAR. 2009
<b>CURRENT ASSETS, LOANS &amp; ADVANCES: (CONTD.)</b>		
— Less: Provision for Non Performing Assets and Doubtful Debts (Refer Notes to the Accounts - 6)	425.59	687.13
Debtors Considered good	<b>0.00</b>	<b>77.84</b>
<b>Cash &amp; Bank Balances:</b>		
— Cash & Cheques on hand	918.87	1910.53
— Balance with Scheduled Bank in Current Account	12454.67	11284.87
— Balance with Scheduled Bank in Cash Credit Account	891.13	296.92
— Balance in Unclaimed dividend Bank Account	35.99	29.45
<b>Term Deposits with Scheduled Banks</b>		
— Free of lien	0.00	5025.00
— Under lien	9898.50	9084.50
(Refer Notes to the Accounts - 14)		
<b>Other Current Assets</b>	<b>233.12</b>	<b>216.52</b>
<b>TOTAL (A)</b>	<b>24575.80</b>	<b>27963.01</b>
<b>(B) Loans &amp; Advances:</b>		
(Unsecured unless otherwise stated)		
Bills of Exchange	3783.91	110.13
<b>Advances recoverable in cash or in kind or for value to be received:</b>		
Trade Advances	34493.23	22153.00
Less: Provision for Non-Performing Assets and Doubtful Debts (Refer Notes to the Accounts - 6)	333.27	356.12
Advances Considered good	<b>34159.96</b>	<b>21796.88</b>
Inter-Corporate Deposits Given	12103.54	1681.00
Less: Provision for Non Performing Assets (Refer Notes to the Accounts - 6)	100.00	100.00
Inter-Corporate Deposits Considered good	<b>12003.54</b>	<b>1581.00</b>
Deposits for office premises/others	554.54	446.55
<b>Loans against Assets (Secured) (including overdue loans)</b>	<b>803350.68</b>	<b>682047.39</b>
Less: Provision for Non Performing Assets and Doubtful Debts (Refer Notes to the Accounts - 6)	40881.40	37707.58
Loans considered good	<b>762469.28</b>	<b>644339.81</b>
<b>Loans and Advances (Unsecured)</b>	<b>22512.52</b>	<b>13990.33</b>
Less: Provision for Non Performing Assets and Doubtful Debts (Refer Notes to the Accounts - 6)	256.20	255.71
Loans considered good	<b>22256.32</b>	<b>13734.62</b>
Advance payment of tax (net of provisions)	2652.27	1824.59
<b>TOTAL (B)</b>	<b>837879.82</b>	<b>683833.58</b>
<b>TOTAL CURRENT ASSETS, LOANS &amp; ADVANCES (A+B)</b>	<b>862455.62</b>	<b>711796.59</b>



## SCHEDULE IX

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>CURRENT LIABILITIES:</b>		
Sundry Creditors	22929.35	25495.73
Dues to Subsidiary Company	348.89	125.01
Deposits/Advances received against Loan agreements	1510.11	986.39
<b>* Amount due to Investors Education and Protection Fund:</b>		
- Unclaimed Dividend	33.88	27.32
Credit balances in Current Accounts with Banks	5435.94	2343.72
Amount Received in advance from ESOS Trust	468.71	606.73
Less: Loan given to the ESOS Trust	118.45	455.65
	<b>350.26</b>	<b>151.08</b>
Other Current Liabilities	17445.94	12047.13
Interest accrued but not due – Loans	11919.57	13754.94
– Others	15.29	21.38
<b>TOTAL</b>	<b>59989.23</b>	<b>54952.70</b>

\* There are no amounts outstanding and unpaid to be credited to the Investor Education and Protection Fund.

## SCHEDULE X

<b>PROVISIONS:</b>		
Proposed Dividend	7267.54	5329.53
Corporate Dividend Tax	1235.12	905.75
Provision for Estimated Loss/Expenses on		
Securitisation/Assignments	19244.29	12738.95
Provision for Employee Benefits (Refer Notes to the Accounts - 12)	3133.65	2242.10
<b>TOTAL</b>	<b>30880.60</b>	<b>21216.33</b>

## SCHEDULE XI

<b>INCOME FROM OPERATIONS:</b>		
Income from Loan	140129.40	125867.00
Income from Securitisation/Assignment (Refer Notes to the Accounts - 16)	12537.51	10432.93
Income from Bills	302.68	4.76
Income from Hire Purchase	105.65	172.98
Income from Lease	1.72	2.55
Income from Retained Interest in Securitised Assets	0.00	2.12
<b>TOTAL</b>	<b>153076.96</b>	<b>136482.34</b>

## SCHEDULE XII

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>OTHER INCOME:</b>		
Profit/Premium on Sale/Redemption of Investment	92.95	0.63
Interest on Government Securities:		
— Short Term	46.63	3.49
— Long Term	39.31	0.00
Dividend Received from Investments in Mutual Fund Units	1507.80	436.82
Dividend Received from Subsidiary Company	0.00	50.00
Interest on Term Deposits/ICDs (TDS Rs. 145.89 lacs, Previous Year: Rs. 212.71 lacs)	1412.38	935.46
Profit on Sale/Retirement of Owned Assets	20.40	5.41
Income - others	683.98	552.04
<b>TOTAL</b>	<b>3803.45</b>	<b>1983.85</b>

## SCHEDULE XIII

<b>FINANCIAL EXPENSES:</b>		
Interest on		
— Fixed loans	24434.97	14374.09
— Debentures	21291.64	31825.20
— Others	3459.02	3732.46
Bank Charges	987.61	1054.44
<b>TOTAL</b>	<b>50173.24</b>	<b>50986.19</b>

## SCHEDULE XIV

<b>EMPLOYEE COST:</b>		
Salary, Bonus & Incentives	11489.96	10678.55
Company's Contribution to P.F. & other funds	740.20	682.44
Staff Welfare	543.04	309.89
Employee Compensation Expense on account of ESOS	34.29	57.58
<b>TOTAL</b>	<b>12807.49</b>	<b>11728.46</b>

## SCHEDULE XV

<b>OTHER EXPENSES:</b>		
Electricity Charges	386.16	367.85
Rent	1313.50	1111.03
Repairs & Maintenance — Building	91.01	28.95
— Others	52.01	44.14
Insurance	941.59	793.30



## SCHEDULE XV

	Rs. in lacs	Rs. in lacs
	MAR. 2010	MAR. 2009
<b>OTHER EXPENSES: (CONTD.):</b>		
Rates & Taxes	942.48	95.04
Directors Remuneration — Fees	2.35	2.45
— Commission	77.63	60.12
Commission & Brokerage	2717.11	1999.71
Legal & Professional Charges	5110.00	3199.41
Auditors Remuneration — Audit Fees	16.00	17.65
— Other Services	9.74	12.79
Donations	90.95	71.03
General & Administrative Expenses	6949.83	6274.13
<b>TOTAL</b>	<b>18700.36</b>	<b>14077.60</b>

## SCHEDULE XVI

<b>PROVISIONS &amp; WRITE OFF'S:</b>		
Bad Debts & Write offs	19261.07	17232.68
Provision for Non Performing Assets	2891.11	11006.36
(Refer Notes to the Accounts - 6)		
<b>TOTAL</b>	<b>22152.18</b>	<b>28239.04</b>

## SCHEDULE XVII

**Schedule to the Balance Sheet of a Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)**

Sr. No.	Particulars	Rs. in lacs			
		MAR. 2010		MAR. 2009	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
(1)	<b>Liabilities Side:</b>				
	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:				
	(a) Debentures : Secured	175300.00	0.00	227630.00	0.00
	Unsecured	5000.00	0.00	8000.00	0.00
	(other than falling within the meaning of public deposits)				
	(b) Deferred Credits	20452.36	0.00	29942.41	0.00
	(c) Term Loans	336840.73	0.00	189110.91	0.00
	(d) Inter-corporate loans and Other Borrowings	1652.00	0.00	2277.00	0.00
	(e) Commercial Paper	12500.00	0.00	18500.00	0.00
	(f) Public Deposits	44192.11	0.00	7072.47	0.00
	(g) Fixed Deposits accepted from Corporates	4948.82	0.00	225.79	0.00
	(h) Subordinate debt	37100.00	0.00	32100.00	0.00
	(i) Other Short Term Loans and credit facilities from banks	9000.00	0.00	6500.00	0.00

Rs. in lacs

Sr. No.	Particulars	MAR. 2010		MAR. 2009	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
(2)	Break-up of (1) (f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):				
	(a) In the form of Unsecured debentures	0.00	0.00	0.00	0.00
	(b) In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	0.00	0.00	0.00	0.00
	(c) Other public deposits	44192.11	0.00	7072.47	0.00
		Amount Outstanding		Amount Outstanding	
(3)	<b>Asset Side:</b>				
	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:</b>				
	(a) Secured	0.00		0.00	
	(b) Unsecured	72203.73		37222.63	
(4)	<b>Break up of Leased Assets and stock on hire and hypothecation loans counting towards AFC activities:</b>				
	(i) Lease assets including lease rentals under sundry debtors:				
	(a) Financial lease	0.00		0.00	
	(b) Operating lease	0.00		0.00	
	(ii) Stock on hire including hire charges under sundry debtors:				
	(a) Assets on hire	0.00		77.84	
	(b) Repossessed Assets	0.00		0.00	
	(iii) Other loans counting towards AFC activities:				
	(a) Loans where assets have been repossessed	1612.80		6632.05	
	(b) Loans other than (a) above	760856.48		637707.76	
(5)	<b>Break-up of Investments:</b>				
	Current Investments:				
	1. Quoted:				
	i) Shares : (a) Equity				
	(b) Preference				
	ii) Debentures and Bonds				
	iii) Units of mutual funds	0.00		0.00	
	iv) Government Securities	1155.53		194.77	
	v) Investments in Certificate of Deposits with Banks	14720.81		9521.57	
	2. Unquoted:				
	i) Shares : (a) Equity				
	(b) Preference				
	ii) Debentures and Bonds				
	iii) Units of mutual funds				
	iv) Government Securities				
	v) Others (Specify)				





## SCHEDULE XVIII

### NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

#### SIGNIFICANT ACCOUNTING POLICIES (SAP):

**1. Basis for Preparation of Accounts:**

The accounts have been prepared to comply in all the material aspects with (a) applicable accounting principles in India, (b) the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable, and (c) relevant provisions of the Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies.

**2. Use of Estimates:**

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

**3. Revenue Recognition:**

**i) General:**

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, fee based income and Interest on Trade advance, which on account of uncertainty of ultimate collection are accounted on receipt basis. Also in accordance with the guidelines issued by the Reserve Bank of India for Non Banking Finance Companies, income on business assets classified as non-performing assets, is recognised on receipt basis.

**ii) Income from Loan:**

Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

**iii) Income from Subvention/Service/Document Charges:**

Subvention received from dealers/manufacturers on retail cases is booked over the period of the contract. However, service charges & documentation charges are booked at the commencement of the contract.

**iv) Income from Assignment/Securitisation:**

In case of assignment of receivables the assets are derecognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser. On de-recognition, the difference between book value of the receivables assigned and consideration received as reduced by the estimated provision for loss/expenses and incidental expenses related to the transaction is recognised as gain or loss arising on assignment.

Income on Retained Interest in Securitised Assets is booked on accrual basis.

**v. Income from Investments:**

(a) Dividend from investments is accounted for as income when the right to receive dividend is established.

(b) Interest income is accounted on accrual basis.

**4. Fixed Assets:**

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.

Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

**5. Depreciation:**

i) Depreciation on fixed assets, other than repossessed assets capitalised for own use, is charged using Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956, except for:



- (a) Office equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
- (b) Assets costing less than Rs. 5000/- are fully depreciated in the period of purchase and
- (c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.

ii) Repossessed assets that have been capitalised for own use are depreciated @ 15% using the Straight Line Method over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming a part of 'Owned Assets'.

#### **6. Foreign Exchange Transactions:**

All assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the period end, except those covered by forward exchange contracts which are translated at contracted rates, where the difference between the contracted rate and the spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

In case of the current assets, current liabilities and long term liabilities the exchange differences are recognised in the Profit and Loss account.

#### **7. Investments:**

In terms of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value which ever is less.

#### **8. Loans against assets:**

Loan against assets are stated at agreement value net of instalments received less un-matured finance charges.

#### **9. Employee benefits:**

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

##### **(a) Defined Contribution Plans –**

Company's contribution paid/payable during the period to Provident Fund and Labour Welfare fund are recognised in the Profit and loss Account.

##### **(b) Defined Benefit Plan –**

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- (c) Liability on account of encashment of privilege leave to employees is considered as short term compensated expense provided at actual and on account of sick leave is considered as long term unfunded benefit & recognized on the basis of actuarial valuation using Projected Unit Credit Method determined by appointed actuary.

#### **10. Borrowing Cost:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

**11. Lease Hold Improvements:**

Expenditure incurred on improvements to leasehold premises is classified into Capital and Revenue. Addition of assets are capitalised under Fixed Assets and balance expenditure if any is debited to Profit & Loss Account.

**12. Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**13. Intangible Assets:**

All intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

Software expenses are treated as an intangible asset and amortized over the useful life of the asset. The maximum period for such amortization is 36 months.

**14. Miscellaneous Expenditure:**

**(a) Preliminary Expenses -**

Preliminary expenses are charged to profit and loss account in the period of incurrence.

**(b) Share Issue Expenses -**

Expenses incurred in connection with fresh issue of share capital are either charged to Profit & Loss Account or adjusted against Securities Premium account in the period in which they are incurred.

**15. Impairment of Assets:**

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

**16. Provisions & Contingent Liabilities:**

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

**17. Derivatives:**

The hedging contracts comprise of interest rate swap undertaken to hedge interest rate risk on certain liabilities. These hedges are accounted for like the underlying liabilities. The net interest payable is accounted on accrual basis over the life of the swap.

**18. Employee Stock Compensation costs:**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.



## NOTES TO THE ACCOUNTS:

- Earnings Per Share as required by Accounting Standard 20 read with the Guidance Note on “Accounting for Employee share-based Payments” is as follows:

Particulars	Intrinsic Value Method		Fair Value Method	
	March 2010	March 2009	March 2010	March 2009
A Net Profit After Tax (Rs. in lacs)	34270.73	21452.06	34120.95	21214.69
B Weighted Average number of Equity Shares of Rs. 10/- each (Basic)	95791589	95492881	95791589	95492881
C Weighted Average number of Equity Shares of Rs. 10/- each (Diluted)	96900525	96900525	96900525	96900525
D Basic Earning per Share (Rs.)	35.78	22.46	35.62	22.22
E Diluted Earning per Share @ (Rs.)	35.37	22.14	35.21	21.89

@ Dilution in Earning per share is on account of 9,19,048 Equity shares (Previous Year: 11,89,666 equity shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

- The Company had allotted 26,86,550 Equity shares on 6th December 2005, to Mahindra and Mahindra Financial Services Limited Employees’ Stock Option Trust set up by the Company.

The Stock Options granted would vest in an Eligible Employee in five (5) instalments at specified dates from the date of the grant and are exercisable in 5 tranches within six (6) periods from the date of grant.

The compensation costs of stock options granted to employees are accounted by the Company using the intrinsic value method.

Summary of Stock Options	No. of Stock Options	Weighted Average Exercise Price (Rs.)
Options outstanding on 1st April, 2009	1178139	146.48
Options granted during the year	0.00	0.00
Options forfeited/lapsed during the year	35362	105.99
Options exercised during the year	270618	101.84
Options outstanding on 31st March, 2010	872159	161.97
Options vested but not exercised on 31st March, 2010	370568	136.42

Average Share price at recognised stock exchange (NSE) on the date of exercise of the option are as under:

Date of Exercise	Average Share Price (Rs.)
21st April, 2009	204.17
24th April, 2009	210.61
17th June, 2009	256.35
22nd January, 2010	362.35
4th February, 2010	332.00
9th February, 2010	335.31



Information in respect of options outstanding as on 31st March, 2010:

Exercise Price	No. of Options	Weighted Average remaining life
Rs. 51.00	3,76,289	20 months
Rs. 211.00	1,27,314	39 months
Rs. 304.00	1,31,462	47 months
Rs. 233.00	2,37,094	53 months

3. As per Guidance note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly Company has reduced the Share Capital by Rs. 91.90 lacs (Previous Year: Rs. 118.96 lacs), Securities Premium by Rs. 376.81 lacs (Previous Year: Rs. 487.77 lacs) in respect of 9,19,048 shares (Previous Year: 11,89,666 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.
4. The holding company, Mahindra & Mahindra Limited, has incurred a cost of Rs. 0.13 lacs - (Previous Year: Rs. 0.63 lacs) under Employee Stock Options (ESOS) to employees of the Company.
5. During the year, the Company has made an investment of Rs. 1.00 lac in equity shares of Mahindra Business & Consulting Services Private Limited (formerly known as Mahindra IT Consulting Private Limited) by purchasing 10,000 equity shares of Rs. 10/- each held by M/s Bristlecone India Limited, a fellow subsidiary. By virtue of this, Mahindra Business & Consulting Services Private Limited has become the wholly owned subsidiary of the Company.
6. The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. The Company also makes additional provision on a prudential basis. The cumulative additional provision made by the Company as on 31st March, 2010 is Rs. 20914.17 lacs (Previous Year: Rs. 22776.19 lacs).
7. Bad debts and Write offs includes loss on termination which mainly represents shortfall on settlement of certain contracts due to lower realisation from such Hire Purchase/Leased/Loan assets on account of poor financial position of such customers.
8. Commission & Brokerage represents amount incurred in respect of acquisition of customers.
9. The Company has single reportable segment "financial services" for the purpose of Accounting Standard 17 on Segment Reporting.
10. In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.
11. Current Liabilities include Deposits/Advances received on account of Lease/Hire Purchase/loans against assets, which are repayable/adjusted over the period of the contract.
12. Employee Benefits:

Defined Benefit Plans -As per Actuarial Valuation

Rs. in lacs

Sr.No.	Particulars	Gratuity (funded)		Sick Leave (Non-funded)**
		2010	2009	2010
I	<b>Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March</b>			
	1. Current service cost	232.88	227.32	44.31
	2. Interest cost	23.13	19.19	5.15
	3. Expected return on plan assets	(23.27)	(15.91)	0.00



Rs. in lacs

Sr.No.	Particulars	Gratuity (funded)		Sick Leave (Non-funded)**
		2010	2009	2010
	4. Actuarial (Gains)/Losses	(120.86)	(176.62)	(68.04)
	5. Total expense	111.88	53.97	(18.58)
II	<b>Net asset/(liability) recognised in the Balance Sheet as at 31st March</b>			
	1. Present Value of Defined Benefit obligation as at 31st March	343.83	256.67	55.08
	2. Fair value of plan assets as at 31st March	305.50	208.07	0.00
	3. Funded status (surplus/(deficit))	(38.33)	(48.60)	(55.08)
	4. Net asset/(liability) as at 31st March	(38.33)	(48.60)	(55.08)
III	<b>Change in the obligations during the year ended 31st March</b>			
	1. Present Value of Defined Benefit obligation at the beginning of the year	256.67	205.93	73.66
	2. Current service cost	232.88	227.31	44.31
	3. Interest cost	23.13	19.20	5.15
	4. Actuarial (Gains)/Losses	(144.12)	(176.62)	(68.04)
	5. Benefits paid	(24.73)	(19.15)	0.00
	6. Present Value of Defined Benefit obligation at the year ended 31st March	343.83	256.67	55.08
IV	<b>Change in the fair value of plan assets during the year ended 31st March</b>			
	1. Fair value of plan assets at the beginning of the year	208.08	149.48	
	2. Expected return on plan assets	23.27	15.89	
	3. Contributions by employer	122.15	73.55	
	4. Actuarial (Gains)/Losses	(23.27)	(11.72)	
	5. Actual Benefits paid	(24.73)	(19.16)	
	6. Fair value of plan assets at 31st March	305.50	208.04	
V.	<b>Major category of plan assets as a percentage of total plan</b>			
	Funded with LIC	100%	100%	
VI	<b>Actuarial Assumptions</b>			
	1. Discount Rate	8.00% p.a.	8.00% p.a.	8.00% p.a.
	2. Expected Rate of return on plan assets	8.24% p.a.	8.00% p.a.	8.24% p.a.
	3. Rate of Salary increase	5.00% p.a.	5.00% p.a.	5.00% p.a.
	4. In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

\*\* During the year, in view of change in compensation policy with regards to encashment of sick leave, the benefit on account has been reclassified as long term benefit as against short term benefit in previous year.

**13) Disclosure on Derivatives:**

- (a) There were 4 Derivative instruments (Previous Year: 14) for hedging interest rate risk outstanding as on 31st March, 2010.
- (b) All the instruments are for hedging interest rate risk.

**14. Collateral and Lien marked Deposits/Investments:****Term Deposits include:**

- (a) Rs. 9079.00 lacs (Previous Year: Rs. 9079.00 lacs) maintained as cash collateral deposits in accordance with the assignment transactions.
- (b) Rs. 810.00 lacs (Previous Year: Rs. Nil) being the Term Deposits kept with scheduled banks as Statutory Liquid Assets as required under Section 45 IB of the Reserve Bank of India Act, 1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C. No. 87/03.02.004/2006-07 dated 4th January, 2007 issued by Reserve Bank of India.
- (c) Rs. 9.50 lacs (Previous Year: Rs. 5.50 lacs) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suits filed by the Company.

**Investments include:**

Rs. 5616.37 lacs (Previous Year: Rs. 194.77 lacs) being the investments in Treasury Bills/Government Stocks as Statutory Liquid Assets as required under Section 45 IB of the Reserve Bank of India Act, 1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C. No. 87/03.02.004/2006-07 dated 4th January, 2007 issued by Reserve Bank of India.

**15. Expenditure in Foreign Currency:**

Foreign Travel Rs. 3.96 lacs (Previous Year: Rs. 5.31 lacs)

Legal & Professional Fees Rs. 113.58 lacs (Previous Year: Rs. 108.48 lacs)

Others Rs. 8.94 lacs (Previous Year: Rs. Nil)

- 16. (a) During the year, the Company has without recourse assigned loan receivables of 31628 (Previous Year: 32083) contracts amounting to Rs. 104460.66 lacs (Previous Year: Rs. 103622.61 lacs) (including future interest receivable) for a consideration of Rs. 97127.63 lacs (Previous Year: Rs. 91511.30 lacs) and de-recognised the assets from the books. The income booked in respect of assignment of receivables includes certain amount towards cost of future servicing of the assigned pool and an appropriate amount has been provided towards expenditure for future services. On assignment of receivables, income recognised upfront for the current year is Rs. 19058.16 lacs (Previous Year: Rs. 15195.48 lacs) against which a provision for estimated loss/expenses of Rs. 8051.42 lacs (Previous Year: Rs. 5427.49 lacs) is made.
  - (b) During the year, the provision in respect of securitisation/assignment transactions amounting to Rs. 1546.07 lacs (Previous Year: Rs. 766.76 lacs) considered no longer necessary is written back.
17. During the year, the Company has acquired (a) with recourse financial portfolio of Rs. 9050.57 lacs (Previous Year: Rs. 12186.85 lacs) from Group companies for a consideration of Rs. 7500.00 lacs (Previous Year: Rs. 10000.00 lacs) and (b) without recourse portfolio of Rs. 48296.16 lacs (Previous Year: Rs. 15432.48 lacs) for a consideration of Rs. 44809.11 lacs (Previous Year: Rs. 13550.55 lacs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the Company and interest income booked on these portfolios is Rs. 1377.66 lacs (Previous Year: Rs. 81.08 lacs). The Company has received cash collateral amounting to Rs. 19395.42 lacs (Previous Year: Rs. 5373.49) against these assignments.



18. Related Party Disclosure as per Accounting Standard 18:

List of the related parties which have transaction with our Company during the period:

<b>Holding Company</b>	:	Mahindra & Mahindra Limited
<b>Subsidiary Companies</b>	:	Mahindra Insurance Brokers Ltd. Mahindra Rural Housing Finance Ltd. Mahindra Business & Consulting Services Private Limited (formerly known as Mahindra IT Consulting Private Limited)
<b>Fellow Subsidiary Companies</b>	:	<b>As per list given below</b> NBS International Ltd.  Mahindra First Choice Wheels Ltd. Mahindra First Choice Services Ltd. Mahindra Retail Pvt. Ltd. Mahindra Two Wheelers Private Ltd.
Mahindra Navistar Automotives Ltd. (formerly known as Mahindra International Ltd.) Mahindra USA, Inc Mahindra Holidays & Resorts Ltd Mahindra Renault Pvt. Ltd. Mahindra Logistics Ltd. Bristlecone India Ltd.		
<b>Key Management Personnel</b>	:	Mr. Ramesh Iyer (Managing Director)

Related Parties transactions are as under:

					Rs. in lacs
Sr. No.	Nature of Transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Key Management Personnel
<b>1.</b>	<b>Income</b>				
	Loan income	684.36 (529.77)	— —	190.62 (65.12)	— —
	Other income	— —	374.21 (134.86)	52.31 (40.18)	— —
<b>2.</b>	<b>Expenses</b>				
	Interest	243.81 (524.19)	94.38 (66.48)	— (2.65)	— —
	Other Expenses	251.32 (127.83)	3,407.61 (1,016.50)	5.22 (1.51)	115.63 (118.57)
<b>3.</b>	<b>Purchase of Equity Shares</b>	— —	— (1,000.00)	1.00 —	— —
<b>4.</b>	<b>Purchase of Fixed Assets</b>	554.86 (243.54)	— —	— (6.09)	— —
<b>5.</b>	<b>Sale of Fixed Assets</b>	— —	5.41 —	— —	— —

Rs. in lacs					
Sr. No.	Nature of Transactions	Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Key Management Personnel
<b>6.</b>	<b>Finance</b>				
	Unsecured Bonds placed (incl. int. accd.)	— (2,009.45)	— —	— —	— —
	NCD Issued	2,646.71 —	— —	— —	— —
	Dividend paid – for previous year	3,203.28 (2,620.87)	— —	— —	3.30 (2.70)
	Inter-Corporate Deposits taken (including interest accrued but not due)	— (1,561.30)	1,687.23 (805.54)	— —	— —
	Inter-Corporate Deposits given (including interest accrued but not due)	— —	2,567.02 (1,595.42)	1,461.70 —	— —
	Loan given (including interest accrued but not due)	— —	— —	755.98 —	— —
<b>7.</b>	<b>Stock Options</b>	— —	— —	— —	3.44 (5.61)
<b>8.</b>	<b>Other Transactions</b>				
	Reimbursement to parties	— —	— —	75.27 (60.32)	— —
	Reimbursement from parties	— —	— (0.61)	— —	— —
<b>9.</b>	<b>Outstanding</b>				
	Receivables	204.44 (60.44)	19.02 (13.62)	14,708.16 (9,858.72)	— —
	Payables	80.20 (30.51)	367.91 (138.63)	5.12 (37.38)	— —

Figures in bracket represent corresponding figures of previous year.

19. In accordance with Accounting Standard 22 on Accounting for Taxes on Income the Company has accounted for Deferred Asset/Liability. The break up of the deferred tax asset as on 31st March, 2010 of Rs. 20692.87 lacs (Previous Year: Rs. 17875.08 lacs) is as under:

Rs. in lacs		
Particulars	Deferred Tax Asset/(Liability)– March 2010	Deferred Tax Asset/(Liability)– March 2009
Provision for Non Performing Assets	20257.16	17534.39
Depreciation	(43.95)	(71.40)
Other Disallowances	479.66	412.08
<b>Total</b>	<b>20692.87</b>	<b>17875.07</b>





**20. Contingent Liability not provided for:**

- i) Taxation matters: Demands against the Company not acknowledged as debts and not provided for, in respect of which the Company is in appeal and exclusive of assessments remaining to be completed:

Income tax: Rs. 5252.67 lacs (Previous Year: Rs. 4478.28 lacs). These demands are met to the extent of Rs. 2781.17 lacs (Previous Year: Rs. 2070.22 lacs), partly by payment and partly by adjustment against refunds due to the Company.

- ii) Performance guarantee in respect of which the Company stands fully indemnified for the loss, if any, which would be incurred on failure, if any, to perform the guaranteed act for Rs. 200 lacs. (Previous Year: Rs. 200 lacs).
- iii) Estimated amount of contracts remaining to be executed on Capital account Rs. 419.56 lacs (Previous Year: Rs. 94.31 lacs).
- iv) Corporate undertaking on Securitization/assignment Rs. 62625.36 lacs (Previous Year: Rs. 45820.20 lacs).
- v) Legal Suits filed by the customers in Consumer Forums and Civil courts claiming compensation against the Company amounting to Rs. 1863.77 lacs (Previous Year: Rs. 1483.83 lacs).

21. The Company has sent letters to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 seeking information for which replies are awaited. In view of this, information required under Schedule VI of the Companies Act, 1956, is not given.

**22. Secured Non-Convertible Debentures:**

<b>Date of Allotment</b>	<b>Amount Rs. in lacs as on 31/03/2010</b>	<b>Amount Rs. in lacs as on 31/03/2009</b>	<b>Earliest Redemption Date</b>
24-Apr-06	0	500	1096 days from date of allotment
24-Apr-06	0	200	1096 days from date of allotment
24-Apr-06	0	3000	1120 days from date of allotment
10-Jul-06	0	1000	1096 days from date of allotment
25-Aug-06	10000	10000	1826 days from date of allotment
15-Sep-06	0	5000	934 days from date of allotment
15-May-07	0	500	730 days from date of allotment
16-May-07	0	1000	730 days from date of allotment
21-May-07	0	2500	731 days from date of allotment
21-May-07	0	75	695 days from date of allotment
21-May-07	0	2500	731 days from date of allotment
24-May-07	0	500	732 days from date of allotment
24-May-07	0	1000	732 days from date of allotment
28-May-07	0	2425	688 days from date of allotment
28-May-07	0	1300	911 days from date of allotment
01-Jun-07	0	1000	731 days from date of allotment
01-Jun-07	0	400	731 days from date of allotment
01-Jun-07	0	300	731 days from date of allotment
01-Jun-07	0	300	731 days from date of allotment

<b>Date of Allotment</b>	<b>Amount Rs. in lacs as on 31/03/2010</b>	<b>Amount Rs. in lacs as on 31/03/2009</b>	<b>Earliest Redemption Date</b>
20-Jun-07	0	5000	733 days from date of allotment
22-Jun-07	0	5000	731 days from date of allotment
29-Jun-07	0	5000	644 days from date of allotment
16-Jul-07	0	5000	731 days from date of allotment
18-Jul-07	0	5000	733 days from date of allotment
28-Aug-07	0	500	731 days from date of allotment
28-Aug-07	0	2000	731 days from date of allotment
11-Sep-07	0	5000	731 days from date of allotment
12-Sep-07	0	2000	733 days from date of allotment
12-Sep-07	0	500	733 days from date of allotment
14-Sep-07	0	5000	731 days from date of allotment
21-Sep-07	0	2500	745 days from date of allotment
25-Sep-07	0	10000	731 days from date of allotment
28-Sep-07	0	10000	741 days from date of allotment
28-Sep-07	0	2500	556 days from date of allotment
28-Sep-07	0	10500	739 days from date of allotment
11-Oct-07	1000	1000	1096 days from date of allotment
25-Oct-07	5000	5000	1096 days from date of allotment
25-Oct-07	0	4600	732 days from date of allotment
25-Oct-07	0	400	732 days from date of allotment
26-Oct-07	2500	2500	1096 days from date of allotment
05-Nov-07	50	50	1103 days from date of allotment
12-Nov-07	4950	4950	1096 days from date of allotment
15-Nov-07	0	700	547 days from date of allotment
15-Nov-07	0	1800	547 days from date of allotment
28-Nov-07	0	500	733 days from date of allotment
28-Nov-07	0	7500	733 days from date of allotment
30-Nov-07	0	6000	731 days from date of allotment
05-Dec-07	2000	2000	1827 days from date of allotment
14-Jan-08	5000	5000	1463 days from date of allotment
14-Jan-08	2500	2500	1096 days from date of allotment
14-Jan-08	1000	1000	1096 days from date of allotment



<b>Date of Allotment</b>	<b>Amount Rs. in lacs as on 31/03/2010</b>	<b>Amount Rs. in lacs as on 31/03/2009</b>	<b>Earliest Redemption Date</b>
02-May-08	1000	1000	731 days from date of allotment
06-May-08	1000	1000	730 days from date of allotment
06-May-08	2500	2500	730 days from date of allotment
08-Jul-08	20000	20000	1825 days from date of allotment
08-Aug-08	0	1500	455 days from date of allotment
05-Sep-08	15000	15000	1826 days from date of allotment
11-Sep-08	1500	1500	581 days from date of allotment
26-Sep-08	500	500	1826 days from date of allotment
15-Oct-08	0	30	366 days from date of allotment
24-Oct-08	10000	10000	1095 days from date of allotment
27-Oct-08	20000	20000	2191 days from date of allotment
14-Nov-08	0	10	366 days from date of allotment
14-Nov-08	0	10	366 days from date of allotment
14-Nov-08	0	10	366 days from date of allotment
14-Nov-08	0	10	366 days from date of allotment
14-Nov-08	0	10	366 days from date of allotment
26-Dec-08	0	50	367 days from date of allotment
08-Jun-09	1000	0	730 days from date of allotment
15-Jul-09	2500	0	730 days from date of allotment
15-Jul-09	5000	0	730 days from date of allotment
15-Jul-09	5000	0	730 days from date of allotment
23-Jul-09	2500	0	1096 days from date of allotment
06-Aug-09	12500	0	732 days from date of allotment
23-Sep-09	4000	0	947 days from date of allotment
29-Sep-09	5000	0	364 days from date of allotment
29-Sep-09	10000	0	601 days from date of allotment
29-Sep-09	1000	0	1092 days from date of allotment
01-Oct-09	9000	0	552 days from date of allotment
06-Oct-09	1800	0	545 days from date of allotment
06-Oct-09	500	0	563 days from date of allotment
10-Nov-09	5000	0	1098 days from date of allotment
23-Nov-09	5000	0	1827 days from date of allotment
<b>Total</b>	<b>175300</b>	<b>227630</b>	

(Of the above, NCDs issued to Banks Rs. 6000 lacs (Previous Year: Rs. 16500 lacs) and Others Rs. 169300 lacs (Previous Year: Rs. 211130 lacs).

## 23. Unsecured Non-Convertible Debentures:

Date of Allotment	Amount Rs. in lacs as on 31/03/2010	Amount Rs. in lacs as on 31/03/2009	Earliest Redemption Date
31-Mar-08	0	0	88 days from date of allotment
31-Mar-09	0	1900	87 days from date of allotment
31-Mar-09	0	5000	87 days from date of allotment
31-Mar-09	0	1100	87 days from date of allotment
31-Mar-10	2500	0	89 days from date of allotment
31-Mar-10	2500	0	89 days from date of allotment
<b>Total</b>	<b>5000</b>	<b>8000</b>	

Of the above, NCDs issued to Banks Rs. Nil (Previous Year: Rs. Nil) and Others Rs. 5000 lacs (Previous Year: Rs. 8000 lacs).

## 24. Unsecured Bonds (Subordinate Debt):

Date of Allotment	Amount Rs. in lacs as on 31/03/2010	Amount Rs. in lacs as on 31/03/2009	Earliest Redemption Date
08-Mar-04	0	5000	2010 days from date of allotment
03-Sep-04	4000	4000	2068 days from date of allotment
26-Oct-04	4000	4000	2008 days from date of allotment
15-Jun-05	5000	5000	2145 days from date of allotment
06-Dec-06	3140	3140	2007 days from date of allotment
11-May-07	2500	2500	3653 days from date of allotment
17-Apr-07	400	400	3653 days from date of allotment
13-Jun-07	1480	1480	3631 days from date of allotment
26-Jul-07	2500	2500	3653 days from date of allotment
28-Sep-07	1270	1270	3589 days from date of allotment
15-Oct-07	130	130	2039 days from date of allotment
24-Oct-07	1000	1000	2039 days from date of allotment
14-Dec-07	700	700	2010 days from date of allotment
17-Oct-08	980	980	3652 days from date of allotment
10-Nov-09	2500	0	3653 days from date of allotment
20-Nov-09	7500	0	3652 days from date of allotment
<b>Total</b>	<b>37100</b>	<b>32100</b>	

Of the above, Unsecured bonds issued to Banks Rs. 13100 lacs (Previous Year: Rs. 15440 lacs) and Others Rs. 24000 lacs (Previous Year: Rs. 16660 lacs).

25. Managerial Remuneration paid to Directors included in the Profit and Loss Account is Rs. 170.03 lacs (Previous Year: Rs. 167.45 lacs) includes Directors' fees of Rs. 2.35 lacs (Previous Year: Rs. 2.45 lacs), perquisites Rs. 7.90 lacs (Previous Year: Rs. 14.15 lacs) and commission Rs. 77.63 lacs (Previous Year: Rs. 60.12 lacs) (See Point no. 26) and excluding charge for gratuity, provision for leave encashment and sick leave as separate actuarial valuation figures are not available. The above perquisites include amortisation of Employees Stock Options amounting to Rs. 5.26 lacs (Previous Year: Rs. 13.38 lacs).





# CASH FLOW STATEMENT

		Rs. in lacs	Rs. in lacs
		MAR. 2010	MAR. 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxes and contingencies		52056.85	32562.09
Add/(Less):			
Non-Cash Expenses:			
Depreciation/Amortisation		990.29	872.81
Provision for non-performing assets (Net)		2891.11	11006.36
Employee Compensation Expense on account of ESOS		34.29	57.58
		3915.69	11936.75
Add/(Less):			
Income considered separately:			
Income on investing activities		(1593.74)	(490.31)
(Profit)/Loss on sale / retirement of assets		(20.40)	(5.41)
(Profit)/Loss on sale of Investment		(92.95)	(0.63)
Income from Assignments		(12552.82)	(10534.75)
		(14259.91)	(11031.10)
Operating profit before working capital changes	(I)	41712.63	33467.74
Less:			
(Increase)/Decrease in interest accrued on Investments / Others		(29.34)	(5.73)
(Increase)/Decrease in Trade receivables		338.20	29.90
(Increase)/Decrease in Loans & Advances		(234456.11)	(106590.02)
		(234147.25)	(106565.85)
Add: Increase in Current liabilities		5928.08	3869.39
	(II)	(228219.17)	(102696.46)
Cash generated from operations	(I+II)	(186506.54)	(69228.72)
Advance taxes paid		(21431.59)	(16768.87)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(A)</b>	<b>(207938.13)</b>	<b>(85997.59)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets / Software		(2128.68)	(1465.33)
Sale of Fixed Assets		142.73	63.16
Purchase of Investments		(20338.18)	(10716.34)
Investments in Term Deposits with Banks		(814.00)	(5.50)
Sale of Investments		9809.29	53.79
Income received on Investments		1516.94	488.10
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(B)</b>	<b>(11811.90)</b>	<b>(11582.12)</b>



		Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of Equity Shares (net of issue expenses)		138.02	215.48
Increase/(Decrease) in Bank Borrowings (Net)		(9490.05)	2189.86
Increase/(Decrease) in Long Term Borrowings (Net)		(47330.00)	(112330.00)
Increase/(Decrease) in Short Term Borrowings (Net)		140604.82	119950.91
Increase/(Decrease) in Fixed Deposits (Net)		40688.89	7241.22
Proceeds from Assignments		97127.63	83361.30
Dividend Paid		(6235.39)	(5101.70)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(C)</b>	<b>215503.92</b>	<b>95527.07</b>
<b>NET INCREASE/(DECREASE) IN</b>			
<b>CASH AND CASH EQUIVALENT</b>	<b>(A+B+C)</b>	<b>(4246.11)</b>	<b>(2052.64)</b>
<b>CASH AND CASH EQUIVALENTS AS AT:</b>			
Beginning of the year	*	18546.77	20599.41
End of the year	*	14300.66	18546.77

\* Cash and Cash Equivalents does not include “Term Deposits under lien” in respect of Assignment Transactions, Term Deposits kept with Scheduled banks as Statutory Liquid Assets and Other Deposits towards Bank Guarantee against legal suits filed by the Company.

Examined and found correct

For <b>B. K. Khare and Co.</b> Chartered Accountants		<b>Bharat Doshi</b> <b>Uday Y. Phadke</b> <b>Ramesh Iyer</b> <b>M. G. Bhide</b> <b>Anjanikumar Choudhari</b> <b>Dhananjay Mungale</b> <b>Piyush Mankad</b> <b>Rama Bijapurkar</b> <b>M. B. N. Rao</b>	<i>Chairman</i> <i>Vice Chairman</i> <i>Managing Director</i>        }
<b>Padmini Khare Kaicker</b> Partner Membership No.44784 Mumbai, 22nd April, 2010	<b>V. Ravi</b> <i>Chief Financial Officer</i>	<b>Arnavaz Pardiwala</b> <i>Company Secretary</i>	Directors

## ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No.	1	1	-	5	9	6	4	2	State Code	1	1
Balance Sheet	3	1	0	3	2	0	1	0			
	Date		Month		Year						

#### II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue						N	I	L	Rights Issue							N	I	L
Bonus Issue						N	I	L	Private Placement							N	I	L

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities								
	8	1	8	6	3	1	6	7
Sources of Funds								
Paid-up Capital								
			9	5	9	8	1	5
Secured Loans								
	5	3	2	5	9	3	0	9
Application of Funds								
Net Fixed Assets								
			4	7	6	0	0	7
Net Current Assets								
	7	7	1	5	8	5	7	9
Accumulated Losses								
						N	I	L

Total Assets								
	8	1	8	6	3	1	6	7
Reserves & Surplus								
	1	6	3	1	3	8	3	7
Unsecured Loans								
	1	1	3	1	8	2	1	1
Investments								
		2	1	5	9	2	9	4
Miscellaneous Expenditure								
						N	I	L
Deferred Tax Asset (Net)								
		2	0	6	9	2	8	7

#### IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	1	5	6	8	8	0	4	1	Total Expenditure	1	0	4	8	2	3	5	6
+ - Profit/Loss Before Tax									+ - Profit/Loss After Tax								
+ 5 2 0 5 6 8 5									+ 3 4 2 7 0 7 3								
Earning per share in Rs.									Dividend Rate %							7	5
Basic	3	5	.	7	8												
Diluted	3	5	.	3	7												

#### V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)																N	I	L
Product Description	L	O	A	N														
	B	I	L	L		D	I	S	C	O	U	N	T	I	N	G		

**Bharat Doshi**
**Uday Y. Phadke**
**Ramesh Iyer**
**M. G. Bhide**
**Anjanikumar Choudhari**
**Dhananjay Mungale**
**Piyush Mankad**
**Rama Bijapurkar**
**M. B. N. Rao**

Mumbai, 22nd April, 2010

*Chairman*
*Vice Chairman*
*Managing Director*
*Directors*
**V. Ravi**  
*Chief Financial Officer*
**Arnava Pardiwala**  
*Company Secretary*



Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the Subsidiary Companies	Number of Shares in the Subsidiary Company held by Mahindra & Mahindra Financial Services Limited at the financial year ending date		The net aggregate of profits/(losses) of the Subsidiary Companies so far as they concern the members of Mahindra & Mahindra Financial Services Limited			
			For Current Financial Year		For Previous Financial Years	
	Equity	Extent of holding	Dealt within the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2010	Not Dealt within the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2010	Dealt within the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2010	Not Dealt within the accounts of Mahindra & Mahindra Financial Services Limited for the year ended 31st March, 2010
	Nos.	%	Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
Mahindra Insurance Brokers Ltd.	5,00,000	100%	—	1107.23	—	1509.73
Mahindra Rural Housing Finance Ltd.	4,00,00,000	87.5%	—	190.86	—	(138.17)
Mahindra Business & Consulting Services Pvt. Ltd.	10,000	100%	—	13.32	—	—

Notes:

The financial year of all subsidiaries ended on 31st March, 2010.

		<b>Bharat Doshi</b>	<i>Chairman</i>
		<b>Uday Y. Phadke</b>	<i>Vice Chairman</i>
		<b>Ramesh Iyer</b>	<i>Managing Director</i>
		<b>M. G. Bhide</b>	} <i>Directors</i>
		<b>Anjanikumar Choudhari</b>	
		<b>Dhananjay Mungale</b>	
		<b>Piyush Mankad</b>	
		<b>Rama Bijapurkar</b>	
<b>V. Ravi</b>	<b>Arnavaz Pardiwala</b>	<b>M. B. N. Rao</b>	
<i>Chief Financial Officer</i>	<i>Company Secretary</i>	Mumbai, 22nd April, 2010	

# AUDITORS' REPORT

## TO THE MEMBERS OF MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

### REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF MAHINDRA AND MAHINDRA FINANCIAL SERVICES LIMITED

1. We have audited the attached consolidated Balance Sheet of Mahindra and Mahindra Financial Services Limited and its subsidiaries (Mahindra Insurance Brokers Ltd., Mahindra Rural Housing Finance Ltd. and Mahindra Business & Consulting Services Pvt. Ltd.) (the Group) as at 31<sup>st</sup> March, 2010, and the consolidated Profit and Loss account and the consolidated Cash Flow Statement for the year ended on that date, annexed. These consolidated financial statements are responsibility of Mahindra and Mahindra Financial Services Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on basis of the separate audited financial statements of Mahindra and Mahindra Financial

Services Limited and its subsidiaries are included in the consolidated financial statements.

4. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Mahindra and Mahindra Financial Services Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the consolidated Balance Sheet of the consolidated state of affairs of Mahindra and Mahindra Financial Services Limited and its subsidiaries as at 31<sup>st</sup> March, 2010;
  - b) in the case of the consolidated Profit and Loss account on the consolidated results of operations of Mahindra and Mahindra Financial Services Limited and its subsidiaries for the year ended on that date; and
  - c) in the case of consolidated Cash Flow Statement of the consolidated cash flows of Mahindra and Mahindra Financial Services Limited and its subsidiaries for the year ended on that date.

**For B. K. Khare and Co.**  
Chartered Accountants  
Firm Registration No. 105102W

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, Dated 22<sup>nd</sup> April 2010



# CONSOLIDATED BALANCE SHEET

AS ON MARCH 31, 2010

			Rs. in lacs
	Schedule	MAR. 2010	MAR. 2009
<b>SOURCES OF FUNDS:</b>			
<b>Shareholders' Funds:</b>			
Capital	I	9598.15	9571.09
Employee Stock Options Outstanding	II	119.95	129.34
Reserves & Surplus	III	165758.06	138534.76
		<b>175476.16</b>	<b>148235.19</b>
<b>Minority Interest</b>		<b>179.28</b>	<b>154.02</b>
<b>Loan Funds:</b>			
Secured Loans	IV	540968.09	448183.32
Unsecured Loans	V	111530.11	73841.22
		<b>652498.20</b>	<b>522024.54</b>
<b>TOTAL</b>		<b>828153.64</b>	<b>670413.75</b>
<b>APPLICATION OF FUNDS:</b>			
<b>Fixed Assets</b>			
Gross Block		8361.48	7202.12
Less : Depreciation		4179.11	3424.76
Net Block	VI	4182.37	3777.36
Add: Capital Work-In-Progress		681.12	33.36
		<b>4863.49</b>	<b>3810.72</b>
<b>Investments</b>	VII	<b>20337.18</b>	<b>9716.34</b>
<b>Deferred Tax Asset</b> (Refer Notes to the Accounts - 20)		<b>20716.82</b>	<b>17876.85</b>
<b>Current Assets, Loans &amp; Advances:</b>			
(a) Sundry Debtors		128.84	164.57
(b) Cash & Bank Balances		24434.49	27919.77
(c) Other Current Assets		391.97	232.93
(d) Loans & Advances		848644.87	687068.38
	VIII	873600.17	715385.65
<b>Less: Current Liabilities and Provisions:</b>			
(a) Current Liabilities	IX	60006.21	54884.02
(b) Provisions	X	31357.81	21491.79
		91364.02	76375.81
<b>Net Current Assets</b>		<b>782236.15</b>	<b>639009.84</b>
<b>TOTAL</b>		<b>828153.64</b>	<b>670413.75</b>

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred in our report of even date.

For <b>B. K. Khare and Co.</b> Chartered Accountants		<b>Bharat Doshi</b> <b>Uday Y. Phadke</b> <b>Ramesh Iyer</b> <b>M. G. Bhide</b> <b>Anjanikumar Choudhari</b> <b>Dhananjay Mungale</b> <b>Piyush Mankad</b> <b>Rama Bijapurkar</b> <b>M. B. N. Rao</b>	<i>Chairman</i> <i>Vice Chairman</i> <i>Managing Director</i>
<b>Padmini Khare Kaicker</b> Partner Membership No.44784 Mumbai, 22nd April, 2010	<b>V. Ravi</b> <i>Chief Financial Officer</i>	<b>Arnavaz Pardiwala</b> <i>Company Secretary</i>	} Directors



## FOR THE YEAR ENDED MARCH 31, 2010

<b>Notes on Accounts</b>	<b>XVII</b>
<b>The Schedules referred to above and attached notes form an integral part of the Profit &amp; Loss Account.</b>	
<b>This is the Profit &amp; Loss Account referred to in our report of even date.</b>	

## Directors



# SCHEDULES

## SCHEDULE I

		Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>SHARE CAPITAL</b>			
<b>Authorised:</b>			
11,00,00,000	Equity shares of Rs.10/- each (Previous Year: 11,00,00,000 shares)	11000.00	11000.00
50,00,000	Redeemable Preference shares of Rs.100/- each (Previous Year: 50,00,000 shares)	5000.00	5000.00
<b>Issued Share capital:</b>			
9,69,00,525	Equity shares of Rs.10/- each (Previous Year 9,69,00,525 shares)	9690.05	9690.05
<b>Subscribed and Paid-up:</b>			
9,69,00,525	Equity shares of Rs.10/- each fully paid up (Previous Year: 9,69,00,525 shares)	9690.05	9690.05
	Less: Shares issued to ESOP Trust but not allotted by it to employees (9,19,048 shares (Previous Year: 11,89,666) issued to ESOS Trust) (Refer Notes to the Accounts - 4)	91.90	118.96
<b>TOTAL</b>		<b>9598.15</b>	<b>9571.09</b>
NOTE :- Mahindra & Mahindra Ltd, the Holding Company holds 5,82,41,532 shares as on 31st March, 2010 (Previous Year: 5,82,41,532 shares)			

## SCHEDULE II

		MAR. 2010	MAR. 2009
<b>EMPLOYEE STOCK OPTION OUTSTANDING:</b>			
<b>A) Employee Stock Option Outstanding:</b>			
	Opening Balance	193.29	214.96
	Add: Fresh grant of options	0.00	52.71
	Less: Amount transferred to Securities premium / Options Lapsed	49.25	74.38
	Closing Balance (A)	<b>144.04</b>	<b>193.29</b>
Less:			
<b>B) Deferred Employee Compensation Expenses:</b>			
	Opening Balance	63.96	79.53
	Add : Fresh grant of options	0.00	52.71
	Less: Transfer to Employee Compensation / Options Lapsed	39.87	68.28
	Closing Balance (B)	<b>24.09</b>	<b>63.96</b>
<b>TOTAL</b>	<b>( A-B )</b>	<b>119.95</b>	<b>129.34</b>

### SCHEDULE III

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>RESERVES &amp; SURPLUS:</b>		
<b>Capital Redemption Reserve:</b>		
As per last Balance Sheet	5000.00	5000.00
	<b>5000.00</b>	<b>5000.00</b>
<b>Securities Premium Account:</b>		
As per last Balance Sheet	75295.51	75231.84
Add: Additions during the year	43.67	63.67
Less: Shares issue expenses	0.00	0.00
	<b>75339.18</b>	<b>75295.51</b>
Less: Shares issued to ESOP Trust but not allotted by it to employees (Refer Notes to the Accounts - 4 & 5)	376.81	487.77
	<b>74962.37</b>	<b>74807.75</b>
<b>Statutory Reserve:</b>		
As per last Balance Sheet	17612.62	13321.62
Add: Transfer during the year	6910.22	4291.00
	<b>24522.84</b>	<b>17612.62</b>
<b>General Reserve:</b>		
As per last Balance Sheet	4397.21	2186.21
Add: Transfer during the year	3548.00	2211.00
	<b>7945.21</b>	<b>4397.21</b>
<b>Balance in Profit &amp; Loss Account</b>	<b>53327.63</b>	<b>36717.18</b>
<b>TOTAL</b>	<b>165758.06</b>	<b>138534.76</b>

### SCHEDULE IV

	MAR. 2010	MAR. 2009
<b>SECURED LOANS:</b>		
<b>Non-Convertible Debentures:</b>	175300.00	227630.00
(Repayable within a year Rs.32000 lacs ; Previous Year: Rs.122130 lacs) (Secured by pari passu charge over immovable assets and first charge over Loan agreements and relative book debts)		
<b>Loans &amp; Advances from Banks:</b>		
a) Term Loans (Repayable within a year Rs. 105121 lacs ; Previous Year: Rs. 62820 lacs) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)	345215.73	190610.91
b) Cash Credit (Repayable fully within a year) (Secured by hypothecation over the Company's current assets covered by Loan agreements and relative book debts)	20452.36	29942.41
<b>TOTAL</b>	<b>540968.09</b>	<b>448183.32</b>



## SCHEDULE V

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>UNSECURED LOANS:</b>		
<b>Fixed Deposits:</b> (Repayable within a Year Rs. 9312.05 lacs; Previous Year: Rs. 826.40 lacs)	47930.11	7241.22
<b>Loans &amp; Advances from Subsidiaries:</b>		
Inter Corporate Deposits (Repayable fully within a year)	0.00	1500.00
<b>Non-Convertible Debentures:</b>		
Non-Convertible Debentures - others (Repayable fully within a year)	5000.00	8000.00
<b>Unsecured Bonds (Subordinate Debt):</b> (Repayable within a Year Rs. 8000 lacs; Previous Year: Rs. 5000 lacs)	37100.00	32100.00
<b>Short Term Loans &amp; Advances from Banks:</b>		
Commercial Paper (Repayable fully within a year)	12500.00	18500.00
Other Loans (Repayable fully within a year)	9000.00	6500.00
<b>TOTAL</b>	<b>111530.11</b>	<b>73841.22</b>

## SCHEDULE VI

<b>FIXED ASSETS:</b>										Rs. in lacs
GROSS BLOCK AT COST				DEPRECIATION/AMORTISATION				NET BLOCK		
Description of Assets	As at 31.03.2009	Additions for Purch./Trf.	Deductions for Sales/Trf.	As at 31.03.2010	Upto 31.03.2009	For the year/Trf.	Deductions/Trf.	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Freehold Land	6.96	0.00	0.00	6.96	0.00	0.00	0.00	0.00	6.96	6.96
Premises	108.92	0.00	0.00	108.92	8.71	1.78	0.00	10.49	98.43	100.21
Office Equipments	1106.48	230.61	4.10	1332.99	524.15	185.15	2.78	706.52	626.48	582.34
Vehicles	1731.08	928.79	315.11	2344.76	555.65	283.34	208.92	630.07	1714.70	1175.44
Furniture	1284.83	115.87	1.57	1399.13	549.72	100.83	0.60	649.95	749.18	735.11
Computers	2233.14	174.79	55.29	2352.64	1235.76	309.73	41.07	1504.42	848.22	997.38
Software Expenditure	725.95	85.37	0.00	811.32	550.77	126.89	0.00	677.66	133.66	175.18
Goodwill \$	4.76	0.00	0.00	4.76	0.00	0.00	0.00	0.00	4.76	4.76
<b>TOTAL</b>	<b>7202.12</b>	<b>1535.43</b>	<b>376.07</b>	<b>8361.48</b>	<b>3424.76</b>	<b>1007.72</b>	<b>253.37</b>	<b>4179.11</b>	<b>4182.37</b>	<b>3777.36</b>
<b>As at 31.03.2009</b>	<b>6050.24</b>	<b>1477.89</b>	<b>326.01</b>	<b>7202.12</b>	<b>2805.96</b>	<b>882.99</b>	<b>264.20</b>	<b>3424.76</b>	<b>3777.36</b>	<b>3244.28</b>

\$ - Goodwill arising on consolidation

## SCHEDULE VII

### INVESTMENTS:

Numbers	Face value per unit	Particulars		MAR. 2010		MAR. 2009	
				Long Term	Current	Long Term	Current
		<b>I - Government Securities (Quoted):</b>					
		( Under Lien )					
-	1,00,00,000\$	(a) 91 Days T-Bills		0.00	0.00	0.00	98.92
	10,00,00,000\$	(b) 364 Days T-Bills		0.00	963.85	0.00	95.85
	2,00,00,000\$	(c) 364 Days T-Bills		0.00	191.68	0.00	0.00
	35,00,00,000\$	(d) 6.90% Government Stock (Maturity:13/07/2019)		3307.84	0.00	0.00	0.00
	10,00,00,000\$	(e) 10.25% Government Stock (Maturity:30/05/2021)		1153.00	0.00	0.00	0.00
			(I)	<b>4460.84</b>	<b>1155.53</b>	<b>0.00</b>	<b>194.77</b>
		<b>II - Investments in Certificate of Deposits (Quoted):</b>					
10	15,00,00,000	With Banks		0.00	14720.81	0.00	9521.57
			(II)	<b>0.00</b>	<b>14720.81</b>	<b>0.00</b>	<b>9521.57</b>
			(I+II)	<b>4460.84</b>	<b>15876.34</b>	<b>0.00</b>	<b>9716.34</b>
<b>TOTAL</b>				<b>20337.18</b>		<b>9716.34</b>	

\$ - Total Face Value

**Note :- Aggregate market value of quoted Investments:**

- 1) Government Securities : Treasury Bills - Rs. 1168.10 lacs; 6.90% Govt. Stock - Rs. 3290.00 lacs; 10.25% Govt. Stock - Rs. 1152.50 lacs
- 2) Investments in Certificate of Deposits with Banks Rs.14720.81 lacs
  - (a) Following are the movements in Government Securities during the year:  
Treasury Bills & Govt. Stock of the face value of Rs.6200.00 Lacs (Previous year: Rs.245.00 Lacs) were purchased and those of the face value of Rs.700 Lacs (Previous Year: Rs.100.00 Lacs) were sold/redeemed/matured during the year.
  - (b) Following are the movements in Units during the year:

Sr. No.	Name of the Mutual Fund	Acquired		Sold
		Units	Amount (Rs. in lacs)	Units
1	AXIS MUTUAL FUND	640346	6403.46	640346
2	BARODA PIONEER FUND	124975033	12506.08	124975033
3	BIRLA MUTUAL FUND	2339452639	234242.92	2339452639
4	CANARA ROBECO MUTUAL FUND	247888497	26513.51	247888497
5	DBS CHOLAMANDALAM MUTUAL FUND	990113	100.04	990113
6	DEUTSCHE MUTUAL FUND	855850306	85822.74	855850306
7	HDFC MUTUAL FUND	422961934	47522.43	422961934
8	IDFC MUTUAL FUND	70018983	7003.30	70018983
9	JM MUTUAL FUND	304845863	30521.99	304845863
10	KOTAK MUTUAL FUND	2370506761	268148.49	2370506761
11	LIC MUTUAL FUND	7006592911	741795.08	7006592911
12	RELIGARE MUTUAL FUND	1901370122	190313.38	1901370122
13	PRINCIPAL MUTUAL FUND	10004021	1000.47	10004021
14	ICICI PRUDENTIAL MUTUAL FUND	2641623657	306664.38	2641623657
15	RELIANCE MUTUAL FUND	1630858851	268914.68	1630858851
16	SHINSHEI MUTUAL FUND	1881205	18818.15	1881205
17	SUNDARAM BNP PARIBAS MUTUAL FUND	89535298	9012.65	89535298
18	TATA MUTUAL FUND	11614758	18214.92	11614758
19	TAURUS MUTUAL FUND	50007310	5001.01	50007310
20	UTI MUTUAL FUND	318860226	296936.27	318860225



## SCHEDULE VIII

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>CURRENT ASSETS, LOANS &amp; ADVANCES:</b>		
<b>[A] Current Assets :</b>		
Interest accrued on-		
a) Investments	80.30	3.50
b) Others	52.06	21.36
<b>Sundry Debtors: HP and LEASE (Secured)</b>		
a) Debts Outstanding for a period exceeding six months	426.26	751.75
b) Other Debts	130.67	102.45
	556.93	854.20
Less : Provision for Non Performing Assets & Doubtful debts (Refer Notes to the Accounts - 8)	428.09	689.63
Debtors Considered good	128.84	164.57
<b>Cash &amp; Bank balances:</b>		
- Cash & Cheques on hand	939.99	1919.12
- Balance with Scheduled Bank in Current Account	12658.88	11554.78
- Balance with Scheduled Bank in Cash Credit Account	891.13	296.92
- Balance in Unclaimed Dividend Bank Account	35.99	29.45
<b>Term Deposits with Scheduled Banks</b>		
- Free of lien	0.00	5025.00
- Under lien	9908.50	9094.50
(Refer Notes to the Accounts - 15)		
<b>Other Current Assets</b>	259.61	208.07
<b>TOTAL (A)</b>	<b>24955.30</b>	<b>28317.27</b>
<b>[B] Loans &amp; Advances (Unsecured unless otherwise stated)</b>		
Bills of Exchange	3783.91	110.13
<b>Advances recoverable in cash or in kind or for value to be received :</b>		
- Trade Advances	34493.23	22153.00
Less: Provision for Non Performing Assets & Doubtful Debts (Refer Notes to the Accounts - 8)	333.27	356.12
Advances Considered good	34159.96	21796.88
- Inter Corporate Deposits Given	9550.00	100.00
Less: Provision for Non Performing Assets (Refer Notes to the Accounts - 8)	100.00	100.00
Inter Corporate Deposits Considered good	9450.00	0.00
- Deposits for office premises / others	577.08	451.55
<b>Loans against Assets (Secured) (including overdue loans)</b>	816326.67	686574.28
Less: Provision for Non Performing Assets & Doubtful Debts (Refer Notes to the Accounts - 8)	40909.37	37707.58
Loans considered good	775417.30	648866.70
<b>Loans and Advances (Unsecured)</b>	<b>22620.82</b>	<b>14063.32</b>



	<b>Rs. in lacs</b>	<b>Rs. in lacs</b>
	<b>MAR. 2010</b>	<b>MAR. 2009</b>
Less: Provision for Non Performing Assets & Doubtful Debts	256.20	255.71
(Refer Notes to the Accounts - 8)		
Loans considered good	22364.62	13807.61
MAT credit entitlement	2.00	0.00
Advance payment of tax (net of provisions)	2890.00	2035.51
<b>TOTAL</b>	<b>(B) 848644.87</b>	<b>687068.38</b>
<b>TOTAL CURRENT ASSETS, LOANS &amp; ADVANCES:</b>	<b>(A+B) 873600.17</b>	<b>715385.65</b>

## SCHEDULE IX

### CURRENT LIABILITIES:

Sundry Creditors	23213.50	25536.46
Deposits/Advances received against Loan agreements	1510.11	986.39
<b>* Amount due to Investors Education and Protection Fund:</b>		
Unclaimed Dividend	33.88	27.32
Credit balances in Current Accounts with Banks	5447.34	2343.72
Amount Received in advance from ESOS Trust	468.71	606.73
Less : Loan given to the ESOS Trust	118.45	455.65
	350.26	151.08
Other Current Liabilities	17549.61	12089.14
Interest accrued but not due - Loans	11886.22	13728.53
- Others	15.29	21.38
<b>TOTAL</b>	<b>60006.21</b>	<b>54884.02</b>

\* There are no amounts outstanding and unpaid to be credited to the Investor Education and Protection Fund.

## SCHEDULE X

### PROVISIONS:

Proposed Dividend	7269.25	5329.53
Corporate Dividend Tax	1245.95	914.24
Provision for Estimated Loss/Expenses on Securitisation / Assignments	19244.29	12738.95
Provision for Employee Benefits	3598.32	2509.07
(Refer Notes to the Accounts - 13)		
<b>TOTAL</b>	<b>31357.81</b>	<b>21491.79</b>

## SCHEDULE XI

### INCOME FROM OPERATIONS:

Income from Loan	140129.40	125867.00
Income from Securitisation/Assignment	12537.51	10432.93
(Refer Notes to the Accounts - 17)		
Income from Bills	302.68	4.76



	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
Income from Hire Purchase	105.65	172.98
Income from Lease	1.72	2.55
Income from Retained Interest in Securitised Assets	0.00	2.12
Income from Insurance Business / Housing Business / Services	3045.56	1688.73
<b>TOTAL</b>	<b>156122.52</b>	<b>138171.07</b>

## SCHEDULE XII

### OTHER INCOME:

Profit/Premium on Sale/Redemption of Investment	92.95	0.84
Interest on Government Securities :		
- Short Term	46.63	3.49
- Long Term	39.31	0.00
Dividend Received from Investments in Mutual Fund Units	1507.80	451.21
Interest on Term Deposits / ICDs	1117.53	926.88
(TDS Rs. 157.81 lacs, Previous Year: Rs.227.90 lacs)		
Profit on Sale / Retirement of Owned Assets	20.27	5.41
Income - others	613.14	485.82
<b>TOTAL</b>	<b>3437.63</b>	<b>1873.65</b>

## SCHEDULE XIII

### FINANCIAL EXPENSES:

Interest on		
- Fixed loans	24621.37	14514.08
- Debentures	21291.64	31825.20
- Others	3364.71	3681.91
Bank Charges	1001.99	1065.43
<b>TOTAL</b>	<b>50279.71</b>	<b>51086.62</b>

## SCHEDULE XIV

### EMPLOYEE COST:

Salary, Bonus & Incentives	14409.12	11733.53
Company's Contribution to P.F. & other funds	940.84	742.73
Staff Welfare	558.95	321.99
Employee Compensation Expense on account of ESOS	34.29	57.58
<b>TOTAL</b>	<b>15943.20</b>	<b>12855.83</b>

## SCHEDULE XV

	Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>OTHER EXPENSES:</b>		
Electricity Charges	386.90	368.37
Rent	1337.12	1137.46
Repairs & Maintenance - Building	91.01	28.95
- Others	52.01	44.14
Insurance	997.99	835.05
Rates & Taxes	972.87	110.88
Directors Remuneration - Fees	2.35	2.45
Commission & Brokerage	2717.16	1999.77
Legal & Professional Charges	3336.05	3272.67
Loss on Sale / Retirement of Owned Assets	0.00	0.03
Auditors Remuneration - Audit Fees	19.25	20.20
- Other Services	11.29	13.46
Donations	93.45	71.74
General & Administrative Expenses	6040.18	5559.96
<b>TOTAL</b>	<b>16135.26</b>	<b>13525.25</b>

## SCHEDULE XVI

<b>PROVISIONS &amp; WRITE OFF'S:</b>		
Bad Debts & Write offs	19261.07	17243.88
Provision for Non Performing Assets	2919.08	11006.36
(Refer Notes to the Accounts - 8)		
<b>TOTAL</b>	<b>22180.15</b>	<b>28250.24</b>



## SCHEDULE XVII

### CONSOLIDATED NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

#### SIGNIFICANT ACCOUNTING POLICIES (SAP):

**1) Basis for Preparation of Accounts:**

The accounts have been prepared to comply in all the material aspects with (a) applicable accounting principles in India, (b) the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable, and (c) relevant provisions of the Companies Act, 1956. Further, the Company follows prudential norms for Income Recognition and provisioning for Non-performing Assets as prescribed by The Reserve Bank of India for Non-Banking Financial Companies.

**2) Use of Estimates:**

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

**3) Revenue Recognition:**

**i. General:**

The Company follows the accrual method of accounting for its income and expenditure except delayed payment charges, fee based income and Interest on Trade advance, which on account of uncertainty of ultimate collection are accounted on receipt basis. Also in accordance with the guidelines issued by the Reserve Bank of India for Non Banking Finance Companies, income on business assets classified as non-performing assets, is recognised on receipt basis.

**ii. Income from Loan against assets (movable):**

Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.

**iii. Income from Subvention/Service/Document Charges:**

Subvention received from dealers/manufacturers on retail cases is booked over the period of the contract. However, service charges & documentation charges are booked at the commencement of the contract.

**iv. Brokerage and Handling charges Income:**

Brokerage and Handling charges income is recognised on accrual basis when services are rendered and is net of service tax.

**v. Interest and Other Income from Housing Loans:**

Repayment of housing loans is generally by way of Equated Monthly/Quarterly/Half yearly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is accounted every month.

**vi. Income from Manpower supply services:**

Manpower supply services income is recognised on accrual basis when services are rendered and is net of service tax.

**vii. Income from Assignment / Securitisation:**

In case of assignment of receivables the assets are derecognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser. On de-recognition, the difference between book value of the receivables assigned and consideration received as reduced by the estimated provision for loss/expenses & incidental expenses related to the transaction is recognised as gain or loss arising on assignment.

Income on Retained Interest in Securitised Assets is booked on accrual basis.

**viii. Income from Investments:**

- a) Dividend from investments is accounted for as income when the right to receive dividend is established.
- b) Interest income is accounted on accrual basis.

#### 4) Fixed Assets:

Fixed assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation.

Assets held for sale or disposals are stated at the lower of their net book value and net realisable value.

#### 5) Depreciation:

- i. Depreciation on fixed assets, other than leased assets and repossessed assets capitalised for own use, is charged using Straight Line Method at rates specified in Schedule XIV to the Companies Act, 1956 except for:
  - a) Office equipment on which depreciation is charged at the rate of 16.21% instead of 4.75% as prescribed in Schedule XIV.
  - b) Assets costing less than Rs.5000/- are fully depreciated in the year of purchase and
  - c) Vehicles used by employees are depreciated over the period of 48 months considering this period as the useful life of vehicle for the Company.
- ii. Repossessed assets, that have been capitalised for own use, are depreciated @ 15% using the Straight Line Method over the remaining useful life of these assets. The same have been grouped under the head 'Vehicles' forming a part of 'Owned Assets'.

#### 6) Foreign Exchange Transactions:

All assets and liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end, except those covered by forward exchange contracts which are translated at contracted rates, where the difference between the contracted rate and the spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

In case of the current assets, current liabilities and long term liabilities the exchange differences are recognised in the Profit and Loss account.

#### 7) Investments:

In terms of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

#### 8) Loans against assets:

Loan against assets are stated at agreement value net of instalments received less un-matured finance charges.

#### 9) Employee benefits:

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

##### (a) Defined Contribution Plans -

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are recognised in the Profit and loss Account.

##### (b) Defined Benefit Plan -

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognised immediately in the statement of profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- (c) Liability on account of encashment of privilege leave to employees is considered as short term compensated expense provided at actual and on account of sick leave is considered as long term unfunded benefit & recognized on the basis of actuarial valuation using Projected Unit Credit Method determined by appointed actuary.



**10) Borrowing Cost:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings.

**11) Lease Hold Improvements:**

Expenditure incurred on improvements to leasehold premises is classified into Capital and Revenue. Addition of assets are capitalised under Fixed Assets and balance expenditure if any is debited to Profit & Loss Account.

**12) Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**13) Intangible Assets:**

All intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

Software expenses are treated as an intangible asset and amortized over the useful life of the asset. The maximum period for such amortization is 36 months.

**14) Miscellaneous Expenditure:**

**a) Preliminary Expenses -**

Preliminary expenses are charged to profit and loss account in the year of incurrence.

**b) Share Issue Expenses -**

Expenses incurred in connection with fresh issue of share capital are either charged to Profit & Loss Account or adjusted against Securities Premium account in the year in which they are incurred.

**15) Impairment of Assets:**

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

**16) Provisions & Contingencies Liabilities:**

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

**17) Derivatives:**

The hedging contracts comprise of interest rate swap undertaken to hedge interest rate risk on certain liabilities. These hedges are accounted for like the underlying liabilities. The net interest payable is accounted on accrual basis over the life of the swap.

**18) Employee Stock Compensation costs:**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.



## NOTES TO THE ACCOUNTS:

- 1) The Consolidated Financial Statements relate to Mahindra & Mahindra Financial Services Limited, the Holding Company and its subsidiary companies namely Mahindra Insurance Brokers Limited, Mahindra Rural Housing Finance Limited and Mahindra Business & Consulting Services Private Limited. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis.
  - a. The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of the like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealised profits or losses.
  - b. The difference between the cost of investment in the subsidiary companies over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.
  - c. The Financial Statements of the subsidiary companies are drawn upto 31st March 2010.
  - d. The subsidiary companies (which along with Mahindra & Mahindra Financial Services Limited, the parent, constitute the group) considered in the presentation of these consolidated financial statements is:

Name of the Subsidiary Company	Country of Origin	Proportion of Ownership Interest
Mahindra Insurance Brokers Limited (MIBL)	India	100.00%
Mahindra Rural Housing Finance Limited (MRHFL)	India	87.50%
Mahindra Business & Consulting Services Pvt. Ltd. (MBCSPL)	India	100.00%

- 2) The subsidiary company, Mahindra Insurance Brokers Limited, earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. The company does not expect any significant variation in the book balances.
- 3) Earnings Per Share as required by Accounting Standard 20 read with the Guidance Note on "Accounting for Employee share-based Payments" is as follows:

Particulars	Intrinsic Value Method		Fair Value Method	
	March 2010	March 2009	March 2010	March 2009
A Net Profit After Tax (Rs. in lacs)	35582.92	21970.05	35433.14	21732.68
B Weighted Average number of Equity Shares of Rs.10/- each (Basic)	95791589	95492881	95791589	95492881
C Weighted Average number of Equity Shares of Rs.10/- each (Diluted)	96900525	96900525	96900525	96900525
D Basic Earning per Share (Rs.)	37.15	23.01	36.99	22.76
E Diluted Earning per Share @ (Rs.)	36.72	22.67	36.57	22.43

@ Dilution in Earning per share is on account of 9,19,048 Equity shares (Previous year : 11,89,666 equity shares) held by the Employees Stock Option Trust issued under the Employees Stock Option Scheme.

- 4) The Company had allotted 26,86,550 Equity shares on 6th December 2005, to Mahindra and Mahindra Financial Services Limited Employees' Stock Option Trust set up by the Company.

The Stock Options granted would vest in an Eligible Employee in five (5) instalments at specified dates from the date of the grant and are exercisable in 5 tranches within six (6) periods from the date of grant.



The compensation costs of stock options granted to employees are accounted by the Company using the intrinsic value method.

Summary of Stock Options	No. of stock options	Weighted Average Exercise Price (Rs.)
Options outstanding on 1st April, 2009	1178139	146.48
Options granted during the year	0.00	0.00
Options forfeited/lapsed during the year	35362	105.99
Options exercised during the year	270618	101.84
Options outstanding on 31st March, 2010	872159	161.97
Options vested but not exercised on 31st March, 2010	370568	136.42

Average Share price at recognised stock exchange (NSE) on the date of exercise of the option are as under:

Date of Exercise	Average Share Price (Rs.)
21st April, 2009	204.17
24th April, 2009	210.61
17th June, 2009	256.35
22nd January, 2010	362.35
4th February, 2010	332.00
9th February, 2010	335.31

Information in respect of options outstanding as on 31st March, 2010:

Exercise price	No. of Options	Weighted average remaining life
Rs. 51.00	3,76,289	20 months
Rs. 211.00	1,27,314	39 months
Rs. 304.00	1,31,462	47 months
Rs. 233.00	2,37,094	53 months

- 5) As per Guidance note issued by the Chartered Accountants of India on Accounting for Employee Share-based payment which requires that shares allotted to a trust but not transferred to the employees be reduced from Share Capital and Reserves. Accordingly Company has reduced the Share Capital by Rs.91.90 lacs (Previous year: Rs.118.96 lacs), Securities Premium by Rs.376.81 lacs (Previous Year: Rs.487.77 lacs) in respect of 9,19,048 shares (Previous year: 11,89,666 shares) held by the trust pending for transfer into the beneficiary accounts of the eligible employees.
- 6) The holding company, Mahindra & Mahindra Limited, has incurred a cost of Rs. 0.62 lacs - (Previous year: Rs.1.11 lacs) under Employee Stock Options (ESOS) to employees of the Company.
- 7) During the year, the company has made an investment of Rs. 1.00 lac in equity shares of Mahindra Business & Consulting Services Private Limited (formerly known as Mahindra IT Consulting Private Limited) by purchasing 10,000 equity shares of Rs.10/- each held by M/s Bristlecone India Limited, a fellow subsidiary. By virtue of this, Mahindra Business & Consulting Services Private Limited has become the wholly owned subsidiary of the company.
- 8) The Company has made adequate provision for the Non-performing assets identified, in accordance with the guidelines issued by the Reserve Bank of India. The Company also makes additional provision on a prudential basis. The cumulative additional provision made by the Company as on 31st March, 2010 is Rs. 20914.17 lacs (Previous Year: Rs. 22776.19 lacs).
- 9) Bad debts & Write offs includes loss on termination which mainly represents shortfall on settlement of certain contracts due to lower realisation from such Hire Purchase/Leased/Loan assets on account of poor financial position of such customers.
- 10) Commission & Brokerage represents amount incurred in respect of acquisition of customers.
- 11) In the opinion of the Board, Current assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.

- 12) Current Liabilities include Deposits/Advances received on account of Lease/Hire Purchase/Loans against assets, which are repayable/adjusted over the period of the contract.

**13) Employee Benefits:**

**In case of holding company:**

**Defined Benefit Plans - As per Actuarial Valuation**

**Rs. in lacs**

Sr. No.	Particulars	Gratuity (funded)		Sick leave (Non funded)**
		2010	2009	2010
I.	<b>Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March</b>			
	1 Current service cost	232.88	227.32	44.31
	2 Interest cost	23.13	19.19	5.15
	3 Expected return on plan assets	(23.27)	(15.91)	0.00
	4 Actuarial (Gains)/Losses	(120.86)	(176.62)	(68.04)
	5 Total expense	<b>111.88</b>	<b>53.97</b>	<b>(18.58)</b>
II.	<b>Net asset/(liability) recognised in the Balance Sheet as at 31st March</b>			
	1 Present Value of Defined Benefit obligation as at 31st March	343.83	256.67	55.08
	2 Fair value of plan assets as at 31st March	305.50	208.07	0.00
	3 Funded status (surplus/(deficit))	(38.33)	(48.60)	(55.08)
	4 Net asset/(liability) as at 31st March	<b>(38.33)</b>	<b>(48.60)</b>	<b>(55.08)</b>
III.	<b>Change in the obligations during the year ended 31st March</b>			
	1 Present Value of Defined Benefit obligation at the beginning of the year	256.67	205.93	73.66
	2 Current service cost	232.88	227.31	44.31
	3 Interest cost	23.13	19.20	5.15
	4 Actuarial (Gains)/Losses	(144.12)	(176.62)	(68.04)
	5 Benefits paid	(24.73)	(19.15)	0.00
	6 Present Value of Defined Benefit obligation at the year ended 31st March	<b>343.83</b>	<b>256.67</b>	<b>55.08</b>
IV.	<b>Change in the fair value of plan assets during the year ended 31st March</b>			
	1 Fair value of plan assets at the beginning of the year	208.08	149.48	
	2 Expected return on plan assets	23.27	15.89	
	3 Contributions by employer	122.15	73.55	
	4 Actuarial (Gains)/Losses	(23.27)	(11.69)	
	5 Actual Benefits paid	(24.73)	(19.16)	
	6 Fair value of plan assets at 31st March	<b>305.50</b>	<b>208.07</b>	



Rs. in lacs

Sr. No.	Particulars	Gratuity (Funded)		Sick leave (Non funded)**
		2010	2009	2010
V.	<b>Major category of plan assets as a percentage of total plan</b>			
	Funded with LIC	100%	100%	
VI.	<b>Actuarial Assumptions</b>			
	1 Discount Rate	8.00% p.a.	8.00% p.a.	8.00% p.a.
	2 Expected Rate of return on plan assets	8.24% p.a.	8.00% p.a.	8.24% p.a.
	3 Rate of Salary increase	5.00% p.a.	5.00% p.a.	5.00% p.a.
	4 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE

\*\* During the year, in view of change in compensation policy with regards to encashment of Sick leave, the benefit on account has been reclassified as long term benefit as against short term benefit in previous year.

**In case of subsidiary company (MIBL):**

Rs. in lacs

GRATUITY - Fully Funded		March 2010	March 2009
<b>I</b>	<b>Change in Obligation during the period ended 31st March 2010</b>		
1	Present value of obligation at the beginning of the year	15.69	11.40
2	Interest Cost	1.51	1.10
3	Current Service Cost	20.94	18.48
4	Actuarial (Gain)/Loss on Obligations	(15.06)	(15.29)
5	Benefits Paid	0.00	0.00
6	Present Value of Defined Benefit Obligation at the end of the year.	23.08	15.69
<b>II</b>	<b>Change in Assets during the period ended 31st March 2010</b>		
1	Plan Assets at the beginning of the year	23.55	13.36
2	Expected return on plan assets.	1.88	1.07
3	Contributions by Employer	6.50	9.38
4	Actual benefits paid	0.00	0.00
5	Actual Gain/(Losses)	(1.88)	(0.26)
6	Plan Assets at the end of the year	30.05	23.55
<b>III</b>	<b>Net Asset/(Liability) recognised in the Balance Sheet as at 31st March 2010</b>		
1	Present Value of Defined Obligation as at 31st March 2010	23.08	15.69
2	Fair Value of plan assets as at 31st March 2010	30.05	23.55
3	Fund status ( Surplus/(Deficit))	6.96	7.84
4	Net Assets/ (Liability) as at 31st March 2010	6.96	7.84

Rs. in lacs

	March 2010	March 2009
<b>IV Expenses recognized in the statement of Profit and Loss for the period ended 31st March 2010</b>		
1 Current Service cost	20.94	18.48
2 Interest Cost	1.51	1.10
3 Expected return on Plan Assets	(1.88)	(1.07)
4 Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/(Loss) adjustment)	(13.19)	(14.68)
5 Expenses recognized in statement of Profit & Loss	7.39	3.83
<b>V The Major Categories in Plan Assets as a percentage of total plan</b>		
1 Insurer Managed Funds – Life Insurance Corporation of India	100%	100%
<b>VI Method of Valuation</b>	Projected Unit	Credit Method
<b>VII Actuarial Assumption</b>		
1 Discount Rate	8%	8%
2 Expected rate of return on plan assets	8%	8%
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4 Salary Increment Rate	5%	5%
5 Retirement Age	60 Years	60 Years
6 Withdrawal	Attrition rate of 1% up to the age of 30 Years	

In case of subsidiary company (MRHFL):

Rs. in lacs

	Gratuity (funded)	Gratuity (funded)	Leave Benefits (Sick leave-unfunded)
	March 2010	March 2009	March 2010
<b>I Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March</b>			
1 Current service cost	5.50	3.31	0.67
2 Interest cost	0.20	0.00	0.00
3 Expected return on plan assets	(0.28)	0.00	0.00
4 Actuarial (Gains)/Losses	(1.64)	0.00	0.49
5 Total expense	<b>3.78</b>	<b>3.31</b>	<b>1.16</b>
<b>II Net asset/(liability) recognised in the Balance Sheet as at 31st March</b>			
1 Present Value of Defined Benefit obligation as at 31st March	7.36	3.31	1.16
2 Fair value of plan assets as at 31st March	6.47	0.00	0.00
3 Funded status (surplus/(deficit))	(0.89)	(3.31)	(1.16)
4 Net asset/(liability) as at 31st March	<b>(0.89)</b>	<b>(3.31)</b>	<b>(1.16)</b>



Rs. in lacs			
	Gratuity (Funded)	Gratuity (Funded)	Leave Benefits (Sick leave-unfunded)
	March 2010	March 2009	March 2010
<b>III Change in the obligations during the year ended 31st March</b>			
1 Present Value of Defined Benefit obligation at the beginning of the year	3.31	0.00	0.00
2 Current service cost	5.50	3.31	0.67
3 Interest cost	0.20	0.00	0.00
4 Actuarial (Gains)/Losses	(1.64)	0.00	0.49
5 Benefits paid	0.00	0.00	0.00
6 Present Value of Defined Benefit obligation at the end of the period	<b>7.36</b>	<b>3.31</b>	<b>1.16</b>
<b>IV Change in the fair value of plan assets during the year ended 31st March</b>			
1 Fair value of plan assets at the beginning of the year	0.92	0.00	0.00
2 Expected return on plan assets	0.28	0.00	0.00
3 Contributions by employer	5.27	0.00	0.00
4 Actuarial (Gains)/Losses	0.00	0.00	
5 Actual Benefits paid	0.00	0.00	
6 Fair value of plan assets at the end of the year	<b>6.47</b>	<b>0.00</b>	0.00
<b>V Major category of plan assets as a percentage of total plan</b>			
Funded with LIC	100%	100%	
Others			
<b>VI Actuarial Assumptions</b>			
1 Discount Rate	8% p.a.	8% p.a.	8% p.a.
2 Rate of Salary increase	5% p.a	5% p.a	5% p.a
3 In-service Mortality	LIC (1994-96) ULTIMATE	LIC (1994-96) ULTIMATE	

**In case of subsidiary company (MBCSPL):**

Defined Benefit Plans -As per actuarial valuation on 31st March, 2010

Rs. in lacs	
Leave Benefits	March 2010
<b>I Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March</b>	
1 Current service cost	8.31
2 Interest cost	0
3 Expected return on plan assets	0
4 Actuarial (Gains)/Losses	0
5 Total expense	<b>8.31</b>



	Rs. in lacs
	March 2010
<b>II Net asset/(liability) recognised in the Balance Sheet as at 31st March</b>	
1 Present Value of Defined Benefit obligation as at 31st March	8.31
2 Fair value of plan assets as at 31st March	0.00
3 Funded status (surplus/(deficit))	(8.31)
4 Net asset/(liability) as at 31st March	<b>(8.31)</b>
<b>III Change in the obligations during the year ended 31st March</b>	
1 Present Value of Defined Benefit obligation at the beginning of the year	0.00
2 Current service cost	8.31
3 Interest cost	0.00
4 Actuarial (Gains)/Losses	0.00
5 Benefits paid	0.00
6 Present Value of Defined Benefit obligation at the end of the period	<b>8.31</b>
<b>IV Major category of plan assets as a percentage of total plan</b>	
Funded with LIC	100%
Others	0%
<b>V Actuarial Assumptions</b>	
1 Discount Rate	8% p.a.
2 Rate of Salary increase	5% p.a.
3 In-service Mortality	LIC (1994-96) ULTIMATE

**14) Disclosure on Derivatives:**

- a) There were 4 Derivative instruments (Previous Year: 14) for hedging interest rate risk outstanding as on 31st March, 2010.
- b) All the instruments are for hedging interest rate risk.

**15) Collateral and Lien marked Deposits/Investments:**

Term Deposits include:

- a) Rs.9079.00 lacs (Previous Year: Rs. 9079.00 lacs) maintained as cash collateral deposits in accordance with the assignment transactions.
- b) Rs. 810.00 lacs (Previous Year: Nil) being the Term Deposits kept with scheduled banks as Statutory Liquid Assets as required under section 45 IB of the Reserve Bank of India Act,1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C.No. 87/03.02.004/2006-07 dated 4th January, 2007 issued by Reserve Bank of India.
- c) Rs.9.50 lacs (Previous Year: Rs. 5.50 lacs) as Special Term Deposits kept with State Bank of India towards bank guarantee against legal suits filed by the company.

Investments include:

Rs. 5616.37 lacs (Previous Year: Rs. 194.77 lacs) being the investments in Treasury Bills/Government Stocks as Statutory Liquid Assets as required under section 45 IB of the Reserve Bank of India Act,1934 vide a floating charge created in favour of public deposit holders through a "Trust Deed" with an independent trust, pursuant to circular RBI/2006-07/225 DNBS (PD) C.C.No. 87/03.02.004/2006-07 dated 4th January, 2007 issued by Reserve Bank of India.



**16) Expenditure in Foreign Currency:**

Foreign Travel Rs.5.05 lacs (Previous Year: Rs 5.31 lacs)

Legal & Professional Fees Rs. 113.58 lacs (Previous Year: Rs.108.48 lacs)

Others Rs.8.94 lacs (Previous Year: Rs. Nil)

**17) a)** During the year, the company has without recourse assigned loan receivables of 31628 (Previous year: 32083) contracts amounting to Rs.104460.66 lacs (Previous Year: Rs.103622.61 lacs) (including future interest receivable) for a consideration of Rs. 97127.63 lacs (Previous Year: Rs. 91511.30 lacs) and de-recognised the assets from the books. The income booked in respect of assignment of receivables includes certain amount towards cost of future servicing of the assigned pool and an appropriate amount has been provided towards expenditure for future services. On assignment of receivables income recognised upfront for the current year is Rs. 19058.16 lacs (Previous Year: Rs. 15195.48 lacs) against which a provision for estimated loss/expenses of Rs.8051.42 lacs (Previous Year: Rs.5427.49 lacs) is made.

**b)** During the year, the provision in respect of securitisation / assignment transactions amounting to Rs.1546.07 lacs (Previous Year: Rs.766.76 lacs) considered no longer necessary is written back.

**18)** During the year, the company has acquired (a) with recourse financial portfolio of Rs. 9050.57 lacs (Previous Year: Rs. 12186.85 lacs) from Group companies for a consideration of Rs. 7500.00 lacs (Previous Year: Rs.10000.00 lacs) and (b) without recourse portfolio of Rs. 48296.16 lacs (Previous Year: Rs. 15432.48 lacs) for a consideration of Rs. 44809.11 lacs (Previous Year: Rs.13550.55 lacs) through assignment agreements. Accounting for the same is in line with the other loans against assets given by the company and interest income booked on these portfolios is Rs. 1377.66 lacs (Previous Year Rs. 81.08 lacs). The Company has received cash collateral amounting to Rs. 19395.42 lacs (Previous Year: Rs. 5373.49) against these assignments.

**19) Related Party Disclosure as per Accounting Standard 18:**

**List of the related parties which has transaction with our Company during the period:**

<b>Holding Company</b>	:	Mahindra & Mahindra Limited
<b>Subsidiary Companies</b>	:	Mahindra Insurance Brokers Limited Mahindra Rural Housing Finance Limited Mahindra Business & Consulting Services Private Limited (formerly known as Mahindra IT Consulting Private Limited)
<b>Fellow subsidiary Companies</b> Mahindra Navistar Automotives Ltd (formerly known as Mahindra International Ltd) Mahindra USA, Inc Mahindra Holidays & Resorts Ltd Mahindra Renault Pvt. Ltd. Mahindra Logistics Ltd. Bristlecone India Ltd.	:	<b>As per list given below</b> NBS International Ltd.  Mahindra First Choice Wheels Ltd. Mahindra First Choice Services Ltd. Mahindra Retail Pvt. Ltd. Mahindra Two Wheelers Private Ltd.
<b>Key Management Personnel</b>	:	Mr. Ramesh Iyer (Managing Director) Dr. Jaideep Devare (Director) (MIBL) Mr. Anuj Mehra (CEO) (MRHFL)

**Related Parties transactions are as under:**
**Rs. in lacs**

<b>Sr. No.</b>	<b>Nature of transactions</b>	<b>Holding Company</b>	<b>Fellow subsidiary Companies</b>	<b>Key Management Personnel</b>
<b>1</b>	<b>Income</b>			
	Loan income	684.36 (529.77)	190.62 (65.12)	- -
	Other income	- -	52.31 (40.18)	- -
<b>2</b>	<b>Expenses</b>			
	Interest	243.81 (524.19)	- (2.65)	- -
	Other Expenses	251.32 (127.83)	5.22 (1.51)	115.63 (118.57)
<b>3</b>	<b>Purchase of equity shares</b>	- -	1.00 -	- -
<b>4</b>	<b>Purchase of Fixed Assets</b>	554.86 (243.54)	- (6.09)	- -
<b>5</b>	<b>Sale of Fixed Assets</b>	- -	- -	- -
<b>6</b>	<b>Finance</b>			
	Unsecured Bonds placed (incl int accd)	- (2,009.45)	- -	- -
	NCD Issued	2,646.71 -	- -	- -
	Dividend paid – for previous year	3,203.28 (2,620.87)	- -	3.30 (2.70)
	Inter Corporate Deposits taken (including interest accrued but not due)	- (1,561.30)	- -	- -
	Inter Corporate Deposits given (including interest accrued but not due)	- -	1,461.70 -	- -
	Loan given (including interest accrued but not due)	- -	755.98 -	- -
<b>7</b>	<b>Stock Options</b>	- -	- -	3.44 (5.61)
<b>8</b>	<b>Other Transactions</b>			
	Reimbursement to parties	- -	75.27 (60.32)	- -
	Reimbursement from parties	- -	- -	- -
<b>9</b>	<b>Outstanding</b>			
	Receivables	204.44 (60.44)	14,708.16 (9,858.72)	- -
	Payables	80.20 (30.51)	5.12 (37.38)	- -

Figures in bracket represent corresponding figures of previous year.



- 20) In accordance with Accounting Standard 22 on Accounting for Taxes on Income the company has accounted for Deferred Asset/ Liability. The break up of the deferred tax asset as on 31st March, 2010 of Rs. 20716.82 lacs (Previous Year: Rs. 17876.85 lacs) is as under :

Rs. in lacs		
Particulars	Deferred Tax Asset / (Liability) – March 2010	Deferred Tax Asset / (Liability) - March 2009
Provision for Non Performing Assets	20267.30	17535.25
Depreciation	(50.22)	(78.07)
Other Disallowances	499.74	419.67
<b>Total</b>	<b>20716.82</b>	<b>17876.85</b>

- 21) Contingent Liability not provided for :

- Taxation matters: Demands against the Company not acknowledged as debts and not provided for, in respect of which the Company is in appeal and exclusive of assessments remaining to be completed:  
Income tax: Rs. 5252.67 lacs (Previous Year: Rs. 4478.28 lacs). These demands are met to the extent of Rs. 2781.17 lacs (Previous Year: Rs. 2070.22 lacs), partly by payment and partly by adjustment against refunds due to the company.
- Performance guarantee in respect of which the Company stands fully indemnified for the loss, if any, which would be incurred on failure, if any, to perform the guaranteed act for Rs. 200 lacs. (Previous Year: Rs. 200 lacs)
- Estimated amount of contracts remaining to be executed on Capital account Rs. 419.56 lacs (Previous Year: Rs. 94.31 lacs)
- Corporate undertaking on Securitization/Assignment Rs.62625.36 lacs (Previous Year: Rs. 45820.20 lacs).
- Legal Suits filed by the customers in Consumer Forums and Civil courts claiming compensation against company amounting to Rs. 1863.77 lacs (Previous Year: Rs. 1483.83 lacs).

- 22) The company has not issued any debentures to the public as at 31st March, 2010, hence no amount has been credited to the Debenture Redemption Reserve account during the current period.

- 23) The company has sent letters to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 seeking information for which replies are awaited. In view of this, information required under Schedule VI of the Companies Act, 1956 is not given.

- 24) Segment information as per Accounting Standard 17:

**Segment Report for the year ended March 31, 2010:**

Rs. in lacs						
Particulars	Year ended 31st March 2010			Year ended 31st March 2009		
	Financing Activities	Other reconciling items	Total	Financing Activities	Other reconciling items	Total
External Revenue	158,136.40	1,423.75	159,560.15	138,832.19	1,212.53	140,044.72
Inter Segment Revenue	374.21	3,552.79	3,927.00	116.22	1,102.15	1,218.37
Total Revenue	158,510.61	4,976.54	163,487.15	138,948.41	2,314.68	141,263.09
Segment Results (Profit before tax and after interest on Financing Segment)	52,312.42	1,711.58	54,024.00	32,488.65	958.29	33,446.94

Rs. in lacs

Particulars	Year ended 31st March 2010			Year ended 31st March 2009		
	Financing Activities	Other reconciling items	Total	Financing Activities	Other reconciling items	Total
Less: Interest on Unallocated reconciling items	N.A.	6.34	6.34	N.A.	2.13	2.13
Net Profit before tax	52,312.42	1,705.24	54,017.66	32,488.65	956.16	33,444.81
Less: Income taxes	N.A.	N.A.	18,240.34	N.A.	N.A.	11,475.85
Net profit	N.A.	N.A.	35,777.32	N.A.	N.A.	21,968.96
<b>Other information:</b>						
Segment Assets	895,428.22	482.62	895,910.84	726,452.94	424.26	726,877.20
Unallocated corporate assets	N.A.	N.A.	23,606.82	N.A.	N.A.	19,912.36
Total Assets	895,428.22	482.62	919,517.66	726,452.94	424.26	746,789.56
Segment Liabilities	734,835.75	523.81	735,359.56	598,084.10	316.25	598,400.35
Unallocated corporate liabilities	N.A.	N.A.	-	N.A.	N.A.	-
Total Liabilities	734,835.75	523.81	735,359.56	598,084.10	316.25	598,400.35
Capital Expenditure	1,517.53	17.90	1,535.43	1,465.15	12.74	1,477.89
Depreciation / Amortisation	996.44	11.28	1,007.72	873.97	9.02	882.99
Non cash expenditure other than depreciation	2,953.37	-	2,953.37	11,063.94	11.20	11,075.14

25) Previous year figures have been regrouped wherever found necessary.

### Signatures to Schedule I to XVII

For <b>B. K. Khare &amp; Co.</b> Chartered Accountants		<b>Bharat Doshi</b>	<i>Chairman</i>
		<b>Uday Y. Phadke</b>	<i>Vice Chairman</i>
		<b>Ramesh Iyer</b>	<i>Managing Director</i>
<b>Padmini Khare Kaicker</b> Partner Membership No.44784 Mumbai, 22nd April, 2010	<b>V. Ravi</b>	<b>Annavaz Pardiwala</b>	} Directors
	<i>Chief Financial Officer</i>	<i>Company Secretary</i>	
		<b>Anjanikumar Choudhari</b>	
		<b>Dhananjay Mungale</b>	
		<b>Piyush Mankad</b>	
		<b>Rama Bijapurkar</b>	
		<b>M. B. N. Rao</b>	



# CASH FLOW STATEMENT

		Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxes and contingencies		54014.11	33443.79
Add/(Less):			
Non Cash Expenses:			
Depreciation/Amortisation		1007.72	882.99
Provision for non-performing assets (net)		2919.08	11017.56
Employee Compensation Expense on account of ESOS		34.29	57.58
		3961.09	11958.13
Add/(Less):			
Income considered separately:			
Income on investing activities		(1299.21)	(496.86)
(Profit)/Loss on sale / retirement of assets		(20.27)	(5.38)
(Profit)/Loss on sale of Investment		(92.95)	(0.63)
Share Issue Expenses		0.00	21.87
Income from Assignments		(12552.82)	(10534.75)
		(13965.25)	(11015.75)
Operating profit before working capital changes	(I)	44009.95	34386.17
Less:			
(Increase)/Decrease on interest accrued invements / others		7.30	(8.60)
(Increase)/Decrease in Trade receivables		450.21	237.78
(Increase)/Decrease in Loans & Advances		(238271.54)	(110817.77)
		(237814.03)	(110588.59)
Add: Increase in Current liabilities		6018.58	3809.39
	(II)	(231795.45)	(106779.20)
Cash generated from operations	(I+II)	(187785.50)	(72393.03)
Advance taxes paid		(22101.15)	(17252.41)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(A)</b>	<b>(209886.65)</b>	<b>(89645.44)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets / Software		(2188.60)	(1485.07)
Sale of Fixed Assets		148.37	67.21
Purchase of Investments		(20338.18)	(10716.34)
Investments in Term Deposits with Banks		(814.00)	(5.50)
Sale of Investments		9809.29	954.18
Income received on Investments		1207.07	475.10
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(B)</b>	<b>(12176.05)</b>	<b>(10710.42)</b>



		Rs. in lacs MAR. 2010	Rs. in lacs MAR. 2009
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of Equity Shares (net of issue expenses)		138.02	1365.04
Increase/(Decrease) in Bank borrowings (net)		(9490.05)	2189.86
Increase/(Decrease) in long term borrowings (net)		(44062.54)	(110063.59)
Increase/(Decrease) in short term borrowings (net)		139604.36	119500.91
Increase/(Decrease) in Fixed Deposits (net)		40688.89	7241.22
Proceeds from Assignment		97127.63	83361.30
Dividend paid		(6243.89)	(5101.70)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(C)</b>	<b>217762.42</b>	<b>98493.04</b>
<b>NET INCREASE / (DECREASE) IN</b>			
<b>CASH AND CASH EQUIVALENT</b>	<b>(A+B+C)</b>	<b>(4300.28)</b>	<b>(1862.82)</b>
<b>CASH AND CASH EQUIVALENTS AS AT:</b>			
Beginning of the year	*	18826.27	20688.09
End of the year	*	14525.99	18825.27

\* Cash and Cash Equivalents does not include "Term Deposits under lien" in respect of Assignment Transactions, Term Deposits kept with Scheduled banks as Statutory Liquid Assets and Other Deposits towards Bank Guarantee against legal suits filed by the company. And includes opening balance of Rs. 1.00 lac in FY 2009-10 of Mahindra Business & Consulting Services Pvt Ltd, which became the subsidiary during the current year.

Examined and found correct

For <b>B. K. Khare and Co.</b> Chartered Accountants		<b>Bharat Doshi</b> <i>Chairman</i>	
		<b>Uday Y. Phadke</b> <i>Vice Chairman</i>	
		<b>Ramesh Iyer</b> <i>Managing Director</i>	
		<b>M. G. Bhide</b>	} Directors
		<b>Anjanikumar Choudhari</b>	
		<b>Dhananjay Mungale</b>	
		<b>Piyush Mankad</b>	
		<b>Rama Bijapurkar</b>	
		<b>M. B. N. Rao</b>	
<b>Padmini Khare Kaicker</b> Partner Membership No.44784 Mumbai, 22nd April, 2010	<b>V. Ravi</b> <i>Chief Financial Officer</i>	<b>Arnavaz Pardiwala</b> <i>Company Secretary</i>	



# DETAILS OF SUBSIDIARY COMPANIES

- 1) Mahindra Insurance Brokers Limited (MIBL)
- 2) Mahindra Rural Housing Finance Limited (MRHFL)
- 3) Mahindra Business & Consulting Services Private Limited (MBCSPL)

**Rs. in lacs**

Sr. No.	Particulars	MIBL	MRHFL	MBCSPL
a	Capital	50.00	1,371.43	1.00
b	Reserves	2,489.61	62.79	13.13
c	Total Assets	2,539.61	12,688.22	188.68
d	Total Liabilities	2,539.61	12,688.22	188.68
e	Details of Investments (excluding Investments in subsidiaries)	-	-	-
f	Turnover	3,136.07	1,630.21	1,840.61
g	Profit before taxation	1,684.92	252.07	20.30
h	Provision for taxation	577.69	33.94	6.98
i	Profit after taxation	1,107.23	218.13	13.32
j	Proposed dividend & tax thereon	58.50	16.05	-

# PAN INDIA NETWORK OF 459 OFFICES ENABLING 1.19 MILLION CUSTOMERS TO BANK ON US



No. of Offices



Mahindra & Mahindra Financial Services Limited

Sadhana House, 2nd Floor, Behind Mahindra Towers,  
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