

## Mahindra & Mahindra Financial Services Ltd NCD Issue

### Summary:

Mahindra & Mahindra Financial Services Ltd has come up with the 1st tranche of public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each and/ or Unsecured, Subordinated, Redeemable Non-Convertible Debentures of face value of Rs 1,000 for an amount of Rs 500 Crore (“Base Issue Size”)with an option to retain oversubscription up to Rs 3,000 Crore within the Shelf limit of Rs.10,000 Crore.

The issue is open for subscription from **January 04, 2019 to January 25, 2019** (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by Board of Directors of the Company (“Board”) or the NCD Public Issue Committee). The company will be paying an interest ranging between **9.00% and 9.50% p.a.** on these bonds.

The proposed NCDs issue has been rated **“CARE AAA (Triple A); Stable and ‘IND AAA; Stable’**. Instruments with this rating are considered to have highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

**Objectsof theIssue:** The Company proposes to utilise the funds which are being raised through the Issue, after deducting the Issuerelated expenses to the extent payable by the Company (“Net Proceeds”), estimated to be approximately Rs 347,853.20 lakhs, towards funding the following objects.

1. For the purpose of onward lending, financing, refinancing the existing indebtedness of our Company, longtermworking capital; and
2. General Corporate Purposes (upto 25%)

<b>Issuer</b>	Mahindra & Mahindra Financial Services Limited
<b>Issue Size</b>	Public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each and/ or Unsecured, Subordinated, Redeemable Non-Convertible Debentures of face value Of Rs 1,000 for an amount of Rs 500 Crore (“Base Issue Size”)with an option to retain oversubscription up to Rs 3,000 Crore within the Shelf limit of Rs.10,000 Crore.
<b>Issue opens</b>	<b>Friday , 04<sup>th</sup> January 2019</b>
<b>Issue closes</b>	<b>Friday , 25<sup>th</sup> January 2019</b>
<b>Allotment</b>	First Come First Serve Basis, Compulsory in demat form
<b>Face Value</b>	Rs 1000 per NCD
<b>Issue Price</b>	Rs 1000 per NCD
<b>Nature of Instrument</b>	Secured and/ or Unsecured Subordinated, Redeemable, Non-Convertible Debentures
<b>Minimum Application</b>	Rs 10,000 (10 NCDs) collectively across all Seriesand in multiple of Rs 1,000 (1 NCD) thereafter across all Series
<b>Listing</b>	NCDs are proposed to be listed on BSE
<b>Rating</b>	‘CARE AAA (Triple A); Stable’ by CARE and ‘IND AAA; Stable’ by India Ratings
<b>Security and Asset Cover</b>	The principal amount of the Secured NCDs to be issued in terms of this Tranche I Prospectus together with allinterest due on the Secured NCDs in respect thereof shall be secured by way of exclusive charge in favour of theDebenture Trustee on specific present and/or future receivables/assets as may be decided mutually by theCompany and the Debenture Trustee. The Company will create appropriate security in favour of the DebentureTrustee for the Secured NCD Holders on the assets adequate to ensure 100% asset cover for the Secured NCDs(along with the interest due thereon). No security shall be created for Unsecured NCDs.

**Issue Details**

Series	I	II	III	IV
Frequency of Interest Payment	Annual	Annual	Annual	Annual
Tenor	39 months	60 months	96 months	120 months
Coupon (%) for NCD Holders in Category I and Category II	9.00%	9.10%	9.20%	9.35%
Coupon (%) for NCD holders in Category III and Category IV	9.05%	9.15%	9.30%	9.50%
Effective Yield (per annum) for NCD holders in Category I & II	9.02%	9.12%	9.21%	9.35%
Effective Yield (per annum) for NCD holders in Category III & IV	9.07%	9.17%	9.31%	9.50%
Call/ Put Option	NA			
Redemption amount (Rs per NCD)	1000	1000	1000	1000
Redemption Date (Years from the Deemed Date of Allotment)	39 months	60 months	96 months	120 months
Nature of Indebtedness	Secured	Secured	Secured	Unsecured
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively			
In Multiples of thereafter	Rs 1,000 (1 NCD)			
Face Value / Issue Price (Rs Per NCD)	Rs 1,000			
Mode of Interest Payment	Through various options available			

**Who Can Apply?**

Category I (Institutional Investors)	Category II (Non Institutional Investors)	Category III (High Net-worth Individual, ("HNIs"), Investors)	Category IV (Retail Individual Investors)
<ol style="list-style-type: none"> <li>Public financial institutions scheduled commercial banks, Indian multilateral and bilateral development financial institution which are authorized to invest in the NCDs;</li> <li>Provident funds, pension funds with a minimum corpus of Rs 2,500 lakh, superannuation funds and gratuity funds, which are authorized to invest in the NCDs;</li> <li>Mutual Funds registered with SEBI;</li> <li>Resident Venture Capital Funds/ Alternative Investment Fund registered with SEBI subject to investment conditions applicable to them under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;</li> <li>Insurance Companies registered with IRDA;</li> <li>State industrial development corporations;</li> <li>Insurance funds set up and managed by the army, navy, or air force of the Union of India;</li> <li>Insurance funds set up and managed by the Department of Posts, the Union of India;</li> <li>Systemically Important Non- Banking Financial Company,</li> </ol>	<ol style="list-style-type: none"> <li>Companies within the meaning of section 2(20) of the Companies Act, 2013;</li> <li>Statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs;</li> <li>Co-operative banks and regional rural banks;</li> <li>Public/private charitable/ religious trusts which are authorised to invest in the NCDs;</li> <li>Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;</li> <li>Partnership firms in the name of the partners;</li> <li>Limited liability partnerships formed and registered under the provisions of</li> </ol>	<p>High Net-worth individuals which include Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10 lakhs across all series of NCDs in Issue</p>	<p>Retail Individual Investors which include Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10 lakhs across all series of NCDs in Issue</p>

<p>a nonbanking financial company registered with the Reserve Bank of India and having a net worth of more than Rs50,000 lakh as per the last audited financial statements; and</p> <p>10. National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India.</p>	<p>the Limited Liability Partnership Act, 2008 (No. 6 of 2009);</p> <p>8. Association of Persons; and</p> <p>9. Any other incorporated and/ or unincorporated body of persons.</p>		
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All categories of persons who are individuals or natural persons (including Hindu Undivided Families acting through their Karta) including without limitation HNIs and Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “Individuals”.

### Who are not eligible to apply for NCDs?

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name\*;
- Foreign nationals, NRI inter-alia including any NRIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA;
- Persons resident outside India and other foreign entities;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Qualified Foreign Investors;
- Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

\*=Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

### Allocation Ratio

QIB Portion	Corporate Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
20% of the Overall Issue Size	20% of the Overall Issue Size	30% of the Overall Issue Size	30% of the Overall Issue Size

### Credit Rating:

The NCDs proposed to be issued under this Issue have been rated ‘CARE AAA (Triple A); Stable’ for an amount of Rs 10,000 crores, by CARE and ‘IND AAA; Stable’ for an amount of Rs 10,000 crores by India Ratings. The rating of NCDs by CARE and India Ratings indicate that instruments with this rating are considered to have highest degree of safety regarding timely servicing of financial obligations and carry lowest credit risk.

**Liquidity and Exit Options:** The Bonds are proposed to be listed on the BSE.

**Allotments in case of oversubscription:** In case of an oversubscription in a category, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis in that category and thereafter on proportionate basis, i.e. full allotment of the Secured NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Secured NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchange, in each Portion).

**Company Background:**

Mahindra and Mahindra Financial Services Ltd is one of the leading non-banking finance companies with customers primarily in the rural and semi-urban markets of India. It is primarily engaged in providing financing for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles. It also provides housing finance, manage mutual funds, personal loans, financing to small and medium enterprises, insurance broking and mutual fund distribution services. In addition, it provides wholesale inventory financing to dealers and retail financing to customers in the United States for purchase of Mahindra tractors through Mahindra Finance USA LLC (MF USA), its joint venture with De Lage Landen Financial Services Inc., which is a member of the Rabobank Group. MMFSL is a part of the Mahindra group, which is one of the largest business conglomerates in India.

MMFSL has established a pan-India presence, spanning 27 states and five union territories through 1,296 offices as of 30 September 2018. It caters to the financing needs of retail customers and small and medium-sized enterprises. Its primary focus is on providing financing for purchases of auto and utility vehicles, tractors, cars, commercial vehicles and construction equipment, pre-owned vehicles, and others which accounted for 26%, 18%, 20%, 13%, 23% and 9% of estimated total value of the assets financed by the Company, respectively, for the financial year 2018. For the half-year ended 30 September 2018, financing for purchases of auto and utility vehicles; tractors; cars; commercial vehicles and construction equipment; and pre-owned vehicles, SME and others accounted for 23%, 18%, 20%, 18% and 21% of estimated total value of the assets financed by the Company, respectively. MMFSL benefits from its close relationships with dealers and its long-standing relationships with OEMs, which allow it to provide on-site financing at dealerships.

In May 2004, MMFSL started an insurance broking business through its subsidiary, Mahindra Insurance Brokers Limited (MIBL). Currently it holds 80.0% of the outstanding equity shares of MIBL and provides insurance broking solutions to individuals and corporates through MIBL. MIBL has a composite broking licence from the IRDA, which allows MIBL to undertake broking of life, non-life and reinsurance products. In October 2007, MMFSL commenced housing finance business through its registered subsidiary, Mahindra Rural Housing Finance Limited (MRHFL). MMFSL holds 89.0% of the outstanding equity shares of MRHFL. On 20 June 2013, Mahindra Asset Management Company Private Limited was incorporated and was appointed as the asset management company of the Mahindra Mutual Fund.

Mahindra & Mahindra, MMFSL's promoter and the flagship company of the Mahindra group, had a market capitalisation of Rs. 906 billion as of 30 September 2018. The Mahindra group has a strong presence in the utility vehicles, tractors, information technology, financial services, aerospace, real estate, hospitality and logistics sectors.

**Financial Performance:**

*(Rs in million)*

Particulars (Amount in Rs.Cr)	H1FY19	Fiscal 2018	Fiscal 2017	Fiscal 2016
Shareholder's Fund	9,97,978.56	991520.93	6,96,015.55	6,46,939.78
<b>Total Borrowings</b>	<b>46,49,569.96</b>	<b>4731020.39</b>	<b>40,81,105.01</b>	<b>34,04,369.39</b>

of which				
- Long-term borrowings	27,07,306.28	28,89,497.52	24,98,492.31	20,34,120.59
- Short Term Borrowings	9,04,365.76	7,77,187.24	7,21,762.80	5,21,753.18
- Current Maturities of Long Term Borrowing	10,37,897.92	10,64,335.63	8,60,849.90	8,48,495.62
Fixed Assets	11,565.54	15,238.6	13,453.06	12,907.14
Non Current Assets (excluding fixed assets)	31,73,326.87	36,54,087.15	29,84,321.75	24,25,024.87
Cash and bank balances	22,425.12	48,537.79	60,387.54	60,593.65
Current Investments	94,977.34	41,161.05	59,239.85	54,670.33
Current Assets (excluding cash and bank balances and current investments)	26,45,001.79	25,94,822.21	22,23,254.95	19,47,488.38
Current Liabilities (excluding current maturities of long term debt and short term borrowing)	2,51,273.32	4,79,458.32	2,76,798.98	1,93,256.10
Assets Under Management	59,47,296.66	64,27,182.18	54,19,688.27	46,36,063.20
Off Balance Sheet Assets	0.00	73,335.38	79,031.12	1,35,378.84
Interest Income	3,99,550.05	7,77,274.07	6,55,028.88	5,93,902.58
Finance Cost	1,78,541.73	3,40,038.47	3,16,075.05	2,84,204.58
Provisioning & Write-offs	52,495.16	1,32,735.09	1,38,955.10	1,09,819.07
Profit after tax	65,044.36	1,02,391.13	51,163.67	77,229.36
Gross NPA (%)	9.0%	7.40%	9.0%	8.0%
Net NPA (%)	6.0%	3.80%	3.6%	3.2%
Tier I Capital Adequacy Ratio (%)	15.0%	16.1%	12.8%	14.6%
Tier II Capital Adequacy Ratio (%)	5.2%	5.9%	4.4%	2.7%

**Debt Equity Ratio of the Company:**

Before the issue of debt securities as at March 31, 2018	4.2:1
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**Competitive Strengths of the company**

- Knowledge of Rural and Semi-Urban Markets
- Extensive Network of Offices
- Streamlined Approval and Administrative Procedures and Effective Use of Technology
- History of Strong Customer and Dealer Relationships
- Brand Recall and Synergies with the Mahindra Group
- Access to Cost-Effective Funding
- Experienced Management Team

**Strategy**

- Focus on the Rural and Semi-Urban Markets to Grow Market Share
- Focus on Effective Use of Technology
- Diversify Product Portfolio
- Continue to Attract and Retain Talented Employees

**Key Risk and Concerns:**

- Ability to manage credit quality;
- Interest rates and inflation in India;
- Volatility in interest rates for lending and investment operations as well as the rates at which the Company borrows from banks/financial institution;
- General, political, economic, social and business conditions in Indian and other global markets;
- Ability to successfully implement its strategy, growth and expansion plans;
- Competition from its existing as well as new competitors;
- Change in the government regulations;
- Availability of adequate debt and equity financing at commercially acceptable terms;
- Performance of the Indian debt and equity markets;
- Demand for products and services;
- Performance of the new and pre-owned vehicles industry;
- OEM and employee relationships;
- Ability to comply with certain specific conditions prescribed by the GoI in relation to its business changes in laws and regulations applicable to companies in India, including foreign exchange control regulations in India;

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